AUDIT COMMITTEE MEETING

10.00 AM THURSDAY, 1 NOVEMBER 2018

Waverley Council
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Bondi Junction NSW 1355
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AUDIT COMMITTEE MEETING

A meeting of the Waverley Council Audit Committee will be held in the Bronte Room, level 2, Waverley Council Chambers, corner of Bondi Road and Paul Street, Bondi Junction at:

10.00 am Thursday, 1 November 2018

COMMITTEE MEMBERS:

Independent Members:	Mr M Bass (Chair) Mr N Hall
Councillor Member:	Cr G Copeland Cr S Lewis (Alternate)
ATTENDEES:	Mr R McLeod – General Manager Ms U Sivanandan – Senior Internal Auditor Ms T Su – Executive Manager, Financial Waverley Ms J Worthy – Internal Ombudsman
INVITEES:	Mr G Mottau – Director, Audit and Assurance, Hill Rogers (External Auditor) Ms T Potts – Acting Executive Manager, Customer First Mr K Trinh – Executive Manager, Digital Waverley Ms D Groth – Executive Manager, People and Culture Mr M Williams – Manager, Risk & Safety
QUORUM:	Two Committee members

AGENDA

A-1811.A
Apologies

A-1811.DI
Declarations of Interest

The Chair will call for declarations of interest.

A-1811.1 **PAGE 8**
Confirmation of Minutes of Previous Meeting – 24 May 2018

Recommendation: That the Minutes of the Audit Committee Meeting of 24 May 2018 be confirmed as a true record of the proceedings of that meeting.

A-1811.2 **PAGE 12**
Draft 2017-18 Financial Statements (A18/0184)

Report from the Executive Manager, Financial Waverley on the Draft 2017–18 Financial Statements.

The audit of the financial statements is scheduled to be reported to Council at its meeting on 20 November 2018.

Recommendation: That the Committee receives and notes the Draft 2017-18 Financial Statements.

A-1811.3 **PAGE 112**
Organisation Development Program – Management Control Environment and Probity – Links to Audit, Risk and Improvement Committee Work Program (A18/0658)

Report from the General Manager about the Organisation Development Program and the work of the soon to be established Audit, Risk and Improvement Committee.

Recommendation: That the Committee:

1. Notes the components of the General Manager's organisation development program that relate to Management Control Environment, Enterprise Risk and Probity and the work of the current Audit Committee and its successor, the Audit, Risk and Improvement Committee.

2. Endorses the proposed framework of areas of activity outlined in this report as the basis for the work program for the Audit, Risk and Improvement Committee.

A-1811.4 **PAGE 116**
Establishment of Audit, Risk and Improvement Committee (A18/0658)

Report from the Internal Ombudsman about the timeframe for Council's transition to an Audit, Risk and Improvement Committee.

Recommendation: That the Committee:

1. Supports Council's early adoption of the proposed requirement to establish an Audit, Risk and Improvement Committee to succeed Council's current committee.

2. Endorses the proposed timeline for the transition to the Audit, Risk and Improvement Committee as shown in Table 1 of this report.

A-1811.5 **PAGE 135**
Internal Audit Plans 2018-2022 (A10/0345-02)

Report from the Senior Internal Auditor about the Internal Audit Plans 2108-2022.

Recommendation: That the Committee:

1. Endorses the Four-Year Internal Audit Plan 2018-2022.

2. Endorses the Annual Internal Audit Plan for 2018/2019.

A-1811.6 **PAGE 144**
Progress Report on the Work of the Internal Audit Function (A10/0345-02)

Report from the Senior Internal Auditor about the progress with the Internal Audit function.

Recommendation: That the Committee note the progress of the Internal Audit function.

A-1811.7 **PAGE 148**
Internal Audit Report – Follow-up Review of On-Street Parking (2011) (A10/0631)

Report from the Senior Internal Auditor about a follow up review of on-street parking.

Recommendation: That:

1. The Attachment to this report be treated as confidential in accordance with section 6.4(d) of the Audit Committee Charter for the following reasons:

   (a) It contains commercial information of a confidential nature that would, if disclosed, prejudice the commercial position of the person who supplied it.

(b) It is not in the public interest to reveal commercially sensitive information about Council's internal operations and business interests that, if disclosed, may prejudice the effective operation of Council.

2. The correspondence and reports relevant to the subject business be withheld from the public, as provided by section 6.4 of the Audit Committee Charter.

3. The Committee endorses the Management Agreed Actions contained in the Confidential Attachment.

A-1811.8 **PAGE 149**

Internal Audit Report – Review of Payroll Process

Report from the Senior Internal Auditor about a review of the payroll process.

Council's Executive Leadership Team (ELT) have reviewed the Confidential Attachment to this report and consider there to be significant risk potential in this area.

ELT have requested the Audit Committee to note that ELT has required the Executive Manager, People and Culture to prepare a report in six month's time on progress in implementing the Management Agreed Actions contained in the Confidential Attachment.

ELT also requested the Audit Committee to note that the recommendation to transfer the administrative responsibility for the CHRIS 21 system to Digital Waverley or any other appropriate alternative will be further considered and subject to review.

Recommendation: That:

1. The Attachment to this report be treated as confidential in accordance with section 6.4(d) of the Audit Committee Charter for the following reasons:

   (a) It contains commercial information of a confidential nature that would, if disclosed, prejudice the commercial position of the person who supplied it.

   (b) It is not in the public interest to reveal commercially sensitive information about Council's internal operations and business interests that, if disclosed, may prejudice the effective operation of Council.

2. The correspondence and reports relevant to the subject business be withheld from the public, as provided by section 6.4 of the Audit Committee Charter.

3. Notes the comments from the Executive Leadership Team regarding the report.

4. The Committee endorses the Management Agreed Actions contained in the Confidential Attachment.

A-1811.9 **PAGE 150**

Scope for Audit of Information and Technology Systems (A18/0665)

Progress report from the Executive Manager, Digital Waverley on the audit of Council's Information and Technology Systems.

This matter was last considered by the Committee at its meeting in May 2018. At that meeting the Committee resolved in part that the Executive Manager, Digital Waverley provide progress reports to every Committee meeting, and that the consultant's final audit report be presented to the Committee.

Recommendation: That the Committee notes the progress of the Audit of Information and Technology Systems as outlined in this report.

A-1811.10 **PAGE 152**

Enterprise Risk Management (A14/0211)

Update report from the Manager, Risk and Safety about the implementation of an Enterprise Risk Management Framework.

This matter was last considered by the Committee at its meeting in May 2018. At that meeting the Committee requested the Manager, Risk and Safety to provide an update to the Committee at this meeting, particularly on the development of the Risk Register and Business Continuity Plan.

Recommendation: That the Committee notes the activities undertaken in the enterprise risk management field and the Enterprise Risk Management Policy attached to this report.

A-1811.11 **PAGE 162**

NSW Audit Office Fraud Control Practice Survey (A07/0944)

This matter was last considered by the Committee at its meeting in May 2018. At that meeting the Committee requested that Council's response to the survey be presented to the Committee at this meeting.

Recommendation: That the Committee notes Council participated in the NSW Audit Office's Fraud Control Practice Survey.

A-1811.12 **PAGE 163**
Register of Management Actions (SF18/416)

This matter was last considered by the Committee at its meeting in May 2018. At that meeting the Committee resolved that the template be redrafted, populated and presented to the Committee at this meeting.

Recommendation: That the Committee approves the format of the Register of Management Actions template attached to the agenda.

A-1811.13 **PAGE 165**
Audit Committee's Annual Report to Council 2018 (A09/1105)

Report from the Chairs of the Audit Committee on the Committee's activities for the period September 2017 to October 2018.

Recommendation: That the Committee endorses the Audit Committee's Annual Report to Council 2018 from the Chairs of the Committee attached to this report.

A-1811.14
Next Meeting of the Committee

The next meeting of the Committee is proposed to be held on:

- Thursday, 28 February 2019 at 10.00 am.

Meeting dates for the remainder of 2019 will be considered at the February meeting.

Recommendation: That the Committee receives and notes this information.

MINUTES OF THE WAVERLEY COUNCIL AUDIT COMMITTEE MEETING HELD AT THE MILL HILL CENTRE ON THURSDAY 24 MAY 2018

Voting Members Present:

Mr N Hall	Independent Member (Chair)
Cr G Copeland	Waverley Council

Also Present:

Cr D Wy Kanak	Waverley Council
Ms U Sivanandan	Internal Auditor
Mr R Coelho	Acting Internal Ombudsman
Mr G Mottau	Director, Audit and Assurance, Hill Rogers
Ms T Su	Executive Manager, Financial Waverley
Mr K Trinh	Executive Manager, Digital Waverley
Ms A Trubenbach	Executive Manager, Caring Waverley
Ms D Groth	Executive Manager, People and Culture
Mr M Williams	Manager, Risk & Safety

At the commencement of proceedings at 10.07 am, those present were as listed above with the exception of Cr Wy Kanak who arrived at 10.36am.

A-1805.A
Apologies

Apologies were received and accepted from Mr M Bass (Independent Member) and Mr P Monks (Acting General Manager) and Ms C Egri (Manager, Children's Services).

A-1805.DI
Declarations of Interest

The Chair called for declarations of interests and none were received.

A-1805.1
Confirmation of Minutes of Previous Meeting – 23 February 2018

DECISION: That the minutes of the Audit Committee Meeting of 23 February 2018, a copy of which was distributed to each Committee member, be received and noted, and that such minutes be confirmed as a true record of the proceedings of that meeting.

A-1805.2
2017–18 Client Service Plan (A18/0184)

Presentation from the External Auditor on the 2017–18 Client Service Plan. The discussion referred briefly to the NSW Auditor-General's Local Government Audit 2016–17 also attached to the agenda as part of this item.

DECISION: That:

1. The Committee endorses the 2017-18 Client Service Plan.

2. In future the Annual Financial Statements be submitted to the Committee before they are presented to Council.

3. The Governance Framework currently being drafted be presented to the Committee at its next meeting.

4. Council's response to the Auditor General's fraud control survey be presented to the Committee at its next meeting.

A-1805.3
Status of Audits in the Annual Audit Plan 2017/2018 as at 18 May 2018 (A10/0345-02)

Report from the Internal Auditor on the Status of Audits in the Annual Audit Plan 2017/2018 as at 18 May 2018.

DECISION: That:

1. The Committee notes the progress of the Internal Audit function's work.

2. An updated Annual Audit Plan be presented to the Committee at its next meeting.

3. The Internal Auditor provide an updated 3 year Audit Plan to the Committee Chairs and Cr Copeland as soon as it is available.

A-1805.4
CONFIDENTIAL REPORT – Internal Audit Report – Purchasing Processes in Children's Services (A18/0106)

Confidential Internal Audit report dated April 2018 from the Internal Auditor on Purchasing Processes in Children's Services.

DECISION: That:

1. The report be treated as confidential in accordance with section 6.4(d) of the Audit Committee Charter for the following reasons:

(a) The report contains commercial information of a confidential nature that would, if disclosed, prejudice the commercial position of the person who supplied it.

(b) It is not in the public interest to reveal commercially sensitive information about Council's internal operations and business interests that, if disclosed, may prejudice the effective operation of Council.

2. The correspondence and reports relevant to the subject business be withheld from the public, as provided by section 6.4 of the Audit Committee Charter.

3. The Committee endorses the Management Agreed Actions contained in the report.

4. The draft policy on credit/purchasing cards be presented to the Committee.

A-1805.5
Scope for Audit of Information and Technology Systems (A18/0106)

Report from the Executive Manager, Digital Waverley on the brief for the Audit of Council's Information and Technology Systems, as requested by the Committee at its meeting on 23 February 2018.

DECISION: That:

1. The Committee adopts the scope for the Audit of Information and Technology Systems as outlined in the report.

2. The Executive Manager, Digital Waverley provide progress reports to each Committee meeting.

3. The consultant's final audit report be presented to the Committee.

A-1805.6
Draft Template for the Register of Management Actions (SF18/416)

The draft Register of Management Actions template was attached to the agenda as requested by the Committee at its previous meeting.

DECISION: That the template be redrafted and populated and presented to the Committee at its next meeting.

A-1805.7
Risk Management Update and Risk Workshop (A14/0211)

The Manager, Risk and Safety provided information on risk management, including the risk workshop.

DECISION: That the Committee requests the Manager, Risk and Safety to provide an update to the Committee at its next meeting particularly on the development of the Risk Register and Business Continuity Plan.

A-1805.8
Next Meeting of the Committee

DECISION: That the next meeting of the Committee be held on Thursday, 11 October 2018 at 10.00 am, subject to the availability of Committee members.

A-1805.9 **GENERAL BUSINESS**

There were no matters of General Business.

THE MEETING CLOSED AT 1.15 PM.

REPORT
A-1811.2

Subject: **Draft 2017-18 Financial Statements**

TRIM No.: A18/0184

Author: Teena Su, Executive Manager Financial Waverley

RECOMMENDATION:

That the Committee receives and notes the attached draft 2017/18 Financial Statements.

1. Executive Summary

The purpose of this report is to table the draft Annual Financial Statements for the year ended 30 June 2018 which presented to the Council on 27 September 2018, to the Audit Committee.

2. Introduction/Background

Section 413 of the *Local Government Act 1993* (the Act) requires a council to prepare financial reports for each year, and to refer them for audit as soon as practical and resolve to refer the Draft Annual Financial Statements for Audit.
The Draft Annual Financial Statements incorporate the:

- General Purpose Income Statement.
- General Purpose Statement of Comprehensive Income.
- General Purpose Balance Sheet.
- General Purpose Statement of Changes in Equity.
- General Purpose Statement of Cash Flows.
- Special Purpose Income Statement for Council's Other Business Activities.
- Special Purpose Balance Sheet for Council's Other Business Activities.

3. Discussion

On 27 September 2018, Council approved the Draft Annual Financial Statements be referred for audit.

The draft results for the 2017/18 financial year show that Council's operating result for the year was a surplus of $17.897 million, and that Council continues to maintain a sound financial position as shown by the following summary of the income statement, balance sheet, cash and cash investments balance.

Income Statement - $million	2017/18	2016/17	% Change Better/(Worse)
• Total income from continuing operations	$144.413m	$138.106m	4.6%
• Total expenses from continuing operations	$126.516m	$126.933m	0.3%
• Operating surplus from continuing operations	$17.897m	$11.173m	60.2%

Balance Sheet - $million	2017/18	2016/17	% Change Better/(Worse)
• Total Assets	$1,275.794m	$1,259.116m	1.4%
• Total Liabilities	$41.100m	$41.319m	0.5%
• Net Assets	$1,235.694m	$1,217.797m	1.5%

Financial Overview -$million	2017/18	2016/17	% Change Better/(Worse)
• Operating Surplus	$17.897m	$11.173m	60.2%
• Net Assets(Equity)	$1,235.694m	$1,217.797m	1.5%
•Cash & Cash Investments	$171.782m	$157.727m	8.9%

The audit is progressing to its final stage for the 2017/18 financial year. During the audit process, we made two amendments to the Draft Statements which have impacted on the above draft results and other administrative amendments. The two amendments with financial impact are as following:

a. $485k working in progress (WIP) Asset write off from two capital projects. Those two projects were feasibility or maintenance works which did not attribute to build asset.
b. $300k RMS Capital grant recognition be corrected to the offset Balance Sheet Accrued Income opening balance.

These have resulted a reduction in both Operating Surplus and Net Assets (Equity) by $784k as illustrated in table below:

Revised Financial Overview - $million	Changes from	Changed to	Increase/(Decrease)
Net Operating Result	$17.897m	$17.113m	($784k)
Net Assets (Equity)	$1,235.694m	$1,234.910m	($784k)

4. Financial impact statement/Timeframe/Consultation

Timeframe

31 October 2018

Audited Financial Statements, including the Auditors Report, and the Financial Data Return to be lodged with OLG: s 417(5).

20 November 2018

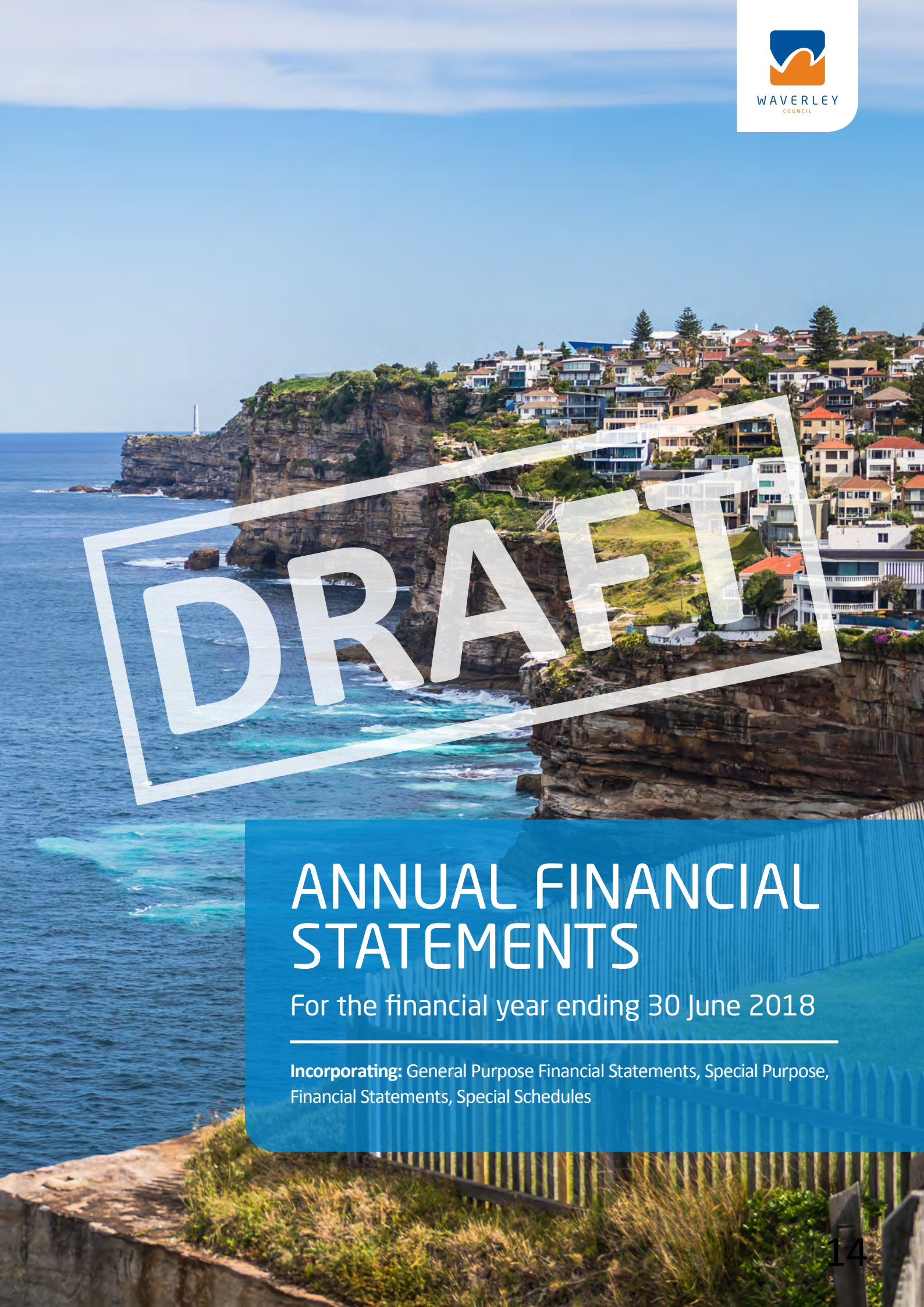
Council's Auditors report on the Annual Financial Statements is formally presented to Council.

5. Conclusion

The Executive Manager, Financial Waverley, as the Responsible Accounting Officer, advises that Audit Committee of the 2017/18 financial statements audit is progressing well.

6. Attachments

- Draft financial statements



WAVERLEY
COUNCIL

ANNUAL FINANCIAL STATEMENTS

For the financial year ending 30 June 2018

Incorporating: General Purpose Financial Statements, Special Purpose, Financial Statements, Special Schedules

Waverley Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

"We are united by a common passion for our beautiful home between the city and the sea."

Waverley Council

General Purpose Financial Statements
for the year ended 30 June 2018

Contents

Page

1. Understanding Council's Financial Statements 2

2. Statement by Councillors and Management 3

3. Primary Financial Statements:

– Income Statement 4
– Statement of Comprehensive Income 5
– Statement of Financial Position 6
– Statement of Changes in Equity 7
– Statement of Cash Flows 8

4. Notes to the Financial Statements 9

5. Independent Auditor's Reports:

– On the Financial Statements (Sect 417 [2])
– On the Conduct of the Audit (Sect 417 [3])

Overview

Waverley Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

Cnr. Paul St and Bondi Rd
Bondi Junction NSW 2022

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.waverley.nsw.gov.au.

Waverley Council

General Purpose Financial Statements
for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2018.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the financial statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the Audit Report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

Waverley Council

General Purpose Financial Statements
for the year ended 30 June 2018

Statement by Councillors and Management
made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

The attached General Purpose Financial Statements have been prepared in accordance with:

- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these financial statements:

- present fairly the Council's operating result and financial position for the year,
- accord with Council's accounting and other records.

We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 27 September 2018.

John Wakefiled
Mayor
27 September 2018

Dominic Wy Kanak
Councillor
27 September 2018

Ross McLeod
General Manager
27 September 2018

Teena Su
Responsible Accounting Officer
27 September 2018

Waverley Council

Income Statement
for the year ended 30 June 2018

Original unaudited budget 2018	$ '000	Notes	Actual 2018	Actual 2017
	Income from continuing operations			
	Revenue:			
58,970	Rates and annual charges	3a	59,104	57,375
36,141	User charges and fees	3b	35,575	34,230
3,771	Interest and investment revenue	3c	4,583	4,481
17,044	Other revenues	3d	18,361	20,448
8,183	Grants and contributions provided for operating purposes	3e,f	8,020	9,521
13,550	Grants and contributions provided for capital purposes	3e,f	10,671	8,663
	Other income:			
1,360	Net gains from the disposal of assets	5	–	–
–	Fair value increment on investment property	10	8,099	3,388
139,019	Total income from continuing operations		144,413	138,106
	Expenses from continuing operations			
62,474	Employee benefits and on-costs	4a	55,865	58,268
122	Borrowing costs	4b	120	142
23,573	Materials and contracts	4c	22,266	22,975
22,281	Depreciation and amortisation	4d	19,902	19,211
22,169	Other expenses	4e	24,984	22,295
–	Net losses from the disposal of assets	5	3,379	4,042
130,619	Total expenses from continuing operations		126,516	126,933
8,400	Operating result from continuing operations		**17,897**	**11,173**
8,400	Net operating result for the year		17,897	11,173
8,400	Net operating result attributable to Council		17,897	11,173
(5,150)	Net operating result for the year before grants and contributions provided for capital purposes		7,226	2,510

Waverley Council

Statement of Comprehensive Income
for the year ended 30 June 2018

$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		**17,897**	**11,173**
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	–	32,835
Total items which will not be reclassified subsequently to the operating result		**–**	**32,835**
Total other comprehensive income for the year		**–**	**32,835**
Total comprehensive income for the year		17,897	44,008
Total comprehensive income attributable to Council		17,897	44,008

Waverley Council

Statement of Financial Position
as at 30 June 2018

$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	18,213	14,505
Investments	6b	136,069	129,222
Receivables	7	6,767	8,476
Other	8	817	954
Total current assets		**161,866**	**153,157**
Non-current assets			
Investments	6b	17,500	14,000
Receivables	7	2,117	1,604
Infrastructure, property, plant and equipment	9	940,516	944,410
Investment property	10	154,795	145,945
Total non-current assets		**1,114,928**	**1,105,959**
TOTAL ASSETS		1,276,794	1,259,116
LIABILITIES			
Current liabilities			
Payables	11	20,854	18,176
Income received in advance	11	1,419	1,288
Borrowings	11	412	815
Provisions	12	14,555	16,462
Total current liabilities		**37,240**	**36,741**
Non-current liabilities			
Borrowings	11	3,346	3,758
Provisions	12	514	820
Total non-current liabilities		**3,860**	**4,578**
TOTAL LIABILITIES		41,100	41,319
Net assets		1,235,694	1,217,797
EQUITY			
Accumulated surplus	13	704,302	686,405
Revaluation reserves	13	531,392	531,392
Total equity		1,235,694	1,217,797

Waverley Council

Statement of Changes in Equity
for the year ended 30 June 2018

$ '000	Notes	2018 Accumulated surplus	2018 IPP&E revaluation reserve	2018 Total equity	2017 Accumulated surplus	2017 IPP&E revaluation reserve	2017 Total equity
Opening balance		686,405	531,392	**1,217,797**	674,330	499,459	**1,173,789**
Net operating result for the year prior to correction of errors and changes in accounting policies		**17,897**	**–**	**17,897**	11,173	–	**11,173**
Net operating result for the year		**17,897**	**–**	**17,897**	**11,173**	**–**	**11,173**
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9a	–	–	**–**	–	32,835	**32,835**
Other comprehensive income		**–**	**–**	**–**	**–**	**32,835**	**32,835**
Total comprehensive income (c&d)		**17,897**	**–**	**17,897**	**11,173**	**32,835**	**44,008**
Transfers between equity items		–	–	**–**	902	(902)	**–**
Equity – balance at end of the reporting period		**704,302**	**531,392**	**1,235,694**	**686,405**	**531,392**	**1,217,797**

This statement should be read in conjunction with the accompanying notes.

Waverley Council

Statement of Cash Flows
for the year ended 30 June 2018

Original unaudited budget 2018	$ '000	Notes	Actual 2018	Actual 2017
	Cash flows from operating activities			
	Receipts:			
59,042	Rates and annual charges		59,445	56,843
36,222	User charges and fees		37,952	36,976
3,794	Investment and interest revenue received		4,431	3,597
21,646	Grants and contributions		19,132	17,986
–	Bonds, deposits and retention amounts received		306	342
17,089	Other		22,295	23,805
	Payments:			
(53,640)	Employee benefits and on-costs		(58,460)	(57,016)
(31,348)	Materials and contracts		(26,476)	(25,897)
(145)	Borrowing costs		(122)	(133)
–	Bonds, deposits and retention amounts refunded		(126)	(178)
(22,102)	Other		(23,377)	(22,415)
30,558	**Net cash provided (or used in) operating activities**	14b	34,998	33,910
	Cash flows from investing activities			
	Receipts:			
–	Sale of investment securities		126,538	164,910
1,360	Sale of investment property		–	–
–	Sale of infrastructure, property, plant and equipment		845	5,729
	Payments:			
(3,848)	Purchase of investment securities		(136,675)	(180,822)
–	Purchase of investment property		(751)	(251)
(36,945)	Purchase of infrastructure, property, plant and equipment		(20,432)	(24,268)
(39,433)	**Net cash provided (or used in) investing activities**		(30,475)	(34,702)
	Cash flows from financing activities			
	Receipts:			
–	Proceeds from borrowings and advances		–	2,200
	Payments:			
(815)	Repayment of borrowings and advances		(815)	(960)
(815)	**Net cash flow provided (used in) financing activities**		(815)	1,240
(9,690)	**Net increase/(decrease) in cash and cash equivalents**		3,708	448
20,900	Plus: **cash and cash equivalents – beginning of year**	14a	14,505	14,057
11,210	**Cash and cash equivalents – end of the year**	14a	18,213	14,505
	Additional Information:			
	plus: **Investments on hand – end of year**	6b	153,569	143,222
	Total cash, cash equivalents and investments		171,782	157,727

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Basis of preparation	10
2(a)	Council functions/activities – financial information	14
2(b)	Council functions/activities – component descriptions	15
3	Income from continuing operations	18
4	Expenses from continuing operations	24
5	Gains or losses from the disposal of assets	28
6(a)	Cash and cash equivalent assets	28
6(b)	Investments	29
6(c)	Restricted cash, cash equivalents and investments – details	30
7	Receivables	31
8	Inventories and other assets	32
9(a)	Infrastructure, property, plant and equipment	33
9(b)	Externally restricted infrastructure, property, plant and equipment	35
10	Investment property	36
11	Payables and borrowings	38
12	Provisions	41
13	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	43
14	Statement of cash flows – additional information	44
15	Interests in other entities	45
16	Commitments for expenditure	46
17	Contingencies and other liabilities/assets not recognised	47
18	Financial risk management	50
19	Material budget variations	54
20	Fair value measurement	56
21	Related party transactions	65
22	Statement of developer contributions	67
23(a)	Statement of performance measures – consolidated results	68
	Additional council disclosures (unaudited)	
23(b)	Statement of performance measures – consolidated results (graphs)	70
24	Financial review and commentary	72
25	Council information and contact details	73

n/a – not applicable

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 27/09/2018.

Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not-for-profit entity for the purpose of preparing these financial statements.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Full dollars have been used in Note 21 Related party disclosures in relation to the disclosure of specific related party transactions.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 19 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

There have been no new (or amended) accounting standards adopted by Council in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

(b) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of infrastructure, property, plant and equipment and investment property.

(c) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

(i) estimated fair values of investment properties –refer Note 10,

(ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,

(iii) employee benefit provisions – refer Note 12.

Significant judgements in applying the Council's accounting policies

(iv) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and other assets received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General purpose operations

(b) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (NSW) (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets received by the Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and other assets subject to Council's control have been included in these reports.

The following Trust monies and other assets are held by Council but are not considered to be under the control of Council and therefore are excluded from these financial statements:

- Staff Charitable Funds

A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

Effective for annual reporting periods beginning on or after 1 July 2018

- AASB 9 *Financial Instruments*

This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

Effective for annual reporting periods beginning on or after 1 July 2019

- AASB 15 *Revenue from Contracts with Customers,* AASB 1058 *Income of Not-for-Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- AASB 16 *Leases*

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.
A corresponding right-of-use asset will also be recognised over the lease term.
Council has not elected to apply any pronouncements before their operative date in these financial statements.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 2(a). Council functions/activities – financial information

$ '000	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
Functions/activities	**Income from continuing operations**		**Expenses from continuing operations**		**Operating result from continuing operations**		**Grants included in income from continuing operations**		**Total assets held (current and non-current)**	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Asset Management Services	17,589	13,628	26,474	23,250	(8,885)	(9,622)	1,779	1,908	322,419	322,084
Beach Services, Maintenance & Safety	655	765	5,574	5,453	(4,919)	(4,688)	4	6	286	371
Cemetery Services	1,256	1,713	1,270	1,170	(14)	543	49	115	49,697	50,355
Child Care Services	7,398	7,353	7,551	7,500	(153)	(147)	3,049	3,022	6,573	6,501
Community Services	665	947	1,883	2,110	(1,218)	(1,163)	384	486	160,953	164,225
Corporate Support Services	52,332	51,594	11,990	12,374	40,342	39,220	2,199	2,867	69,958	46,467
Cultural Services	573	587	4,043	4,193	(3,470)	(3,606)	1	8	–	10
Customer Services & Communication	1	2	1,281	1,201	(1,280)	(1,199)	–	–	–	1,249
Development, Building & Health Services	13,612	12,015	9,943	10,210	3,669	1,805	176	–	15,658	11,009
Emergency Management Services	38	45	214	223	(176)	(178)	–	–	1,029	1,072
Environmental Services	619	511	2,175	2,890	(1,556)	(2,379)	367	273	731	1,026
Governance, Integrated Planning & Community Engagement	8	6	4,850	5,444	(4,842)	(5,438)	5	–	–	–
Library Services	281	384	3,618	3,708	(3,337)	(3,324)	226	331	39,891	40,783
Parking Services	26,140	26,664	9,972	9,308	16,168	17,356	–	–	13,338	13,951
Parks Services & Maintenance	112	104	7,757	9,687	(7,645)	(9,583)	–	–	172,331	171,690
Place Management	630	555	689	615	(59)	(60)	–	–	–	–
Recreation Services	18	359	428	461	(410)	(102)	13	347	277	256
Regulatory Services	1,006	221	1,276	1,638	(270)	(1,417)	–	–	–	–
Social & Affordable Housing	984	496	1,838	4,336	(854)	(3,840)	–	–	51,307	52,308
Traffic & Transport Services	–	–	10	3	(10)	(3)	–	–	42,078	43,068
Urban Open Space Maintenance & Accessibility	537	1,084	4,188	1,547	(3,651)	(463)	–	–	318,264	322,730
Waste Services	19,959	19,073	19,492	19,612	467	(539)	95	105	12,004	9,961
Total functions and activities	**144,413**	**138,106**	**126,516**	**126,933**	**17,897**	**11,173**	**8,347**	**9,468**	**1,276,794**	**1,259,116**

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 2(b). Council functions/activities – component descriptions

Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:

Asset Management Services
This service includes planning for renewal of assets, financial management and project delivery of works on vital infrastructure. The Service contributes to every aspect of Council's operations, to our ability to deliver our services cost effectively and to the community's social, environmental and economic well being.

Beach Services, Maintenance & Safety
This service includes beach safety, beach maintenance and cleaning and also supports voluntary surf lifesaving clubs.

Cemetery Services
This service currently includes interment of ashes and remains at two sites, Waverley and South Head. Waverley Cemetery is a fully operational Cemetery with sales in excess of $1million per annum.

Child Care Services
Providing quality, affordable long day care and family day care for children aged 0-5 as well as parenting programs and counselling for families.

Community Services
Council provides a range of community services within Waverley in addition to supporting a broad range of community organisations. Our services and support for other groups and agencies ensure that the community has access to relevant, accessible and affordable facilities, spaces, programs and activities.

Corporate Support Services
This service includes a range of professional support services for financial planning and management, workforce planning, organisational development and performance management, business systems improvement, risk management and insurance, procurement, telecommunications and IT and special projects to support the Executive in customer service and organisational review.

Cultural Services
Council provides and supports a range of activities that celebrate and strengthen an appreciation or our cultural heritage and diversity.

Customer Services & Communication
This area is responsible for ensuring that customer service is provided in a professional, friendly and timely way, and that our community is informed about Council's plans, initiatives, services and activities.Provide additional information about the objectives of each function or activity...

Development, Building & Health Services
This service involves preparing new Local Environmental Plans, Development Control Plans and Planning Strategies relating to future land use planning and heritage conservation.

It also assesses and determines development applications in accordance with the EP&A Act and provides Council with a digital mapping service.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 2(b). Council functions/activities – component descriptions (continued)

Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:

Emergency Management Services
Waverley and Woollahra have a joint relationship in funding and supporting the local SES unit and it is a requirement under the NSW State Emergency Act.

Environmental Services
This is a growing service area covering all aspects of the aquatic, biological and air enviroments. Its sub-services are specifically geared to meet the requirements of our Environmental Action Plan 2 (EAP2) adopted in February 2010. EAP2 is a key element of Waverley's resourcing strategy for Waverley Togethor 2.

Governance, Integrated Planning & Community Engagement
This service is designed to ensure we can engage with our community in an open and responsive way, discussing and making decisions with them about their future on the basis of sound and balanced judgement and policies. It also ensures that we can be properly held to account for planning decisions and for the efficiency and effectiveness of the services we deliver.

Library Services
The Library offers information, recreation and entertainment as well as opportunities for people to train, learn or simply interact with neighbours and friends. The Library is a major education and community capacity building resource.

Parking Services
This service provides substantial community safety and amenity by ensuring that our very limited supply of public parking opportunities (limited relative to demand) is shared fairly by all. This service is more effectively delivered if its implemented in close conjunction with Environmental Services and Traffic and Transport Services.

Parks Services & Maintenance
This service maintains and cares for Council's 99 parks. The park and reserves are divided into a numberof categories including regional parks, coastal reserves, small parks, pocket parks, linkages and remnant vegetation.

Place Management
Bondi Beach and Bondi Junction are important places for Waverley residents and for the wider Sydney community. They contain a world famous beach and one of Sydney's most vibrant retail precincts and play a significant role in delivering recreational and commercial experiences to the region. A Place Management approach has been adopted to allow Council to give special focus to these areas, as well as ensuring that our smaller retail villages continue thrive.

An ongoing challenge for the Place Managers is to find the right balance between the needs of visitors, residents and the business sector.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 2(b). Council functions/activities – component descriptions (continued)

Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:

Recreation Services
This includes all aspects of sport and active leisure, from broad LGA-wide planning, through to the detailed design and construction of specific facilities. A newly emerging area is sports facilities management, programming and maintenance.

Regulatory Services
In the summer season there is an increased demand for this service due to the large influx of visitors. Core areas of focus are:

- Monitoring building sites to ensure adequate pollution control is in place
- Ensuring companion animals are effectively and responsibly managed and cared for in accordance with the Companion Animals Act and Regulation
- Providing education material and information to the public investigating reports of abandoned vehicles and removing them in accordance with Impounding Act
- The quantitative volume of noise, time, place and the frequency of the noise

Social & Affordable Housing
This service includes creating and managing secure housing for local people on very low incomes in addition to providing medium term accomodation at subsidised rents to those on low-to-middle income levels.

Traffic & Transport Services
This service helps ensure that traffic flows as smoothly, efficiently and safely in Waverley as is possible, given the very small amount of road space we have to share, relative to the very high demand of the residents and visitors who use it.

The service also functions to help provide as many alternatives as possible to private car use including planning and design of pedestrian and cycling routes, and negotiation with the community and other levels of government for improved traffic and parking distribution systems such as residential preferred parking schemes.

Urban Open Space Maintenance & Accessibility
This service maintains the roads, footpaths, drains, trees and grass along the 123.46 km of local and regional roads within Waverley Council.

Waste Services
This service provides waste and recycling collection services to 28,500 residential properties as well as a commercial collection to businesses within Waverley Council.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations

$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	31,152	30,409
Business	11,728	11,444
Total ordinary rates	**42,880**	**41,853**
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	16,166	15,466
Section 611 charges	58	56
Total annual charges	**16,224**	**15,522**
TOTAL RATES AND ANNUAL CHARGES	59,104	57,375

Council has used 2017 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and annual charges

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Waste management services (non-domestic)	3,407	3,141
Total specific user charges	**3,407**	**3,141**
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Hoarding/crane permits	1,326	1,420
Planning and building regulation	2,717	2,199
Section 149 certificates (EPA Act)	216	234
Section 603 certificates	115	129
Total fees and charges – statutory/regulatory	**4,374**	**3,982**

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

$ '000	2018	2017
(b) User charges and fees (continued)		
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Admission and service fees	337	169
Bus shelter fees	1,411	1,372
Car parking fees	5,815	5,981
Car parking meter income	11,222	10,824
Cemeteries	1,189	1,511
Child care	4,304	4,271
Leaseback fees – Council vehicles	135	133
Park rents	513	499
Restoration charges	181	291
Road opening permits	186	106
Temporary truck zone permit	1,595	1,101
Other	906	849
Total fees and charges – other	**27,794**	**27,107**
TOTAL USER CHARGES AND FEES	35,575	34,230

Accounting policy for user charges and fees
User charges and fees are recognised as revenue when the service has been provided.

(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	130	146
– Cash and investments	4,281	4,152
Fair value adjustments		
– Fair valuation movements in investments (at fair value or held for trading)	172	183
TOTAL INTEREST AND INVESTMENT REVENUE	4,583	4,481
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	130	146
General Council cash and investments	4,308	4,077
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	52	54
Domestic waste management operations	79	141
Restricted investments/funds – internal:		
Internally restricted assets	14	63
Total interest and investment revenue recognised	**4,583**	**4,481**

Accounting policy for interest and investment revenue
Interest income is recognised using the effective interest rate at the date that interest is earned.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

$ '000	Notes	2018	2017
(d) Other revenues			
Rental income – investment property	10	2,377	2,497
Rental income – other council properties		5,304	5,191
Ex gratia rates		23	23
Fines		158	206
Fines – parking		8,921	9,400
Legal fees recovery – rates and charges (extra charges)		6	–
Legal fees recovery – other		194	236
Insurance claim recoveries		200	565
Recycling income (non-domestic)		193	211
Sale of abandoned vehicles		1	1
Sales – general		99	121
Other		885	1,997
TOTAL OTHER REVENUE		18,361	20,448

Accounting policy for other revenue

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

Rental income is accounted for on a straight-line basis over the lease term.

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

Other income is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	749	2,423	–	–
Financial assistance – local roads component	207	421	–	–
Payment in advance – future year allocation				
Financial assistance – general component	775	–	–	–
Financial assistance – local roads component	224	–	–	–
Other				
Pensioners' rates subsidies – general component	167	187	–	–
Other grants	220	340	–	–
Total general purpose	**2,342**	**3,371**	**–**	**–**
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	95	105	–	–
Child care	3,049	3,022	–	–
Community care	459	486	–	–
Community centres	–	–	–	40
Employment and training programs	4	6	–	–
Environmental protection	285	271	–	–
Library	91	49	–	–
Library – per capita	136	134	–	–
Recreation and culture	–	3	–	347
Street lighting	185	181	–	–
Transport (roads to recovery)	402	464	–	–
Transport (other roads and bridges funding)	32	294	1,253	660
Other	14	35	–	–
Total specific purpose	**4,752**	**5,050**	**1,253**	**1,047**
Total grants	**7,094**	**8,421**	**1,253**	**1,047**
Grant revenue is attributable to:				
– Commonwealth funding	5,869	6,529	–	337
– State funding	1,225	1,888	1,253	710
– Other funding	–	4	–	–
	7,094	**8,421**	**1,253**	**1,047**

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.4 – contributions using planning agreements		–	–	6,507	4,331
S 7.12 – fixed development consent levies		–	–	2,865	3,214
Total developer contributions – cash		**–**	**–**	**9,372**	**7,545**
Total developer contributions	22	**–**	**–**	**9,372**	**7,545**
Other contributions:					
Cash contributions					
Community services		234	423	–	–
Other councils – joint works/services		625	614	–	–
Recreation and culture		63	56	46	49
Other		4	7	–	22
Total other contributions – cash		**926**	**1,100**	**46**	**71**
Total other contributions		**926**	**1,100**	**46**	**71**
Total contributions		926	1,100	9,418	7,616
TOTAL GRANTS AND CONTRIBUTIONS		8,020	9,521	10,671	8,663

Accounting policy for contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed above.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at reporting date.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	1,681	691
Add: operating grants recognised in the current period but not yet spent	1,179	1,087
Less: operating grants recognised in a previous reporting period now spent	(1,056)	(97)
Unexpended and held as restricted assets (operating grants)	1,804	1,681
Capital grants		
Add: capital grants recognised in the current period but not yet spent	86	–
Unexpended and held as restricted assets (capital grants)	86	–
Contributions		
Unexpended at the close of the previous reporting period	10,821	7,481
Add: contributions recognised in the current period but not yet spent	9,043	7,560
Add: contributions received for the provision of goods and services in a future period	(4,206)	(4,220)
Unexpended and held as restricted assets (contributions)	15,658	10,821

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 4. Expenses from continuing operations

$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	45,985	45,767
Travel expenses	202	185
Employee leave entitlements (ELE)	2,843	5,277
Superannuation	5,004	5,019
Workers' compensation insurance	1,894	1,989
Fringe benefit tax (FBT)	128	120
Training costs (other than salaries and wages)	368	332
Other	273	218
Total employee costs	**56,697**	**58,907**
Less: capitalised costs	(832)	(639)
TOTAL EMPLOYEE COSTS EXPENSED	55,865	58,268
Number of 'full-time equivalent' employees (FTE) at year end	**583**	**585**

Accounting policy for employee benefits and on-costs
Employee benefit expenses are recorded when the service has been provided by the employee.

Retirement benefit obligations
All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Superannuation plans
Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 17 for more information.

(b) Borrowing costs		
Interest bearing liability costs		
Interest on loans	120	142
Total interest bearing liability costs expensed	**120**	**142**
TOTAL BORROWING COSTS EXPENSED	120	142

Accounting policy for borrowing costs
Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	6,627	7,309
Contractor and consultancy costs	7,129	5,986
Contractor and consultancy costs (temporary staff)	3,635	4,452
Auditors remuneration (2)	78	73
Infringement notice contract costs (SEINS)	1,212	1,310
Legal expenses:		
– Legal expenses: planning and development	710	879
– Legal expenses: other	477	725
Operating leases:		
– Operating lease rentals: minimum lease payments (1)	1,848	1,747
Other (fuel and gas)	550	494
TOTAL MATERIALS AND CONTRACTS	22,266	22,975

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1. Operating lease payments are attributable to:

Buildings	741	721
Computers	982	837
Motor vehicles	125	189
	1,848	**1,747**

2. Auditor remuneration

During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms

Non NSW Auditor-General audit firms:

(i) Audit and other assurance services		
Audit and review of financial statements	78	73
Remuneration for audit and other assurance services	**78**	**73**
Total remuneration of non NSW Auditor-General audit firms	**78**	**73**
Total Auditor remuneration	**78**	**73**

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		2,165	2,030
Office equipment		339	304
Infrastructure:			
– Buildings – non-specialised		2,796	2,911
– Buildings – specialised		3,943	3,517
– Other structures		791	539
– Roads		4,965	4,997
– Footpaths		1,413	1,432
– Stormwater drainage		1,152	1,159
– Other open space/recreational assets		2,077	2,058
Other assets:			
– Library books		214	217
– Other		47	47
Total gross depreciation and amortisation costs		**19,902**	**19,211**
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED		19,902	19,211

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

Impairment of financial assets

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

$ '000	2018	2017
(e) Other expenses		
Abandonment of fines by office of state debt recovery	1,984	952
Advertising	408	431
Bad and doubtful debts	–	131
Bank charges	849	807
Car park levy	120	124
Cleaning	1,551	1,285
Computer software charges	1,821	1,543
Contributions/levies to other levels of government	339	2
– Department of planning levy	490	350
– Emergency services levy (includes FRNSW, SES, and RFS levies)	116	130
– NSW fire brigade levy	1,596	1,601
Councillor expenses – mayoral fee	40	41
Councillor expenses – councillors' fees	226	226
Councillors' expenses (incl. mayor) – other (excluding fees above)	160	137
Donations, contributions and assistance to other organisations (Section 356)	706	647
Electricity and heating	582	592
Family day care subsidy	762	766
Insurance	1,324	1,297
Land tax – crown land	521	555
Office expenses (including computer expenses)	348	85
Postage	178	187
Printing and stationery	669	559
Street lighting	951	1,008
Subscriptions and publications	358	292
Telephone and communications	206	232
Valuation fees	90	132
Waste disposal charges	7,284	6,695
Water rates and charges	336	321
Other	969	1,167
Total other expenses	**24,984**	**22,295**
TOTAL OTHER EXPENSES	24,984	22,295

Accounting policy for other expenses

Other expenses are recorded on an accruals basis as the Council receives the goods or services.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

$ '000	Notes	2018	2017
Plant and equipment	9		
Proceeds from disposal – plant and equipment		845	321
Less: carrying amount of plant and equipment assets sold/written off		(336)	(165)
Net gain/(loss) on disposal		**509**	**156**
Infrastructure	9		
Proceeds from disposal – infrastructure		–	5,408
Less: carrying amount of infrastructure assets sold/written off		(3,926)	(9,616)
Net gain/(loss) on disposal		**(3,926)**	**(4,208)**
Financial assets (1)	6		
Proceeds from disposal/redemptions/maturities – financial assets		126,538	164,910
Less: carrying amount of financial assets sold/redeemed/matured		(126,500)	(164,900)
Net gain/(loss) on disposal		**38**	**10**
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(3,379)	(4,042)

1. Financial assets disposals/redemptions include:

– Net gain/(loss) from financial instruments 'at fair value through profit and loss'	38	10
Net gain/(loss) on disposal of financial instruments	**38**	**10**

Accounting policy for disposal of assets

The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is derecognised.

Note 6(a). Cash and cash equivalent assets

	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	8,881	1,157
Cash-equivalent assets		
– Deposits at call	2,650	6,800
– Managed funds	6,682	6,548
Total cash and cash equivalents	**18,213**	**14,505**

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 6(b). Investments

$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Investments				
a. 'At fair value through the profit and loss'				
– 'Held for trading'	31,069	–	29,222	–
b. 'Held to maturity'	105,000	17,500	100,000	14,000
Total investments	**136,069**	**17,500**	**129,222**	**14,000**
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	154,282	17,500	143,727	14,000
Financial assets at fair value through the profit and loss				
NCD's, FRN's (with maturities > 3 months)	31,069	–	29,222	–
Total	**31,069**	**–**	**29,222**	**–**
Held to maturity investments				
Long term deposits	105,000	17,500	100,000	14,000
Total	**105,000**	**17,500**	**100,000**	**14,000**

Accounting policy for investments

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are held at fair value with changes in value taken through profit or loss at each reporting period.

(b) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Impairment of available for sale investments

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 6(c). Restricted cash, cash equivalents and investments – details

$ '000		2018 Current	2018 Non-current	2017 Current	2017 Non-current
Total cash, cash equivalents and investments		154,282	17,500	143,727	14,000
attributable to:					
External restrictions	(refer below)	5,179	17,500	4,067	14,000
Internal restrictions	(refer below)	135,862	–	132,690	–
Unrestricted		13,241	–	6,970	–
		154,282	**17,500**	**143,727**	**14,000**

$ '000	2018	2017
Details of restrictions		
External restrictions – other		
Developer contributions – general	15,616	10,821
Specific purpose unexpended grants	1,890	1,087
Domestic waste management	5,173	5,565
Other	–	594
External restrictions – other	22,679	18,067
Total external restrictions	22,679	18,067
Internal restrictions		
Plant and vehicle replacement	5,499	4,445
Infrastructure replacement	10,750	9,237
Employees leave entitlement	4,832	5,496
Carry over works	5,871	6,062
Deposits, retentions and bonds	11,779	9,797
Affordable housing	1,764	1,669
Cemetery funds	1,892	2,369
Election	123	379
Future capital works	11,166	11,929
IT equipment and upgrade	2,732	1,935
Insurance claims	200	200
Investment strategy	67,614	68,087
Looking good	53	53
Parking meters	3,429	2,828
Parking – off-street	654	204
Social housing	758	679
Street tree (sewer) aerial building	252	252
Unexpended loans	51	51
Other	6,443	7,018
Total internal restrictions	**135,862**	**132,690**
TOTAL RESTRICTIONS	158,541	150,757

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 7. Receivables

	2018		2017	
$ '000	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	1,100	562	1,431	572
Interest and extra charges	112	148	140	93
User charges and fees	1,811	–	2,106	–
Accrued revenues				
– Interest on investments	1,442	–	1,481	–
– Interest on impaired investments	–	–	8	–
– Other income accruals	1,133	–	335	–
Government grants and subsidies	–	–	349	–
Parking fines	1,311	2,790	2,857	2,735
Total	**6,909**	**3,500**	**8,707**	**3,400**
Less: provision for impairment				
User charges and fees	(142)	–	(231)	–
Parking fines	–	(1,383)	–	(1,796)
Total provision for impairment – receivables	**(142)**	**(1,383)**	**(231)**	**(1,796)**
TOTAL NET RECEIVABLES	6,767	2,117	8,476	1,604
Externally restricted receivables				
Domestic waste management	931	223	924	231
Total external restrictions	**931**	**223**	**924**	**231**
Unrestricted receivables	**5,836**	**1,894**	**7,552**	**1,373**
TOTAL NET RECEIVABLES	6,767	2,117	8,476	1,604

Movement in provision for impairment of receivables	2018	2017
Balance at the beginning of the year	2,027	1,949
+ new provisions recognised during the year	–	130
– amounts already provided for and written off this year	(51)	(53)
– amounts provided for but recovered during the year	(451)	–
Balance at the end of the year	**1,525**	**2,026**

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Impairment

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

Note 8. Inventories and other assets

	2018		2017	
$ '000	Current	Non-current	Current	Non-current
Other assets				
Prepayments	817	–	954	–
TOTAL OTHER ASSETS	817	–	954	–

Externally restricted assets

There are no restrictions applicable to the above assets.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 9(a). Infrastructure, property, plant and equipment

Asset class $ '000	as at 30/6/2017			Asset movements during the reporting period					as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	11,394	–	11,394	10,899	–	(866)	–	(2,714)	18,713	–	18,713
Plant and equipment	20,313	11,743	8,570	212	2,503	(336)	(2,165)	–	19,634	10,851	8,783
Office equipment	10,506	8,882	1,624	–	140	–	(339)	–	10,646	9,221	1,425
Land:											
– Operational land	78,473	–	78,473	301	–	–	–	38	78,811	–	78,811
– Community land	275,427	–	275,427	–	–	–	–	–	275,427	–	275,427
Infrastructure:											
– Buildings – non-specialised	123,310	38,144	85,166	210	–	–	(2,796)	–	123,521	40,940	82,581
– Buildings – specialised	119,966	60,082	59,884	584	154	–	(3,943)	–	120,704	64,025	56,679
– Other structures	25,402	9,815	15,587	139	168	(36)	(791)	487	26,117	10,564	15,553
– Roads	348,254	137,629	210,625	2,115	89	(1,738)	(4,965)	1,069	348,545	141,350	207,195
– Footpaths	49,425	13,288	36,137	1,882	19	(927)	(1,413)	111	50,151	14,342	35,809
– Stormwater drainage	136,514	45,444	91,070	134	–	(43)	(1,152)	–	136,585	46,575	90,010
– Other open space/recreational assets	102,160	35,738	66,422	288	228	(316)	(2,077)	1,009	103,118	37,564	65,554
Other assets:											
– Library books	3,347	2,130	1,217	–	206	–	(214)	–	3,553	2,344	1,209
– Other	4,020	1,206	2,814	–	–	–	(47)	–	4,020	1,253	2,767
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	**1,308,511**	**364,101**	**944,410**	**16,764**	**3,507**	**(4,262)**	**(19,902)**	**–**	**1,319,545**	**379,029**	**940,516**

Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 9(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every five years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	**Years**	**Other equipment**	**Years**
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	**Buildings**	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		**Stormwater assets**	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		**Other infrastructure assets**	
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
Road pavements	60		
Kerb, gutter and footpaths	40		

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 9(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment (continued)
The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

Land under roads
Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

Crown reserves
Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets
Under section 119 of the *Rural Fire Services Act 1997 (NSW)* , *"all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed".*

Until such time as discussions on this matter have concluded and the legislation changed, Council will/will not recognise rural fire service assets including land, buildings, plant and vehicles.

Note 9(b). Externally restricted infrastructure, property, plant and equipment

$ '000

$ '000 Class of asset	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Domestic waste management						
Plant and equipment	10,883	6,142	**4,741**	11,351	7,291	**4,060**
Total DWM	**10,883**	**6,142**	**4,741**	**11,351**	**7,291**	**4,060**
TOTAL RESTRICTED IPP&E	**10,883**	**6,142**	**4,741**	**11,351**	**7,291**	**4,060**

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 10. Investment property

$ '000	2018	2017
(a) Investment property at fair value		
Investment property on hand	154,795	145,945
Reconciliation of annual movement:		
Opening balance	145,945	142,306
– Capitalised expenditure – this year	751	251
– Net gain/(loss) from fair value adjustments	8,099	3,388
CLOSING BALANCE – INVESTMENT PROPERTY	**154,795**	**145,945**

(b) Valuation basis

The basis of valuation of investment property is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

(c) Contractual obligations at reporting date

Refer to Note 16 for disclosures relating to any capital and service obligations that have been contracted.

(d) Leasing arrangements – Council as lessor

The investment property are leased to tenants under long-term operating leases with rentals payable monthly.

Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:		
Within 1 year	2,566	2,555
Later than 1 year but less than 5 years	4,620	6,729
Later than 5 years	8	–
Total minimum lease payments receivable	**7,194**	**9,284**

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 10. Investment property (continued)

$ '000	2018	2017
(e) Investment property income and expenditure – summary		
Rental income from investment property:		
– Minimum lease payments	2,377	2,497
– Other income	3,980	4,236
Direct operating expenses on investment property:		
– that generated rental income	(2,025)	(1,880)
– that did not generate rental income	(539)	(490)
Net revenue contribution from investment property	**3,793**	**4,363**
plus:		
Fair value movement for year	8,099	3,388
Total income attributable to investment property	**11,892**	**7,751**

Accounting policy for investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment property are regarded as investment property. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 11. Payables and borrowings

$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Payables				
Goods and services – operating expenditure	3,910	–	6,096	–
Goods and services – capital expenditure	–	–	162	–
Accrued expenses:				
– Borrowings	25	–	27	–
– Salaries and wages	965	–	1,082	–
– Other expenditure accruals	3,812	–	892	–
Security bonds, deposits and retentions	1,202	–	1,022	–
ATO – net GST payable	–	–	12	–
Builders deposits	10,578	–	8,777	–
Other	362	–	106	–
Total payables	**20,854**	**–**	**18,176**	**–**
Income received in advance				
Payments received in advance	1,419	–	1,288	–
Total income received in advance	**1,419**	**–**	**1,288**	**–**
Borrowings				
Loans – secured [1]	412	3,346	815	3,758
Total borrowings	**412**	**3,346**	**815**	**3,758**
TOTAL PAYABLES AND BORROWINGS	22,685	3,346	20,279	3,758

(a) Payables and borrowings relating to restricted assets

	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Externally restricted assets				
Domestic waste management	1,229	246	2,024	90
Payables and borrowings relating to externally restricted assets	1,229	246	2,024	90
Total payables and borrowings relating to restricted assets	1,229	246	2,024	90
Total payables and borrowings relating to unrestricted assets	21,456	3,100	18,255	3,668
TOTAL PAYABLES AND BORROWINGS	22,685	3,346	20,279	3,758

1. Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 18.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 11. Payables and borrowings (continued)

$ '000	2018	2017

(b) Current payables and borrowings not anticipated to be settled within the next twelve months

The following payables and borrowings, even though classified as current, are not expected to be settled in the next 12 months.

Payables – security bonds, deposits and retentions	10,699	8,801
	10,699	**8,801**

(c) Changes in liabilities arising from financing activities

	2017		Non-cash changes			2018
Class of borrowings	**Opening balance as at 1/7/17**	**Cash flows**	**Acquisition**	**Fair value changes**	**Other non-cash movements**	**Closing balance as at 30/6/18**
Loans – secured	4,573	(815)	–	–	–	**3,758**
TOTAL	**4,573**	**(815)**	**–**	**–**	**–**	**3,758**

$ '000	2018	2017

(d) Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

Bank overdraft facilities (1)	250	250
Credit cards/purchase cards	30	25
Total financing arrangements	**280**	**275**
Undrawn facilities as at balance date:		
– Bank overdraft facilities	250	250
– Credit cards/purchase cards	30	25
Total undrawn financing arrangements	**280**	**275**

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 11. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

These amounts represent liabilities for goods and services provided to the Council prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Finance leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 12. Provisions

	2018		2017	
$ '000	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	5,215	–	5,881	–
Sick leave	1,571	–	1,967	–
Long service leave	7,124	514	7,922	820
Gratuities	445	–	445	–
Time off in lieu	200	–	247	–
TOTAL PROVISIONS	**14,555**	**514**	**16,462**	**820**

(a) Provisions relating to restricted assets

There are no restricted assets (external or internal) applicable to the above provisions

$ '000	2018	2017
(b) Current provisions not anticipated to be settled within the next twelve months		
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	10,000	13,996
	10,000	**13,996**

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 12. Provisions (continued)

$ '000

(c) Description of and movements in provisions

	ELE provisions					
2018	**Annual leave**	**Sick leave**	**Long service leave**	**ELE on-costs**	**Other employee benefits**	**Total**
At beginning of year	5,881	1,967	8,742	–	**692**	**17,282**
Additional provisions	2,604	–	143	–	96	**2,843**
Amounts used (payments)	(3,270)	(396)	(1,247)	–	(143)	**(5,056)**
Total ELE provisions at end of year	**5,215**	**1,571**	**7,638**	**–**	**645**	**15,069**

	ELE provisions					
2017	**Annual leave**	**Sick leave**	**Long service leave**	**ELE on-costs**	**Other employee benefits**	**Total**
At beginning of year	5,294	2,205	7,917	–	**674**	**16,090**
Additional provisions	3,445	–	1,674	–	176	**5,295**
Amounts used (payments)	(2,858)	(238)	(849)	–	(158)	**(4,103)**
Total ELE provisions at end of year	**5,881**	**1,967**	**8,742**	**–**	**692**	**17,282**

Accounting policy for provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 12. Provisions (continued)

Accounting policy for provisions (continued)
Employee benefits
Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations
The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve
The infrastructure, property, plant and equipment revaluation reserve is used to record increments / decrements of non-current asset values due to their revaluation.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 14. Statement of cash flows – additional information

$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	18,213	14,505
Less bank overdraft	11	–	–
Balance as per the Statement of Cash Flows		**18,213**	**14,505**
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		**17,897**	**11,173**
Adjust for non-cash items:			
Depreciation and amortisation		19,902	19,211
Net losses/(gains) on disposal of assets		3,379	4,042
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(172)	(183)
– investment property		(8,099)	(3,388)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		1,698	681
Increase/(decrease) in provision for doubtful debts		(502)	78
Decrease/(increase) in other assets		137	(48)
Increase/(decrease) in payables		(2,186)	(833)
Increase/(decrease) in accrued interest payable		(2)	9
Increase/(decrease) in other accrued expenses payable		2,803	659
Increase/(decrease) in other liabilities		2,356	1,317
Increase/(decrease) in employee leave entitlements		(2,213)	1,192
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		**34,998**	**33,910**

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 15. Interests in other entities

$ '000

Joint arrangements

Joint operations

(a) Council is involved in the following joint operations (JO's)

Name of joint operation	Principal activity	Place of business	Interest in ownership 2018	Interest in ownership 2017	Interest in voting 2018	Interest in voting 2017
Bourke Road Integrated Facility	Council main depot operation		59%	59%	50%	50%

(b) Council assets employed in the joint operations	**2018**	**2017**
Council's own assets employed in the operations		
Current assets:		
Receivables	51	76
Non-current assets		
Property, plant and equipment	18,543	19,813
Total assets – Council owned	**18,594**	**19,889**
Total net assets employed – Council and jointly owned	**18,594**	**19,889**

Accounting policy for joint arrangements

Joint operations

In relation to its joint operations, where the venturer has the rights to the individual assets and obligations arising from the arrangement, the Council has recognised:

– its assets, including its share of any assets held jointly
– its liabilities, including its share of any liabilities incurred jointly
– its share of the revenue from the sale of the output by the joint operation
– its expenses, including its share of any expenses incurred jointly.

These figures are incorporated into the relevant line item in the primary statemen

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 16. Commitments for expenditure

$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	444	1,029
Plant and equipment	2,962	2,599
Infrastructure	2,129	2,109
Total commitments	**5,535**	**5,737**
These expenditures are payable as follows:		
Within the next year	5,535	5,737
Total payable	**5,535**	**5,737**
Sources for funding of capital commitments:		
Section 7.11 and 64 funds/reserves	1,137	508
Unexpended grants	5	78
Externally restricted reserves	2,928	560
Internally restricted reserves	1,465	4,555
Unexpended loans	–	36
Total sources of funding	**5,535**	**5,737**
(b) Operating lease commitments (non-cancellable)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	66	160
Later than one year and not later than 5 years	64	81
Total non-cancellable operating lease commitments	**130**	**241**

b. Non-cancellable operating leases include the following assets:

Motor Vehicles - $127k, and IT equipment - $114k.

Contingent Rentals may be payable depending on the condition of items or usage during the term of the leases, average 4 years

Conditions relating to operating leases:

– All operating lease agreements are secured only against the leased asset.

– No lease agreements impose any financial restrictions on Council regarding future debt etc.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's financial report.

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

(ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued)**:**

1. Guarantees (continued)

(iii) StateCover Limited (continued)

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

(iv) Other guarantees

Council has provided no other guarantees other than those listed above.

2. Other liabilities

(i) Third party claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

(ii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

(iv) Legal Expenses

Court's normal practice that parties bear their own under the Environmental Planning & Assessment Act (as amended). Pursuant to that act, certain persons aggrieved by a planning decision of the Council may appeal to the Land & Environment Court. It is the Court's normal practice that parties bear their own legal costs.

At reporting date, all known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised (continued)

ASSETS NOT RECOGNISED:

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

(iii) Affordable Housing

Under Council's Development Consent Policy 1 (DCP1) developers can if they wish for gain increased floor space ratio.

To offset the increased floor space ratio the developer makes available to council Affordable Housing for low to moderate income persons.

Council and the applicant enter into a Deed of Agreement to offer council a unit or units in either perpetuity or fixed periods of time.

These units are managed by a Community Organisation identified by Council. Affordable Housing units offered to council in perpetuity are recognised as an asset while those fixed for periods of time are not recognised in council's accounts.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 18. Financial risk management

$ '000

Risk management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council 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 Council's finance section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	18,213	14,505	18,212	14,505
Investments				
– 'Held for trading'	31,069	29,222	138,904	29,222
– 'Held to maturity'	122,500	114,000	14,600	114,000
Receivables	8,884	10,080	9,900	10,080
Total financial assets	**180,666**	**167,807**	**181,616**	**167,807**
Financial liabilities				
Payables	20,854	18,176	20,831	18,176
Loans/advances	3,758	4,573	3,758	4,573
Total financial liabilities	**24,612**	**22,749**	**24,589**	**22,749**

Fair value is determined as follows:

– **Cash** and **cash equivalents**, **receivables**, **payables** – are estimated to be the carrying value that approximates market value.

– **Borrowings** and **held-to-maturity** investments – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.

– Financial assets classified (i) **'at fair value through profit and loss'** or (ii) **'available-for-sale'** – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 18. Financial risk management (continued)

$ '000

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

– **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

– **Interest rate risk** – the risk that movements in interest rates could affect returns and income.

– **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

(a) Market risk – price risk and interest rate risk

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of values/rates		Decrease of values/rates	
2018	**Profit**	**Equity**	**Profit**	**Equity**
Possible impact of a 10% movement in market values	3,107	3,107	(3,107)	(3,107)
Possible impact of a 1% movement in interest rates	1,407	1,407	(1,407)	(1,407)
2017				
Possible impact of a 10% movement in market values	2,922	2,922	(2,922)	(2,922)
Possible impact of a 1% movement in interest rates	1,285	1,285	(1,285)	(1,285)

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 18. Financial risk management (continued)

$ '000

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

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

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

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

Council 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 subjected to a re-negotiation of repayment terms.

A profile of Council's receivables credit risk at balance date follows:

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	59%	0%	59%
Overdue	100%	41%	100%	41%
	100%	**100%**	**100%**	**100%**

	2018	2017
(ii) Ageing of receivables – value		
Rates and annual charges		
< 1 year overdue	1,662	2,003
	1,662	**2,003**
Other receivables		
Current	5,144	5,973
0 – 30 days overdue	505	98
31 – 60 days overdue	130	147
61 – 90 days overdue	22	90
> 91 days overdue	2,946	3,796
	8,747	**10,104**

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 18. Financial risk management (continued)

$ '000

(c) Liquidity risk

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

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 – 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2018							
Trade/other payables	-	1,202	19,665	-	-	20,867	**20,854**
Loans and advances	2.68%	-	412	1,766	1,580	3,758	**3,758**
Total financial liabilities		**1,202**	**20,077**	**1,766**	**1,580**	**24,625**	**24,612**
2017							
Trade/other payables	-	1,022	17,154	-	-	18,176	**18,176**
Loans and advances	3.03%	-	815	1,717	2,041	4,573	**4,573**
Total financial liabilities		**1,022**	**17,969**	**1,717**	**2,041**	**22,749**	**22,749**

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 19. Material budget variations

$ '000

Council's original financial budget for 17/18 was adopted by the Council on dd/mm/yy and is not required to be audited.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Note that for variations* of budget to actual :
Material variations represent those variances that amount to **10%** or more of the original budgeted figure.
F = Favourable budget variation, **U** = Unfavourable budget variation

$ '000	2018 Budget	2018 Actual	2018 Variance*		
REVENUES					
Rates and annual charges	**58,970**	**59,104**	**134**	**0%**	**F**
User charges and fees	**36,141**	**35,575**	**(566)**	**(2%)**	**U**
Interest and investment revenue	**3,771**	**4,583**	**812**	**22%**	**F**
Interest earned from cash investments has achieved higher than original anticipated largely attributed to a well-diversified investment strategy and spending on capital expense is lower than anticipated.					
Other revenues	**17,044**	**18,361**	**1,317**	**8%**	**F**
Operating grants and contributions	**8,183**	**8,020**	**(163)**	**(2%)**	**U**
Capital grants and contributions	**13,550**	**10,671**	**(2,879)**	**(21%)**	**U**
Grants originally estimated for number of capital projects were lower the actual due to projects timeline deferral.					
Net gains from disposal of assets	**1,360**	**–**	**(1,360)**	**(100%)**	**U**
The proceeds from plant replacement program did not fully delivered hence its associated fleet disposal was lower than originally anticipated. Plus other infrastructure assets wrote off were not anticipated in the budget.					
Fair value increment on investment property	**–**	**8,099**	**8,099**	**0%**	**F**
Movement from desktop fair valuation on the Investment Property portfolio is not aniticipated in the budget.					

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 19. Material budget variations (continued)

$ '000	2018 Budget	2018 Actual	2018 Variance*		
EXPENSES					
Employee benefits and on-costs	**62,474**	**55,865**	**6,609**	**11%**	**F**
The lower than anticipated employees cost was due to position vacancies.					
Borrowing costs	**122**	**120**	**2**	**2%**	**F**
Materials and contracts	**23,573**	**22,266**	**1,307**	**6%**	**F**
The lower than anticipated spending was largely due to the three bins replacement project deferral.					
Depreciation and amortisation	**22,281**	**19,902**	**2,379**	**11%**	**F**
Delay in capital works program projects and other capital spending have resulted a lower depreciation expense than original anticipated.					
Other expenses	**22,169**	**24,984**	**(2,815)**	**(13%)**	**U**
Net losses from disposal of assets	**–**	**3,379**	**(3,379)**	**0%**	**U**
The losses from disposal of assets largely contributed to the infrastructure assets such as roads, footpath, kerbs & gutter, etc., to meet the partial write off requirements. These infrastructure assets partially wrote off as resulted from renewal/upgrades works were not in the budget.					

Budget variations relating to Council's Cash Flow Statement include:

Cash flows from operating activities	**30,558**	**34,998**	**4,440**	**14.5%**	**F**
The actual cash inflows from operating activities is better than the original budget largely attributed to a higher income receipts.					
Cash flows from investing activities	**(39,433)**	**(30,475)**	**8,958**	**(22.7%)**	**F**
The actual cash outflows from investing activities is higher than the original budget largely due to more cash to invest on the financial market.					
Cash flows from financing activities	**(815)**	**(815)**	**–**	**0.0%**	**F**

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20. Fair value measurement

$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

– Infrastructure, property, plant and equipment
– Investment property
– Financial assets and liabilities

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:

2018		Fair value measurement hierarchy			
		Level 1	Level 2	Level 3	Total
Recurring fair value measurements	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Financial assets					
Investments					
– 'Held for trading'	30/06/18	–	–	31,069	31,069
Total financial assets		**–**	**–**	**31,069**	**31,069**
Investment property					
Investment properties	30/06/18	–	–	154,795	154,795
Total investment property		**–**	**–**	**154,795**	**154,795**
Infrastructure, property, plant and equipment					
Buildings – non-specialised	30/06/17	–	–	82,399	82,399
Buildings special	30/06/17	–	–	56,860	56,860
Community land	30/06/17	–	–	275,427	275,427
Operational land	30/06/17	–	–	78,811	78,811
Footpaths	30/06/16	–	–	35,808	35,808
Roads	30/06/16	–	–	207,195	207,195
Stormwater drainage	30/06/16	–	–	90,010	90,010
Office equipment and furniture	30/06/16	–	–	1,425	1,425
Plant and equipment	30/06/16	–	–	8,784	8,784
Open space and recreation	30/06/16	–	–	65,554	65,554
Library books and resources	30/06/16	–	–	1,209	1,209
Other structures	30/06/16	–	–	15,553	15,553
Other assets	30/06/16	–	–	2,766	2,766
Total infrastructure, property, plant and equipment		**–**	**–**	**921,801**	**921,801**

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20. Fair value measurement

$ '000

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:

2017		Fair value measurement hierarchy			
		Level 1	Level 2	Level 3	Total
Recurring fair value measurements	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Financial assets					
Investments					
– 'Held for trading'	30/06/17	–	–	29,222	29,222
Total financial assets		**–**	**–**	**29,222**	**29,222**
Investment property					
Investment properties	30/06/17	–	–	145,945	145,945
Total investment property		**–**	**–**	**145,945**	**145,945**
Infrastructure, property, plant and equipment					
Buildings – non-specialised	30/06/17	–	85,166	–	85,166
Buildings special	30/06/17	–	–	59,884	59,884
Community land	30/06/17	–	–	275,427	275,427
Operational land	30/06/17	–	78,473	–	78,473
Footpaths	30/06/15	–	–	36,137	36,137
Roads	30/06/15	–	–	210,625	210,625
Stormwater drainage	30/06/15	–	–	91,070	91,070
Office equipment and furniture	30/06/17	–	–	1,624	1,624
Plant and equipment	30/06/17	–	8,570	–	8,570
Open space and recreation	30/06/17	–	–	66,422	66,422
Library books and resources	30/06/17	–	–	1,217	1,217
Other structures	30/06/17	–	–	15,587	15,587
Other assets	30/06/17	–		2,814	2,814
Total infrastructure, property, plant and equipment		**–**	**172,209**	**760,807**	**933,016**

(2) Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

(3) Valuation techniques used to derive level 2 and level 3 fair values

Where Council is unable to derive fair valuations using quoted market prices of identical assets (i.e. level 1 inputs), Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

Financial assets

At fair value through profit and loss are represented by Floating Rate Notes, Covered Bonds and Term Deposits. Council obtains valuations from its Investment Advisor on a monthly basis and at the end of each accounting period to ensure the financial statements reflect the most up to date valuation. The valuations of Floating Rate Notes are sourced base on mid-market prices. That is, valuations are marked at the mid-point of the bid and ask prices in the secondary market. This price represents a general market value for the asset. There has been no change to the valuation techniques during the reporting period.

Investment properties

The valuation of Council's investment properties was undertaken at June 2017 by Scott Fullarton Valuations Pty Ltd, FAPI, Certified Practising Valuer, Registration No. VAL2144.

Investment properties such as commercial units, commercial terraces and retail shops have been valued as market value, having regard to the "highest and best use", taking in consideration the criteria of physical possibility, legal permissibility and financial feasibility. Implied within these criteria is the recognition of the contribution of that specific use to community environment or to community development goals, in addition to wealth maximisation to the individual owner.

The valuation technique utilised is Level 2 inputs (observable inputs), where applicable, included:

- Current rental income
- Rent reviews
- Capitalisation rate
- Price per square metre
- Direct comparison to sales evidence
- Zoning
- Location
- Land area and configuration
- Planning controls

Other investment properties such as public car park and shopping centre office space have been valued using Cost approach with Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Operational Land

The asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The last valuation was undertaken at June 2017 and was performed by Scott Fullarton Valuations Pty Ld, FAPI, Certified Practising Valuer, Registration No. VAL2144.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

Operational land has been valued at market value, having regard to the "highest and best use", after identifying all elements that would be taken into account by buyers and sellers in settling the price, including but not limited to:

- The land's description and/or dimensions;
- Planning and other constraints on development; and
- The potential for alternative use.

Sale prices of comparable land parcels in close proximity were adjusted for differences in key attributes such as size and configuration. The most significant inputs into this valuation approach are price per square metre. Since extensive professional judgements were required to determine the inputs these assets were classified as having been valued using Level 3 valuation input. There has been no change to the valuation process during the reporting period.

Community Land

Valuations of all Council's Community Land and Council managed land were based on either the land value provided by the Valuer-General or an average unit rate based on land value for similar properties where the Valuer-General did not provide a land value having regard to the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as Level 3. There has been no change to the valuation process during the reporting period.

Buildings – Non Specialised and Specialised

Council's buildings are valued utilising the cost approach by Scott Fullarton Valuations Pty Ltd in June 2017. The approach estimated the replacement cost of each building and componentising of significant parts with different useful lives and taking into account a range of factors. The unit rates could be supported by market evidence (Level 2 inputs), other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued using Level 3 inputs. There has been no change to the valuation process during the reporting period.

Roads

The roads asset class includes roads, defined as the trafficable portion of a road, between but not including the kerb and gutter. It also includes "other roads" assets including Bridges, Carparks, Kerb and Gutter and Traffic facilities.

The 'Cost Approach' using Level 3 inputs was used to value the road carriageway and other road infrastructure. Valuations for the road carriageway, comprising surface, pavement and formation were based primarily on unit rates derived from the Councils schedule of rates tender. Other inputs (such as estimates pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is some uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period

Footpaths

The 'Cost Approach' using Level 3 inputs was used to value footpaths. Valuation for the footpath was based primarily on unit rates derived from the Councils schedule of rates tender. Other inputs (such as estimates pattern of consumption, asset condition and useful life) required extensive professional judgement and

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there some uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

Stormwater Drainage

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit on similar could be supported from market evidence (Level 2) other inputs) such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

Plant & Equipment, Office Equipment and Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- Plant and Equipment — Trucks, tractors, ride on mowers, street sweepers, earthmoving equipment, buses and motor vehicles
- Office Equipment — Refrigerators, electronic appliances, flat-screen monitors and computer equipment
- Furniture & Fittings — Chairs, desks and display systems.

The key unobservable inputs to the valuation are the remaining useful life and residual value. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

Other Open Space / Recreational Assets

Assets within this class comprise Soft Fall Surfaces, BBQs, Regional Sporting Facilities and Playgrounds. All assets in this class were valued in-house by experienced engineering & asset management staff. While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

Library Books and Resources

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

Other Structures

This asset class comprises Mall Light, Shade Structure, Flag Pole, Planter Boxes and Garden Beds.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. As such there assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Other Assets

This asset class comprises trees and other miscellaneous assets.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. As such there assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

$ '000

(4). Fair value measurements using significant unobservable inputs (level 3)

a. The following tables present the changes in level 3 fair value asset classes.

	Financial Assets	Investment Properties	Buildings	Land	Total
Opening balance – 1/7/16	27,717	142,306	133,921	336,900	640,844
Transfers from/(to) another asset class	–	–	(2,205)	–	(2,205)
Purchases (GBV)	–	251	3,364	3,250	6,865
Disposals (WDV)	–	–	(1,197)	(1,490)	(2,687)
Depreciation and impairment	–	–	(6,428)	–	(6,428)
FV gains – other comprehensive income	–	3,388	17,595	15,240	36,223
Closing balance – 30/6/17	**27,717**	**145,945**	**145,050**	**353,900**	**672,612**
Purchases (GBV)	3,352	751	948	338	5,389
Depreciation and impairment	–	–	(6,739)	–	(6,739)
FV gains – Income Statement	–	8,099	–	–	8,099
Closing balance – 30/6/18	**31,069**	**154,795**	**139,259**	**354,238**	**679,361**

	Plant & Equipment	Infrastruc-ture	Other Assets	Total
Opening balance – 1/7/16	9,083	415,387	4,061	428,531
Transfers from/(to) another asset class	–	2,205	–	2,205
Purchases (GBV)	3,610	17,380	234	21,224
Disposals (WDV)	(165)	(4,946)	–	(5,111)
Depreciation and impairment	(2,334)	(10,185)	(264)	(12,783)
Closing balance – 30/6/17	**10,194**	**419,841**	**4,031**	**434,066**
Purchases (GBV)	2,854	7,736	206	10,796
Disposals (WDV)	(336)	(3,060)	–	(3,396)
Depreciation and impairment	(2,503)	(10,397)	(262)	(13,162)
Closing balance – 30/6/18	**10,209**	**414,120**	**3,975**	**428,304**

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) (continued)

b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

Class	Fair value (30/6/18) $'000	Valuation technique/s	Unobservable inputs
Financial assets			
Investments	153,569	Advisor report	* Unit price
Investment property			
Commercial Office, Retail and Carpark	154,795	Valuer report	* Estimated rental Value (rate per square metre) * Rental Yield
IPP&E			
Buildings	139,259	Non-Specialed Buildings: Market Value Specialised Buildings: Depreciated replacement cost	* Gross replacement cost * Asset Condition * Remaining useful life
Community Land	275,427	Land values obtained from the NSW Valuer-General	* Price Per square metre
Operational Land	78,811	Market Value	* Price Per square metre
Footpaths	35,808	Unit rates per m2 or length	* Gross replacement cost * Asset Condition * Remaining useful life
Roads	207,195	Unit rates per m2 or length	* Gross replacement cost * Asset Condition * Remaining useful life
Stormwater Drainage	90,010	Unit rates per m2 or length	* Gross replacement cost * Asset Condition * Remaining useful life
Plant & Equipment	8,784	Historical Cost	* Gross replacement cost * Remaining useful life
Office Equipment	1,425	Historical Cost	* Gross replacement cost * Remaining useful life

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) (continued)

b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value. (continued)

Class	Fair value (30/6/18) $'000	Valuation technique/s	Unobservable inputs
IPP&E (continued)			
Open Space & Recreation	65,554	Depreciated replacement cost	* Gross replacement cost * Asset Condition * Remaining useful life
Library Books	1,209	Historical Cost	* Gross replacement cost * Remaining useful life
Other Structures	15,553	Depreciated replacement cost	* Gross replacement cost * Asset Condition * Remaining useful life
Other Assets	2,766	Historical Cost	* Gross replacement cost * Remaining useful life

(5). Highest and best use

All of Council's non-financial assets are considered as being utilised for their highest and best use.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 21. Related party transactions

$ '000

a. Key management personnel

Key management personnel (KMP) of the Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

Compensation:	**2018**	**2017**
Short-term benefits	1,389	1,332
Post-employment benefits	187	101
Termination benefits	33	17
Total	**1,609**	**1,450**

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 21. Related party transactions (continued)

b. Other transactions with KMP and their related parties (continued)

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
2018	Ref	Actual $	Actual $		Actual $	Actual $
Grants & Contributions Provided to Waverley Action for Youth Services	1	79,000	-		-	-
Subsidised Property Rental from Waverley Action for Youth Services	2	12,000	-		-	-
2017	Ref	Actual $	Actual $		Actual $	Actual $
Grants & Contributions provided to Waverley Action for Youth Services	1	80,000	-		-	-
Subsidised Property Rental from Waverley Action for Youth Services	2	11,000	2,000		-	-

1 Council Provides a Community Grants Program to ensure the delivery of a range of services to the local community. A KMP is a member of the management committee of one of its supported Community Organisations - Waverley Action For Youth Services.

2 A KMP is member of the Waverley Action For Youth Services (WAYS) management committee. WAYS rents two properties for its operation from Council and Council provides rental subsidies of $60k annually to WAYS for the two property leases. WAYS paid the Council at $12k of rent and utility expenses in 2017/18.

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 22. Statement of developer contributions

$ '000

Under the *Environmental Planning and Assessment Act 1979* , Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S7.12 levies – under a plan	**2,474**	**2,864**	**–**	**52**	**(2,980)**	**–**	**2,410**	**–**
Total S7.11 and S7.12 revenue under plans	**2,474**	**2,864**	**–**	**52**	**(2,980)**	**–**	**2,410**	**–**
S7.4 planning agreements	8,347	6,507	–	–	(1,648)	–	**13,206**	–
Total contributions	**10,821**	**9,371**	**–**	**52**	**(4,628)**	**–**	**15,616**	**–**

S7.12 LEVIES – UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	2,474	2,864	–	52	(2,980)	–	**2,410**	–
Total	**2,474**	**2,864**	**–**	**52**	**(2,980)**	**–**	**2,410**	**–**

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 23(a). Statement of performance measures – consolidated results

$ '000	Amounts 2018	Indicator 2018	Prior periods 2017	Prior periods 2016	Benchmark
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue [1] excluding capital grants and contributions less operating expenses	**2,334**	**1.86%**	2.37%	3.20%	> 0.00%
Total continuing operating revenue [1] excluding capital grants and contributions	**125,471**				
2. Own source operating revenue ratio					
Total continuing operating revenue [1] excluding all grants and contributions	**117,451**	**86.27%**	86.48%	89.39%	> 60.00%
Total continuing operating revenue [1]	**136,142**				
3. Unrestricted current ratio					
Current assets less all external restrictions [2]	**155,756**	**10.17x**	12.43x	11.84x	> 1.5x
Current liabilities less specific purpose liabilities [3, 4]	**15,312**				
4. Debt service cover ratio					
Operating result [1] before capital excluding interest and depreciation/impairment/amortisation	**22,356**	**23.91x**	20.27x	24.74x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	**935**				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	**1,922**	**3.13%**	3.78%	2.92%	5%
Rates, annual and extra charges collectible	**61,476**				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits x12	**140,713**	**15.44 mths**	14.5 mths	12.6 mths	> 3 mths
Payments from cash flow of operating and financing activities	**9,115**				

Notes

[1] Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.

[2] Refer Notes 6-8 inclusive.
Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

[3] Refer to Notes 11 and 12.

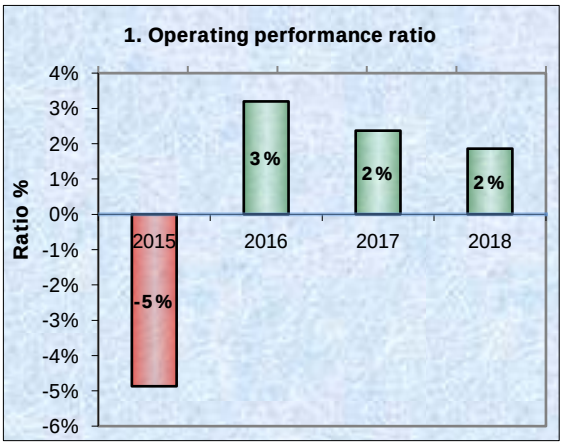
[4] Refer to Note 11(b) and 12(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

END OF AUDITED FINANCIAL STATEMENTS

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

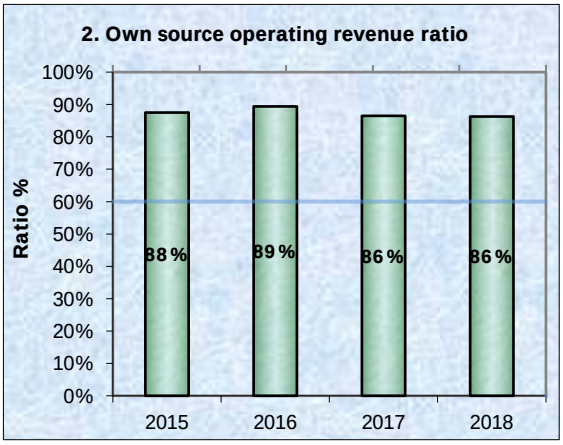
Note 23(b). Statement of performance measures – consolidated results (graphs)



Purpose of operating performance ratio	Commentary on 2017/18 result
This ratio measures Council's achievement of containing operating expenditure within operating revenue.	**2017/18 ratio 1.86%** The ratio compares favourably with the industry benchmark of greater than 0%

Benchmark: ——— Minimum >=0.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

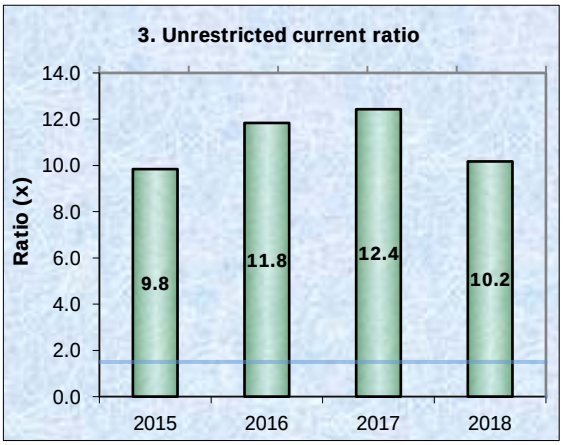
Ratio achieves benchmark
Ratio is outside benchmark



Purpose of own source operating revenue ratio	Commentary on 2017/18 result
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.	**2017/18 ratio 86.27%** The ratio compares well with the industry benchmark of greater than 60%, it shows Waverley Council is less reliant on external funding sources to carry out its activities.

Benchmark: ——— Minimum >=60.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of unrestricted current ratio	Commentary on 2017/18 result
To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.	**2017/18 ratio 10.17x** This ratio indicates that Waverley Council has sufficient liquid assets on hand to meet short term obligations as they fall due and compares favourably with the industry benchmark.

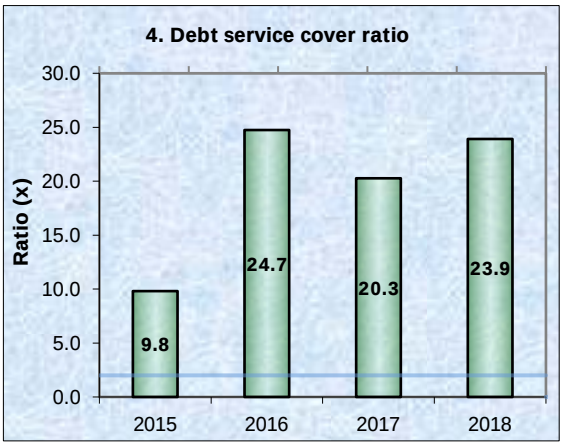
Benchmark: ——— Minimum >=1.50
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 23(b). Statement of performance measures – consolidated results (graphs)

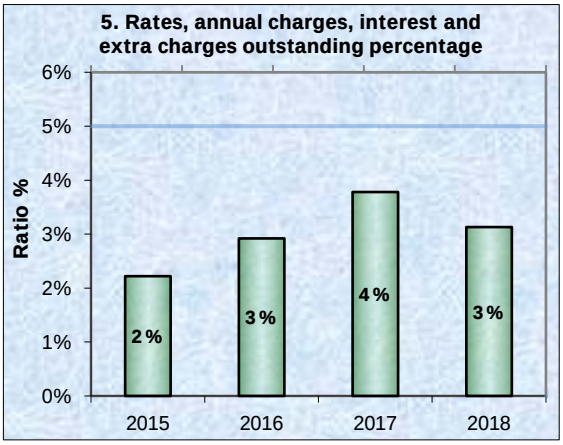


Purpose of debt service cover ratio
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2017/18 result
2017/18 ratio 23.91x
This ratio shows that Waverley Council has strong capacity to repay additional debt and provides a favourable comparison with the industry benchmark of greater than 2.0.

Benchmark: ——— Minimum >=2.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark

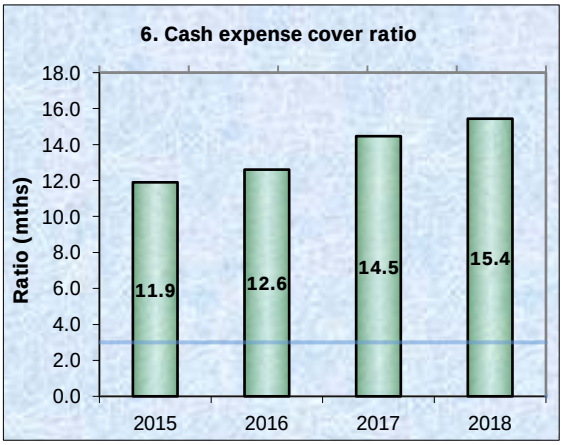


Purpose of rates and annual charges outstanding ratio
To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2017/18 result
2017/18 ratio 3.13%
This ratio shows that Waverley Council's rates base debt control within the industry benchmark of less than 5%.

Benchmark: ——— Maximum <5.00%
Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio is within Benchmark
Ratio is outside Benchmark



Purpose of cash expense cover ratio
This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on 2017/18 result
2017/18 ratio 15.44 mths
This ratio compares favourably with the industry benchmark of greater than 3%.

Benchmark: ——— Minimum >=3.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 24. Financial review and commentary

$ '000

Key financial figures of Council over the past 5 years (consolidated)

Financial performance figures	Actual 2018	Actual 2017	Actual 2016	Actual 2015	Actual 2014
Inflows:					
Rates and annual charges revenue	**59,104**	57,375	55,992	54,467	52,867
User charges revenue	**35,575**	34,230	35,414	32,705	31,977
Interest and investment revenue (losses)	**4,583**	4,481	4,366	2,890	2,637
Grants income – operating and capital	**8,347**	9,468	8,176	8,409	6,192
Total income from continuing operations	**144,413**	138,106	138,013	180,021	123,078
Sale proceeds from IPP&E	**845**	5,729	11,796	83,149	167
New loan borrowings and advances	**–**	2,200	2,252	–	–
Outflows:					
Employee benefits and on-cost expenses	**55,865**	58,268	55,794	56,269	54,229
Borrowing costs	**120**	142	95	153	189
Materials and contracts expenses	**22,266**	22,975	22,254	24,884	17,974
Total expenses from continuing operations	**126,516**	126,933	120,226	119,934	113,026
Total cash purchases of IPP&E	**20,432**	24,268	29,570	21,553	24,093
Total loan repayments (incl. finance leases)	**815**	960	836	1,118	1,252
Operating surplus/(deficit) (excl. capital income)	**7,226**	2,510	12,621	53,142	187

Financial position figures	Actual 2018	Actual 2017	Actual 2016	Actual 2015	Actual 2014
Current assets	**161,866**	153,157	151,436	124,974	95,600
Current liabilities	**37,240**	36,741	34,480	33,306	39,860
Net current assets	**124,626**	116,416	116,956	91,668	55,740
Available working capital (Unrestricted net current assets)	**9,427**	6,811	5,769	11,296	31,295
Cash and investments – unrestricted	**13,241**	6,970	4,736	1,016	2,077
Cash and investments – internal restrictions	**135,862**	132,690	121,526	112,376	41,536
Cash and investments – total	**171,782**	157,727	141,174	130,171	57,013
Total borrowings outstanding (Loans, advances and finance leases)	**3,758**	4,573	3,333	1,917	3,035
Total value of IPP&E (excl. land and earthwork	**965,307**	954,611	933,932	889,023	831,810
Total accumulated depreciation	**379,029**	364,101	354,416	340,292	341,621
Indicative remaining useful life (as a % of GBV)	61%	62%	62%	62%	59%

Source: published audited financial statements of Council (current year and prior year)

Waverley Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 25. Council information and contact details

Principal place of business:
Cnr. Paul St and Bondi Rd
Bondi Junction NSW 2022

Contact details

Mailing address:
PO Box 9
Bondi Junction NSW 1355

Opening hours:
Customer Service Centre
55 Spring Street, Bondi Junction
Monday to Friday 8:30am to 5:00pm

Telephone: 02 9369 8000
Facsimile: 02 9387 1820

Internet: www.waverley.nsw.gov.au
Email: info@waverley.nsw.gov.au

Officers

GENERAL MANAGER
Ross McLeod

RESPONSIBLE ACCOUNTING OFFICER
Teena Su

PUBLIC OFFICER
name here…

AUDITORS
The Audit Office of New South Wales
Level 15, 1 Margaret St, Sydney

Elected members

MAYOR
John Wakefiled

COUNCILLORS
name here…
name here…
name here…
name here…
name here…
name here…
name here…
name here…
name here…
name here…
name here…
name here…

Other information

ABN: 99 999 999 999

Waverley Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

"We are united by a common passion for our beautiful home between the city and the sea."

Waverley Council

Special Purpose Financial Statements
for the year ended 30 June 2018

Contents

Page

1. Statement by Councillors and Management 2

2. Special Purpose Financial Statements:

Income Statement – Other Business Activities 3

Statement of Financial Position – Other Business Activities 5

3. Notes to the Special Purpose Financial Statements 7

4. Auditor's Report

Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.

(ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

(iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than $2 million that Council has formally declared as a business activity (defined as Category 1 activities).

(iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

Waverley Council

Special Purpose Financial Statements
for the year ended 30 June 2018

Statement by Councillors and Management
made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

The attached Special Purpose Financial Statements have been prepared in accordance with:

- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

To the best of our knowledge and belief, these financial statements:

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 27 September 2018.

John Wakefiled
Mayor

Dominic Wy Kanak
Councillor

Ross McLeod
General Manager

Teena Su
Responsible Accounting Officer

Waverley Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2018

	Property		Commercial Waste	
	Category 1		Category 1	
$ '000	**2018**	**2017**	**2018**	**2017**
Income from continuing operations				
User charges	4,012	4,232	3,798	3,533
Other income	10,480	5,889	–	–
Total income from continuing operations	**14,492**	**10,121**	**3,798**	**3,533**
Expenses from continuing operations				
Employee benefits and on-costs	528	516	184	207
Materials and contracts	959	960	54	78
Depreciation, amortisation and impairment	76	76	14	17
Other expenses	1,066	1,026	2,816	2,497
Total expenses from continuing operations	**2,629**	**2,578**	**3,068**	**2,799**
Surplus (deficit) from continuing operations before capital amounts	**11,863**	**7,543**	**730**	**734**
Surplus (deficit) from continuing operations after capital amounts	**11,863**	**7,543**	**730**	**734**
Surplus (deficit) from all operations before tax	**11,863**	**7,543**	**730**	**734**
Less: corporate taxation equivalent (30%) [based on result before capital]	(3,559)	(2,263)	(219)	(220)
SURPLUS (DEFICIT) AFTER TAX	**8,304**	**5,280**	**511**	**514**
Plus opening retained profits	145,788	142,179	93	114
Plus adjustments for amounts unpaid:				
– Corporate taxation equivalent	3,559	2,263	219	220
Less:				
– Dividend paid	(2,843)	(3,934)	(665)	(755)
Closing retained profits	**154,808**	**145,788**	**158**	**93**
Return on capital %	**n/a**	**n/a**	**n/a**	**n/a**
Subsidy from Council	**–**	**–**	**–**	**–**

Waverley Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2018

	Cemetery Category 2	
$ '000	**2018**	**2017**
Income from continuing operations		
User charges	1,189	1,511
Interest	14	63
Grants and contributions provided for non-capital purposes	49	3
Other income	3	1
Total income from continuing operations	**1,255**	**1,578**
Expenses from continuing operations		
Employee benefits and on-costs	657	598
Materials and contracts	311	450
Depreciation, amortisation and impairment	42	39
Other expenses	59	80
Total expenses from continuing operations	**1,069**	**1,167**
Surplus (deficit) from continuing operations before capital amounts	**186**	**411**
Surplus (deficit) from continuing operations after capital amounts	**186**	**411**
Surplus (deficit) from all operations before tax	**186**	**411**
Less: corporate taxation equivalent (30%) [based on result before capital]	(56)	(123)
SURPLUS (DEFICIT) AFTER TAX	**130**	**288**
Plus opening retained profits	17,084	17,348
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	56	123
Less:		
– Dividend paid	(1,220)	(675)
Closing retained profits	**16,050**	**17,084**
Return on capital %	**0.4%**	**0.9%**
Subsidy from Council	**1,063**	**731**

Waverley Council

Statement of Financial Position – Council's Other Business Activities
as at 30 June 2018

	Property		Commercial Waste	
	Category 1		Category 1	
$ '000	**2018**	**2017**	**2018**	**2017**
ASSETS				
Current assets				
Receivables	244	–	241	185
Total Current Assets	**244**	**–**	**241**	**185**
Non-current assets				
Investment property	154,795	145,945	–	–
Total non-current assets	**154,795**	**145,945**	**–**	**–**
TOTAL ASSETS	**155,039**	**145,945**	**241**	**185**
LIABILITIES				
Current liabilities				
Payables	92	–	–	–
Provisions	62	80	83	92
Total current liabilities	**154**	**80**	**83**	**92**
TOTAL LIABILITIES	**154**	**80**	**83**	**92**
NET ASSETS	154,885	145,865	158	93
EQUITY				
Accumulated surplus	154,808	145,788	158	93
Revaluation reserves	77	77	–	–
TOTAL EQUITY	154,885	145,865	158	93

Waverley Council

Statement of Financial Position – Council's Other Business Activities
as at 30 June 2018

	Cemetery	
	Category 2	
$ '000	**2018**	**2017**
ASSETS		
Current assets		
Cash and cash equivalents	1,872	2,369
Receivables	–	7
Total Current Assets	**1,872**	**2,376**
Non-current assets		
Infrastructure, property, plant and equipment	47,501	47,980
Total non-current assets	**47,501**	**47,980**
TOTAL ASSETS	**49,373**	**50,356**
LIABILITIES		
Current liabilities		
Payables	64	–
Provisions	78	91
Total current liabilities	**142**	**91**
TOTAL LIABILITIES	**142**	**91**
NET ASSETS	49,231	50,265
EQUITY		
Accumulated surplus	16,050	17,084
Revaluation reserves	33,181	33,181
TOTAL EQUITY	49,231	50,265

Waverley Council

Special Purpose Financial Statements
for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8

Waverley Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018

Note 1. Significant accounting policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the Local Government (General) Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

The Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

In accordance with *Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality,* Council has declared that the following are to be considered as business activities:

Category 1

(where gross operating turnover is over $2 million)

a. Waverley Council Property Services

Comprising the whole of the operations and assets of the property services, commercial properties controlled by Waverley Council.

b. Waverley Council Trade Waste Services

Comprising the whole of the operations and assets of the commercial waste services which service the area of Waverley. This service collects and disposes of waste collected from commercial premises.

Waverley Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

Category 2

(where gross operating turnover is less than $2 million)

a. Waverley & South Head Cemeteries

Comprising the whole of the operations and assets of both the Waverley & South Head Cemeteries.

This business operates from offices located at Waverley Cemetery dealing with maintenance, sales and burials.

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars.

(i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

Notional rate applied (%)

Corporate income tax rate – **30%**

Land tax – the first $629,000 of combined land values attracts **0%**. For the combined land values in excess of $629,001 up to $3,846,000 the rate is **1.6% + $100**. For the remaining combined land value that exceeds $3,846,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of $750,000.

Income tax

An income tax equivalent has been applied on the profits of the business activities.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income tax is only applied where a gain/ (loss) from ordinary activities before capital amounts has been achieved.

Waverley Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

Since the taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations - it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SPFS.

The rate applied of 30% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) Return on investments (rate of return)

The NCP policy statement requires that councils with Category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return is calculated as follows:

$$\frac{\textbf{Operating result before capital income + interest expense}}{\textbf{Written down value of I,PP\&E as at 30 June}}$$

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.63% at 30/6/18.

Waverley Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

(iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

Waverley Council

SPECIAL SCHEDULES
for the year ended 30 June 2018

"We are united by a common passion for our beautiful home between the city and the sea."

Waverley Council

Special Schedules
for the year ended 30 June 2018

Contents

		Page
Special Schedules [1]		
Special Schedule 1	Net Cost of Services	2
Special Schedule 2	Permissible income for general rates	4
Special Schedule 2	Independent Auditors Report	5
Special Schedule 3	Water Supply Operations – incl. Income Statement	n/a
Special Schedule 4	Water Supply – Statement of Financial Position	n/a
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	n/a
Special Schedule 6	Sewerage Service – Statement of Financial Position	n/a
Notes to Special Schedules 3 and 5		n/a
Special Schedule 7	Report on Infrastructure Assets	6

[1] Special Schedules are not audited (with the exception of Special Schedule 2).

Background

(i) These Special Schedules have been designed to meet the requirements of special purpose users such as;

- the NSW Grants Commission
- the Australian Bureau of Statistics (ABS),
- the NSW Office of Water (NOW), and
- the Office of Local Government (OLG).

(ii) The financial data is collected for various uses including;

- the allocation of Financial Assistance Grants,
- the incorporation of Local Government financial figures in national statistics,
- the monitoring of loan approvals,
- the allocation of borrowing rights, and
- the monitoring of the financial activities of specific services.

Waverley Council

Special Schedule 1 – Net Cost of Services
for the year ended 30 June 2018

$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	**–**	**–**	**–**	**–**
Administration	**26,594**	**62,546**	**46**	**35,998**
Public order and safety				
Fire service levy, fire protection, emergency services	1,980	152	–	**(1,828)**
Beach control	5,498	609	–	**(4,889)**
Enforcement of local government regulations	1,177	948	–	**(229)**
Animal control	99	58	–	**(41)**
Other	22	–	–	**(22)**
Total public order and safety	**8,776**	**1,767**	**–**	**(7,009)**
Health	**955**	**275**	**–**	**(680)**
Environment				
Noxious plants and insect/vermin control	7	–	–	**(7)**
Other environmental protection	1,547	213	5	**(1,329)**
Solid waste management	18,769	20,361	–	**1,592**
Street cleaning	3,610	1	–	**(3,609)**
Drainage	1,948	–	–	**(1,948)**
Stormwater management	–	–	–	**–**
Total environment	**25,881**	**20,575**	**5**	**(5,301)**
Community services and education				
Administration and education	977	57	–	**(920)**
Social protection (welfare)	65	1	–	**(64)**
Aged persons and disabled	1,438	885	–	**(553)**
Children's services	7,868	7,430	–	**(438)**
Total community services and education	**10,348**	**8,373**	**–**	**(1,975)**
Housing and community amenities				
Public cemeteries	1,072	1,256	–	**184**
Public conveniences	293	71	–	**(222)**
Street lighting	988	216	–	**(772)**
Town planning	7,261	5,184	9,371	**7,294**
Other community amenities	206	–	–	**(206)**
Total housing and community amenities	**9,820**	**6,727**	**9,371**	**6,278**
Water supplies	**–**	**–**	**–**	**–**
Sewerage services	**–**	**–**	**–**	**–**

Waverley Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2018

$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	4,932	314	–	**(4,618)**
Museums	–	–	–	**–**
Art galleries	22	–	–	**(22)**
Community centres and halls	–	–	–	**–**
Performing arts venues	–	–	–	**–**
Other performing arts	–	–	–	**–**
Other cultural services	4,464	736	–	**(3,728)**
Sporting grounds and venues	2,195	541	–	**(1,654)**
Swimming pools	76	–	–	**(76)**
Parks and gardens (lakes)	7,388	232	–	**(7,156)**
Other sport and recreation	13	50	–	**37**
Total recreation and culture	**19,090**	**1,873**	**–**	**(17,217)**
Fuel and energy	**–**	**–**	**–**	**–**
Agriculture	**–**	**–**	**–**	**–**
Mining, manufacturing and construction				
Building control	807	1,305	–	**498**
Other mining, manufacturing and construction	–	–	–	**–**
Total mining, manufacturing and const.	**807**	**1,305**	**–**	**498**
Transport and communication				
Urban roads (UR) – local	9,746	775	1,249	**(7,722)**
Urban roads – regional	–	–	–	**–**
Sealed rural roads (SRR) – local	–	–	–	**–**
Sealed rural roads (SRR) – regional	–	–	–	**–**
Unsealed rural roads (URR) – local	–	–	–	**–**
Unsealed rural roads (URR) – regional	–	–	–	**–**
Bridges on UR – local	–	–	–	**–**
Bridges on SRR – local	–	–	–	**–**
Bridges on URR – local	–	–	–	**–**
Bridges on regional roads	–	–	–	**–**
Parking areas	9,972	26,141	–	**16,169**
Footpaths	3,881	–	–	**(3,881)**
Aerodromes	–	–	–	**–**
Other transport and communication	13	1,417	–	**1,404**
Total transport and communication	**23,612**	**28,333**	**1,249**	**5,970**
Economic affairs				
Camping areas and caravan parks	–	–	–	**–**
Other economic affairs	633	1,968	–	**1,335**
Total economic affairs	**633**	**1,968**	**–**	**1,335**
Totals – functions	**126,516**	**133,742**	**10,671**	**17,897**
General purpose revenues (1)	–	**–**	**–**	**–**
Share of interests – joint ventures and associates using the equity method	**–**	**–**	–	**–**
NET OPERATING RESULT (2)	**126,516**	**133,742**	**10,671**	**17,897**

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

(2) As reported in the Income Statement

Waverley Council

Special Schedule 2 – Permissible income for general rates
for the year ended 30 June 2019

$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation (1)			
Last year notional general income yield	a	43,975	42,980
Plus or minus adjustments (2)	b	(66)	226
Notional general income	c = (a + b)	**43,909**	**43,206**
Permissible income calculation			
Special variation percentage (3)	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	1,010	648
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	**44,919**	**43,854**
Plus (or minus) last year's carry forward total	l	0	38
Less valuation objections claimed in the previous year	m	(83)	–
Sub-total	n = (l + m)	**(83)**	**38**
Total permissible income	o = k + n	**44,836**	**43,892**
Less notional general income yield	p	44,833	43,975
Catch-up or (excess) result	q = o – p	**3**	**(83)**
Plus income lost due to valuation objections claimed (4)	r	–	83
Less unused catch-up (5)	s	–	–
Carry forward to next year	t = q + r – s	**3**	**0**

Notes

(1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.

(2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916* .

(3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.

(4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.

(5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.

(6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993* . The OLG will extract these amounts from Council's Special Schedule 2 in the financial data return (FDR) to administer this process.

Waverley Council

Special Schedule 2 – Independent Auditors Report
for the year ended 30 June 2019

Report on Special Schedule 2

Insert here signed Independent Auditors Report

Waverley Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance[a]	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Council Offices/ Administration Centres	–	–	674	812	12,587	24,425	0%	28%	69%	3%	0%
	Council Works Depot	–	–	763	743	9,241	10,885	99%	0%	1%	0%	0%
	Council Public Halls	682	682	210	133	23,716	66,326	26%	0%	70%	4%	0%
	Libraries	–	–	625	549	23,156	36,238	0%	100%	0%	0%	0%
	Cultural Facilities	–	–	1,522	1,338	13,771	21,086	82%	0%	17%	1%	0%
	Other Buildings	120	120	1,260	1,259	51,693	78,409	11%	64%	23%	2%	0%
	Specialised Buildings	500	500	302	391	4,942	6,790	82%	7%	11%	0%	0%
	Other	–	–	936	905	154	37,020	0%	100%	0%	0%	0%
	Sub-total	**1,302**	**1,302**	**6,292**	**6,130**	**139,260**	**281,179**	**21.2%**	**46.5%**	**30.5%**	**1.8%**	**0.0%**
Other structures	Other structures	291	291	332	349	15,553	26,103	57%	22%	14%	6%	1%
	Sub-total	**291**	**291**	**332**	**349**	**15,553**	**26,103**	**57.0%**	**22.0%**	**14.0%**	**6.0%**	**1.0%**
Roads	Sealed roads	166	166	1,616	1,641	56,092	80,666	37%	54%	7%	2%	0%
	Footpaths	90	90	2,710	2,462	35,808	50,151	53%	33%	13%	1%	0%
	Other road assets	–	–	2,854	2,830	16,021	26,643	46%	43%	10%	1%	0%
	Sealed roads structure	–	–	–	–	68,619	144,601	0%	0%	99%	0%	1%
	Kerb and Gutter	829	829	22	62	66,464	96,649	49%	34%	13%	3%	1%
	Sub-total	**1,085**	**1,085**	**7,202**	**6,995**	**243,004**	**398,710**	**29.1%**	**26.2%**	**42.8%**	**1.3%**	**0.6%**

Waverley Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance[a]	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	115	115	77	86	17,137	24,633	22%	75%	3%	0%	0%
	Stormwater Conduits			339	378	72,873	111,952	12%	71%	17%	0%	0%
	Sub-total	**115**	**115**	**416**	**464**	**90,010**	**136,585**	**13.8%**	**71.7%**	**14.5%**	**0.0%**	**0.0%**
Open space/ recreational assets	Swimming pools	3,008	3,008	6,862	5,936	65,554	103,118	36%	40%	21%	2%	1%
	Sub-total	**3,008**	**3,008**	**6,862**	**5,936**	**65,554**	**103,118**	**36.0%**	**40.0%**	**21.0%**	**2.0%**	**1.0%**
	TOTAL – ALL ASSETS	**5,801**	**5,801**	**21,104**	**19,874**	**553,381**	**945,695**	**26.1%**	**40.2%**	**31.9%**	**1.5%**	**0.4%**

Notes:

a Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

1	**Excellent/very good**	No work required (normal maintenance)
2	**Good**	Only minor maintenance work required
3	**Satisfactory**	Maintenance work required
4	**Poor**	Renewal required
5	**Very poor**	Urgent renewal/upgrading required

Waverley Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods 2017	Prior periods 2016	Benchmark
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio (1)					
Asset renewals (2)	16,765	97.83%	77.08%	127.22%	>= 100%
Depreciation, amortisation and impairment	17,137				
2. Infrastructure backlog ratio (1)					
Estimated cost to bring assets to a satisfactory standard	5,801	1.05%	1.10%	1.39%	< 2.00%
Net carrying amount of infrastructure assets	553,381				
3. Asset maintenance ratio					
Actual asset maintenance	19,874	94.17%	98.24%	104.40%	> 100%
Required asset maintenance	21,104				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	5,801	0.61%	0.69%	0.87%	
Gross replacement cost	945,695				

Notes

* All asset performance indicators are calculated using the asset classes identified in the previous table.

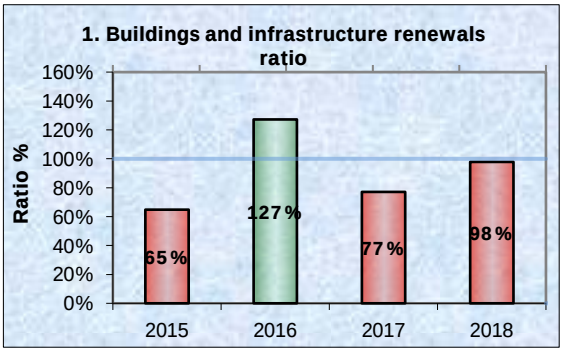
(1) Excludes Work In Progress (WIP)

(2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Waverley Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

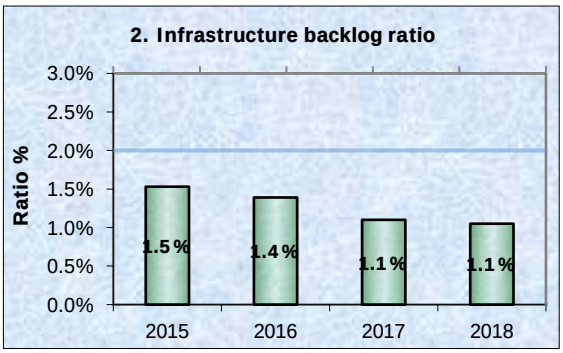
for the year ended 30 June 2018



Purpose of asset renewals ratio	Commentary on 2017/18 result
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.	**2017/18 Ratio 97.83%** Waverley Council's infrastructure asset upgrades and renewals are carried out as per its Strategic Asset Management Plan (SAMP) and ensure sufficient spending to bring up its assets to the community satisfactory level.

Benchmark: ——— Minimum >=100.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

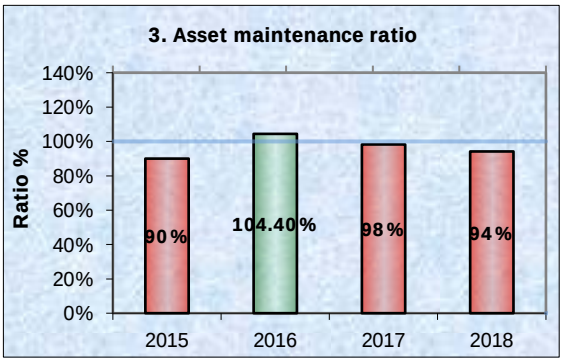
Ratio achieves benchmark
Ratio is outside benchmark



Purpose of infrastructure backlog ratio	Commentary on 2017/18 result
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.	**2017/18 Ratio 1.05%** This ratio shows that Waverley Council has a small proportion of infrastructure backlog and compares favourably with the industry benchmark of less than 2%.

Benchmark: ——— Maximum <2.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

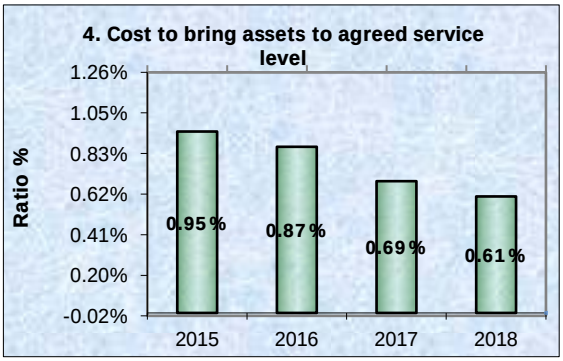
Ratio achieves benchmark
Ratio is outside benchmark



Purpose of asset maintenance ratio	Commentary on 2017/18 result
Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.	**2017/18 Ratio 94.17%** This ratio indicates Waverley Council's spending on asset maintenance is sufficient to stop the infrastructure backlog growing.

Benchmark: ——— Minimum >100.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of agreed service level ratio	Commentary on 2017/18 result
This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.	**2017/18 Ratio 0.61%** This ratio shows that Waverley Council has a small proportion of outstanding infrastructure upgrade/renewal works as compared to the total value of its assets.

WAVERLEY
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REPORT
A-1811.3

Subject: **Organisation Development Program – Management Control Environment and Probity – Links to Audit, Risk and Improvement Committee Work Program**

TRIM No.: A18/0658

Author: Ross McLeod, General Manager

RECOMMENDATION:

That the Committee:

1. Notes the components of the General Manager's organisation development program that relate to Management Control Environment, Enterprise Risk and Probity and the work of the current Audit Committee and its successor, the Audit, Risk and Improvement Committee.

2. Endorses the proposed framework of areas of activity outlined in this report as the basis for the work program for the Audit, Risk and Improvement Committee.

1. Executive Summary

This report draws together recent law changes affecting Audit Committees and organisation improvement work relating to Management Control Environment, Enterprise Risk and Probity.

The Council is required under recent law changes to implement a new Audit, Risk and Improvement Committee that will replace this Committee. The law provides for the new Committee to have an extended scope of activities.

Council's recently appointed General Manager has initiated an organisation development program which will place significant emphasis on Management Control Environment, Enterprise Risk and Probity, and envisages the Audit, Risk and Improvement Committee as a key governance level mechanism for strengthening arrangements in this area. The detail of the proposed approach and related capability and work program issues are discussed below.

The Committee is asked to endorse the framework proposed for an expanded work program for the Committee.

2. Introduction/Background

The General Manager has initiated a program of organisation development work within the Council organisation. The program comprises of a number of focus areas including capability and capacity, system and process investment, culture development and structure alignment. Of particular note to the work of this Committee is a focus area dealing with the Management Control Environment, Enterprise Risk and Probity.

This report provides an overview of the General Manager's direction for development within this focus area. An indicative program of work is discussed, as are linkages to the work program of this Committee and the Audit, Risk and Improvement Committee that will replace it.

The General Manager sees the Committee (and its successor required by recent legislative changes) as key governance level mechanisms for supporting efforts to strengthen the Management Control Environment and Probity arrangements and increase the maturity of the organisation with respect to Enterprise Risk Management.

3. Discussion

Within the organisation development change program recently initiated by the General Manager, the following *Direction* is outlined in respect of Management Control Environment, Enterprise Risk and Probity:

> *"Direction – Waverley has a robust management control environment. Risk management strategies and priorities are understood and operationalised by operational managers and frontline staff. Managers take responsibility for performance rather than having it imposed upon them. Processes for dealing with unwanted results and complaints are clear and owned by appropriate managers and directors."*

The proposal also contains the following statement:

> *"How internal audit is used and the strengthening of organisational links to the Audit and Risk Committee will also be areas of focus."*

The organisation development program contains a number of other focus areas alongside Management Control Environment, Enterprise Risk and Probity. Of these, the building of Capability and Capacity and the work on Structure Alignment will impact the work of this Committee. The proposals promulgated to date see the addition to the organisation of a senior level Chief Financial Officer to lead financial management activities and add strategic financial capability to the organisation, and the appoint of a General Counsel who will *inter alia* develop and lead a legal compliance program. The scope of the Council's internal audit program and the capability required to deliver on it will also be topics for examination under the Capability focus area.

Alongside this report, this Agenda also contains a report signalling the time frame for Council transitioning from the current form of the Committee to the Audit, Risk and Improvement Committee required in line with recent legislative changes. The legislation gives the proposed Committee a broader scope than at present as follows:

> *The Committee must keep under review the following aspects of the council's operations:*
> *(a) compliance,*
> *(b) risk management,*
> *(c) fraud control,*
> *(d) financial management,*
> *(e) governance,*
> *(f) implementation of the strategic plan, delivery program and strategies,*
> *(g) service reviews,*
> *(h) collection of performance measurement data by the council,*
> *(i) any other matters prescribed by the regulations.*
>
> (schedule 1, clause 41, *Local Government Amendment (Governance and Planning) Act 2016*)

The legislation will also require the Committee to provide information to the Council for the purpose of improving the council's performance of its functions.

In addition to the legislative mandate of the Committee, the General Manager is keen to engage the Committee (both current and as proposed) as a mechanism for driving forward the organisation

development *Direction* set out above, and reinforcing the work being undertaken. He has asked relevant staff to begin assembling an expanded work program for the Committee grouped around the following framework of areas of activity:

- Financial Management and Audit Overview and response to Management Letter
- Oversight of revised internal audit program
- Enterprise Risk program development
- Oversight of proposed legal compliance program
- Oversight and advice - Fraud Prevention, Probity Arrangements and other governance arrangements
- Oversight and advice - Implementation, Performance and Service Reviews

The development of this work program, while starting now, will accelerate when the first phase of the structure alignment has been completed and additional capability has been added to the organisation.

Comment is sought from the Committee as to the scope and shape of the proposed work program and the broader organisation development program as it relates to the role of this Committee and its proposed successor.

4. Financial impact statement/Timeframe/Consultation

Financial

There are no known financial impacts arising from the proposals and actions discussed above.

Timeframe

Upon commencement of the legislative amendments referred to above, the Council is required to have an Audit, Risk and Improvement Committee in place within six months of the next local government elections. The General Manager intends to ask the Council to put in place a compliant Committee structure and work program ahead of this requirement.

Consultation

The new Committee structure will become a statutory requirement when the legislation formally commences. No consultation on this is necessary. However, the views of the Committee are sought on how the statutory requirements placed on Council will be implemented. Consultation is currently underway with staff and unions on the organisational development program and the high-level structure proposal that forms part of it. This consultation process may result in some changes to the *Direction* for Management Control Environment, Enterprise Risk and Probity or the structural arrangements currently envisaged as helping support the Committee.

5. Conclusion

The Council is required under recent law changes to implement a new Audit, Risk and Improvement Committee in place of this Committee. The new Committee will have an extended scope of activities. Alongside this, the recently appointed General Manager has initiated an organisation development program which will place significant emphasis on Management Control Environment, Enterprise Risk and Probity, and envisages the Audit, Risk and Improvement Committee as a key governance level mechanism for supporting the strengthening of arrangements in this area. The Committee is asked to endorse the Framework proposed for the expanded Committee work program in this area.

6. Attachments

Nil

REPORT
A-1811.4

Subject: **Establishment of Audit, Risk and Improvement Committee**

TRIM No.: A18/0658

Author: Jane Worthy, Internal Ombudsman

RECOMMENDATION:

That the Committee:

1. Supports Council's early adoption of the proposed requirement to establish an Audit, Risk and Improvement Committee to succeed Council's current committee.

2. Endorses the proposed timeline for the transition to the Audit, Risk and Improvement Committee as shown in Table 1 of this report.

1. Executive Summary

Upon commencement of the legislative amendments to the *Local Government Act* Council is required to have an Audit, Risk and Improvement Committee in place within six months of the next local government elections. The General Manager is recommending that Council put in place the new committee structure ahead of this requirement.

This report proposes a timeframe for Council transitioning from the current form of the committee to the Audit, Risk and Improvement Committee. Should the proposal be adopted the new committee is expected to be fully operational by May 2019.

2. Introduction/Background

In 2008 the NSW Office of Local Government (OLG) released guidelines advising all councils to develop an internal audit committee to act as an independent and objective oversight of council systems and processes. Waverley Council's Audit Committee was subsequently established in 2010 with the aim of providing independent assurance and assistance to the Council on risk management, control, governance and external accountability responsibilities.

In 2016 the NSW Parliament passed amendments to the *Local Government Act 1993* (the LGA) in the *Local Government Amendment (Governance and Planning) Act 2016* that affect the operation of internal audit committees. Some parts of the amending Act have yet to commence however, including the relevant Part 4A Internal Audit. When Part 4A commences all NSW councils must appoint an Audit, Risk and Improvement Committee. The Committee will be under a statutory obligation to keep under review as a minimum the following aspects of the Council's operations:
a) compliance,
b) risk management,
c) fraud control,
d) financial management,
e) governance,
f) implementation of the strategic plan, delivery program and strategies,
g) service reviews,

h) collection of performance measurement data by the Council,
i) any other matters prescribed by the regulations; and
j) provide information to the Council for the purpose of improving the Council's performance of its functions.
The proposed amendments will give the new committee a much broader role and strengthen its authority to better assist Council with its audit, risk management, control, governance and business improvement processes.

The formal requirement to establish an Audit, Risk and Improvement Committee is some way off. The OLG is unable to advise when it expects Part 4A to commence, and even then, Section 123 of Schedule 8 of the LGA does not require a council to establish the committee until 6 months after the next ordinary election of councillors following the commencement of Part 4A. Waverley's next council election is scheduled for September 2020 so the new committee does not have to be established until at least March 2021.

The NSW Auditor-General, in their *Report on Local Government 2017*, acknowledges the extended timeframe and recommends councils "early adopt the proposed requirement to establish an audit, risk and improvement committee" as an important part of good governance. Several Sydney councils including, Sutherland, Liverpool, Burwood, Georges River, Inner West, Ryde, North Sydney and Northern Beaches have their new committees in place. The General Manager is recommending that Council follows suit and commences the process of establishing the committee.

The Auditor-General further recommends that the OLG updates its *Internal Audit Guidelines*, which have not changed since 2010. New guidelines may impact on the committee's operation and their potential release at some point in future will need to be borne in mind by committee members and officers as the transition is made to the new committee framework.

In preparing for the impending changes officers have reviewed the structure and operation of the current Audit Committee and have drafted a new committee charter. The draft charter is attached to this report for the Committee's information. It is important to note that the document is in a very draft state and is likely to change should the OLG revise their guidelines and as the other operational matters outlined below are finalised.

The transition to the Audit, Risk and Improvement Committee takes place at Waverley within a broader program of organisational development being implemented by the General Manager. The Agenda for today's Audit Committee meeting includes a report from the General Manager outlining the program and the importance of the committee as a key governance mechanism to strengthen the management control environment and probity arrangements at Council and increase the maturity of the organisation with respect to enterprise risk management. The development of a work program for the committee has commenced and will accelerate when the first phase of a structure alignment has been completed and additional capability has been added to the organisation. The proposed timeline for the transition to the new committee is discussed in the next section and is designed to align with the implementation of the General Manager's program.

3. Discussion

The recommended timeline for the transition to the new Audit, Risk and Improvement Committee is presented in Table 1 below.

Table 1

Date	Activity/comment
February 2019	Report to be submitted to the February Council meeting seeking adoption of the following: • Process for establishing the Audit, Risk and Improvement Committee • The draft committee charter

	• Expressions of Interest process for independent members • The independent members' remuneration level • The establishment of the panel to assess the EOIs received and make a recommendation to Council on the appointment of independent members. It is also recommended that the current Audit Committee meet for the last time in February 2019.
Feb/March 2019	The Expressions of Interest process to be undertaken and the panel convened to assess and recommend the independent members to Council.
April 2019	The independent committee membership and the chair of the committee to be appointed by Council. The councillor members of the committee were appointed by Council at its meeting in September 2018. It is not proposed to change the councillor membership before their current appointment expires in September 2019.
April/May 2019	Induction and training to be held for committee members.
May 2019	First meeting of Waverley's Audit, Risk and Improvement Committee. Committee charter, Forward Meeting Plan and the remainder of the 2019 meeting dates set.

4. Financial impact statement/Timeframe/Consultation

Financial

The external independent members of the Audit, Risk and Improvement Committee will be remunerated for their services. Should Council support the proposal to increase the number of external independent members from two to three the operational budget for the committee will need to increase.

Timeframe

The timeline for the establishment of the Audit, Risk and Improvement Committee is set out in Table 1 of this report. If agreed to the new committee is expected to be fully operational by May 2019.

Consultation

The independent members of the Audit Committee are expecting a report about Council's plans to establish an Audit, Risk and Improvement Committee but they have not been consulted about the timeline outlined in this report.

5. Conclusion

Recent amendments to legislation require Council to establish a new Audit, Risk and Improvement Committee by March 2021. The General Manager is proposing to bring the establishment of the new committee forward ahead of this requirement. This report proposes a timeline for this to be achieved.

6. Attachments

1. Draft Audit, Risk and Improvement Committee Charter

Audit, Risk and Improvement Committee Charter

DRAFT

1. Introduction
2. Objective
3. Authority
4. Independence
5. Membership
Voting Members
Non - voting Attendees
Non - voting Invitees
6. Tenure
7. Role and Responsibilities
A. Compliance
B. Risk Management
C. Fraud and corruption prevention
D. Internal control framework
E. External accountability, including financial reporting
F. Internal Audit
G. External audit
H. Continuous Improvement
I. Accountability of the Committee and members
J. Transparency
Role of the Chair
8. Reporting Requirements
Meeting minutes reported to Council
9. Performance Review
Internal audit performance
Committee and member performance
Charter review
10. Administrative Arrangements
Meeting Schedule and Forward Plan
Agendas and minutes
Confidential Reports
Quorum
Voting
Conflicts of Interest
Induction
Remuneration

DRAFT

1. Introduction

It is expected that the appointment of an Audit, Risk and Improvement Committee ('the Committee') will be compulsory for all NSW councils under section 428A of the Local Government Act 1993 within 6 months following the next local government election in 2020. Council has developed this Charter and the operation of the Committee in anticipation of the future legislation.

The Committee provides independent oversight, objective assurance and monitoring of Council's audit processes, internal controls, external reporting, risk management activities, compliance of and with Council's policies and procedures, and performance improvement activities.

The Committee will help ensure that the people of Waverley receive the services they need in an effective and efficient manner, delivered with honesty and integrity.

The Charter sets out the objective, authority, roles and responsibilities, membership, operation and performance review of the Audit, Risk and Improvement Committee at Waverley Council. It is based on the Internal Audit Guidelines issued by the Chief Executive of the Office of Local Government in September 2010, and is intended to promote openness, transparency and accountability in Council's operations.

2. Objective

The objective of the Committee is to provide independent assurance and assistance to the Council with respect to the following key areas:

- compliance including legal compliance
- risk management
- fraud control
- financial management
- treasury management and oversight
- governance
- policy management
- health and safety
- insurance placements
- implementation of the strategic plan, delivery program and strategies
- service reviews
- collection of performance management data by the council
- any other matters prescribed by the regulations.
- provide information to the Council for the purpose of improving the Council's performance of its functions.

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3. Authority

The Committee is an independent advisory body to Council that assists the Council to fulfil its functions. The advisory status of the Committee means that it may only make recommendations to management or the Council.

The Committee has no executive powers except those expressly provided by Council.

The Council authorises the Committee to:

- Obtain any information it needs from any employee or external party (subject to their legal obligations to protect information).
- Discuss any matters with the external auditor or other external parties (subject to confidentiality considerations).
- Request the attendance of any employee or councillor at Committee meetings.
- Obtain external legal and other professional advice considered necessary to meet its responsibilities.
- Provide information, advice and recommendations to the elected Council on any matter within the scope of its responsibilities.
- Adopt its own Charter.

4. Independence

The Committee has an independent status to ensure its effectiveness. To achieve this, the Committee must be independent of any organisational unit, employee or official of the Council.

All Committee business and activities must be free of influence from any element in the organisation.

The Committee is independent of the activities that it audits or reviews to ensure unbiased judgements, proper conduct and impartial advice to Management and the Council.

The Committee must not have any direct operational responsibility or authority over any of the activities audited or reviewed and must not assume responsibilities for the implementation of any of its recommendations to Management or the Council about Council's operations.

To preserve independence the Committee may adopt its own Charter.

To further preserve independence, external independent members must not undertake other business or employment with Council.

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5. Membership

The Committee will consist of voting members, non-voting attendees and non-voting invitees:

Voting Members

There are to be 4 voting members on the Committee comprising:

- Three external independent members and
- One councillor (other than the Mayor).

All voting members must be appointed to the Committee by resolution of Council. The external independent members shall be sought by way of public advertisement inviting expressions of interest for assessment by an Audit, Risk and Improvement Committee (ARIC) Appointment Panel comprising the Mayor, General Manager, Internal Ombudsman and two external representatives from Council's legal or conduct review panels.

The Panel must ensure that the external independent members, taken collectively, have recent and relevant:

- financial and accounting experience
- risk management experience
- performance improvement experience
- community service experience
- local government / public sector experience, and
- legal or governance experience.

The Panel will recommend the external independent membership of the Committee to Council for its determination.

Council must appoint one of the external independent Committee members as the Chair of the Committee for the term of the Committee.

Council must appoint one of the external independent Committee members as the Deputy Chair of the Committee for the term of the Committee, to carry out the functions of the Chair, in the Chair's absence.

The Councillor member of the Committee must be appointed by resolution of the Council, once every two years to coincide with the Mayoral term.

The Mayor cannot be a member of the Committee.

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The Council may resolve to appoint an alternate Councillor member to the Committee to attend meetings in the absence of the Councillor member. The alternate Councillor member will have the same voting rights as the Councillor member being replaced.

A vacancy for an external independent member of the Committee will occur upon the resignation of the member, expiry of a term of appointment as outlined in Section 6 of this Charter, failure to attend without cause for three consecutive meetings, or removal of the member by resolution of Council.

Vacant external independent member positions on the Committee must be filled by way of public advertisement inviting expressions of interest for assessment by the ARIC Appointment Panel, who will recommend a new member to Council. This will occur as soon as practical within the period of two committee meetings.
Former Council staff and Councillors may be eligible for appointment as an external independent member to the Committee but only following a three year break from service.

Committee members must decline any request to act as referee to applicants for vacant positions on the Committee.

Non- voting Attendees

The following Council staff will receive a standing invitation to meetings of the Committee as non-voting attendees:

- General Manager
- Internal Ombudsman
- Executive Manager, Financial Waverley
- Executive Manager, Engaging
- Manager, Risk and Safety
- Internal Audit

The Committee may exclude the General Manager or any other staff member from a Committee meeting while it deals with any matter, if it thinks it appropriate to do so.

Non - voting Invitees

Other Council staff may be invited by the Committee to attend meetings as observers or advisors as the Committee deems necessary.

The Committee may also invite the external auditor or other external parties to provide expert advice, information or presentations as the Committee deems necessary.

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6. Tenure

The external independent members of the Committee will be appointed by resolution of the Council once every four years to coincide with the term of Council.

The Councillor member of the Committee will be appointed by resolution of the Council once every two years to coincide with the Mayoral term.

At the end of each term of Council, all positions on the Committee will become vacant and new Committee members will be sought by way of an expressions of interest process as set out in Section 5 of this Charter.

External independent members of the Committee that have served two consecutive terms or eight years, whichever is the greater, will not be eligible for reappointment. There will be no limitation on the number of terms an individual councillor can serve on the Committee.

A Councillor or external independent member found by the appropriate investigative body to have behaved inappropriately (for example, found to have breached disclosure of interests requirements under the Local Government Act) and/or breached Council's Code of Conduct, may be removed or suspended from the Committee. Such a removal or suspension requires a resolution of Council.

7 Role and Responsibilities

The Committee's role is to oversee and monitor risk management, audit, continuous improvement, compliance, external accountability and the internal control environment activities for Council.

Committee members are required to have an independence of mind in deliberations and not act as a representative of a particular area of the community or of the Council.

The Committee will have the following specific responsibilities and functions that may be revised or expanded from time to time:

A. Compliance

Oversee Council's compliance arrangements and:

- Determine if management has appropriately considered legal and compliance risks as part of risk assessment and management arrangements.
- Review the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated government policies.

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B. Risk Management

Oversee Council's risk management arrangements and review whether:

- Council complies with relevant risk management principles and guidelines.
- Management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of business and financial risks, including fraud.
- A sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been periodically tested.
- A sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings.
- Risk mitigation strategies are adequate and effective, including insurance arrangements.

C. Fraud and corruption prevention

Oversee Council's fraud and corruption prevention arrangements and:

- Review and discuss with management their philosophy with respect to business ethics and corporate conduct, its written code of conduct and the programme it has in place to monitor compliance with that code.
- Monitor the level of and issues raised in relation to Public Interest Disclosures, customer complaints, and internal and external conduct investigations (for example by the Independent Commission Against Corruption).
- Review Council's assessment of the level of exposure to fraud and corruption.
- Receive and review management's strategies and controls to manage fraud and corruption risks.

D. Internal control framework

Oversee Council's internal control framework arrangements and review whether:

- Management has adequate internal controls in place, including over external parties such as contractors and advisors.
- Management has in place relevant policies and procedures, and if these are periodically reviewed and updated.
- Appropriate processes are in place to assess compliance with policies and procedures.
- Appropriate policies and procedures are in place for the management and exercise of delegations.
- Management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

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E. External accountability, including financial reporting

Oversee Council's external accountability obligations and:

- Satisfy itself that the annual financial reports comply with applicable Australian Accounting Standards and are supported by appropriate management sign-off on the statements and the adequacy of internal controls.
- Review the external audit opinion, including whether or not appropriate action has been taken in response to audit recommendations and adjustments in a timely manner.
- Consider contentious financial reporting matters in conjunction with Council's management and external auditors.
- Review the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements.
- Satisfy itself that there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations.
- Satisfy itself that there is an Integrated Planning & Reporting framework in place, which is in accordance with Local Government guidelines and directives.

F. Internal Audit

Oversee Council's internal audit function and:

- Act as a forum for communication between Council, the General Manager, senior management, internal audit and external audit.
- Ensure that the internal audit function is adequately resourced and has appropriate standing within Council.
- Ensure that the Internal Audit Plans (strategic and annual) are linked with and cover the major risks identified in Council's risk profile as per its risk registers, and approve the Plans.
- Promote the co-ordination between management, internal and external auditors.
- Ensure and support the independence of the internal audit function.
- Make recommendations to commission internal audits of any kind, whether to be conducted by the internal auditor or otherwise.
- Review all internal audit reports and consider any significant matters reported and ascertain whether management responses are appropriate.
- Review and discuss the internal auditor's quarterly reports, including year to date progress as per the Internal Audit Plan, significant variations that may have occurred from the approved Internal Audit Plan, and any specific concerns the Internal Auditor may have.
- Monitor remedial action by management of internal audit recommendations made as per Council's recommendations register.
- Periodically review the Internal Audit Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place.

DRAFT

- Participate in the selection of external internal audit providers, as required.
- Meet at least once per year with the internal auditor, in closed session, to discuss any issues of concern.

G. External audit

Oversee Council's external audit function and:

- Act as a forum for communication between Council, the General Manager, senior management, internal audit, and external audit.
- Review the proposed external audit scope and approach, with particular respect to coordination of effort and elimination of duplication with internal audit.
- Provide input and feedback on the financial statement and performance audit coverage proposed by external audit, and provide feedback on the external audit services provided.
- Review all external audit plans and reports in respect of planned or completed external audits and monitor management's implementation of significant audit recommendations.
- Make recommendations to the General Manager on external audit activities.
- Periodically review the performance of external audit.
- Make recommendations to the General Manager on the appointment and removal of external auditors.
- Meet at least once per year with the external auditor, in closed session, to discuss any issues of concern.

H. Continuous Improvement

Oversee Council's continuous improvement activities by:

- Reviewing the overall approach and arrangements in place that support management implementing a successful culture of continuous improvement to drive productivity and efficiency gains.
- Monitoring continuous improvement initiatives, programmes, projects etc., including:
  - Organisational / operational reviews.
  - Service reviews.
  - Organisation Planning
  - Development of performance criteria / data requirements and the collection of data for performance reporting against such criteria.
- Reviewing the annual performance of Council against its documented key performance criteria and providing advice to the General Manager on the adequacy of Council's performance against the documented criteria.
- Identifying and recommending to the General Manager Council activities, services, business processes, systems etc. that may benefit from a review, through the Committee's exercise of its functions.

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I. Accountability of the Committee and members

The key requirements are:

- The Committee is accountable for ensuring that it meets the requirements as set out in this Charter.
- All members are accountable to ensure that they abide by the Council Code of Conduct at all times.
- All members are accountable to ensure that they act in accordance with the conflicts of interest section of this Charter.
- All members of the Committee are individually accountable for:
  - understanding the relevant legislative and regulatory requirements appropriate to Council
  - contributing the time needed to study and understand the papers provided
  - applying good analytical skills, objectivity and good judgment
  - expressing opinions frankly, ask questions that go to the fundamental core of issues, and pursue independent lines of enquiry
  - acting honestly and in good faith
  - actively participating in the work of the Committee
  - performing their duties in a manner that engenders public trust in the integrity, objectivity, and impartially of the Committee
  - conducting the business of the Committee with the care, diligence and skill appropriate to the role
  - declaring any change in employment status that may give rise to any real or perceived conflict of interest, and
  - complying with the Committee's Charter.

J. Transparency

The Committee:

- Due to the inherent risks associated with the disclosure of potentially sensitive and/or confidential information, give due consideration to each item presented at a Committee meeting on a merit (case by case) basis.
- In some instances, may recommend the non-release, or delayed release, of a particular report, at least until such time as the findings contained within it are sufficiently managed so as not to jeopardise Council's financial, legal, safety or other risks.
- May seek input or advice from Council's nominated GIPA and PPIPA specialists in relation to any public disclosures.
- Will ensure that generally, all agendas and minutes of Committee meetings will be made publically available subject to privacy and confidentiality considerations.

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Role of the Chair

The primary role of the chair is to manage meetings of the Committee to create a co-operative and conducive decision-making forum.

The Chair is responsible for setting the agenda for meetings of the Committee in consultation with the General Manager, Internal Ombudsman and Internal Auditor.

8. Reporting Requirements

The Internal Auditor must present an Internal Audit Annual Report to the Committee at its first meeting after 30 June each year. The report must include commentary on the following performance related matters:

- the approved Internal Audit Plan of the previous financial year showing the current status of each audit
- the performance of internal audit for the financial year as measured against agreed key performance indicators
- management's progress with the implementation of internal audit recommendations, and
- the performance of Council-wide service risk assessments, and project-specific risk assessments, in accordance with the Enterprise Risk Management Plan.

The Committee must provide an annual report to Council each year. The key elements of the annual report must include a summary of its activities in each of its areas of responsibilities as set out in this Charter, as well as details of:

- meetings held and member attendance
- key achievements
- key action points, and
- any other matters deemed to be of sufficient importance.

Meeting minutes reported to Council

The minutes of each Committee meeting are to be reported to Council for information as soon as they are confirmed by the Committee. As the minutes may contain confidential or sensitive information, broader public access will be subject to privacy and confidentiality considerations noted under the Transparency section above.

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9. Performance Review

Internal audit performance

The Committee will oversee an annual internal review of the performance of the internal audit function and an independent review of the function during its term of office.

Committee and member performance

The Chair of the Committee shall coordinate a self-assessment of the performance of the Committee on an annual basis. The results of this self-assessment will be included in the Committee Annual Report to Council.

The performance of external independent members will be subject to review at the end of each term of appointment. The Chair will review the performance of each external independent member, and the Mayor, General Manager and Internal Ombudsman will review the performance of the Chair.
The Council may require additional performance reviews of any independent member at any time and must give reasonable notice of that review.

Charter review

Each year, the Committee will review its Charter to ensure it remains current, relevant and accurately reflects the Committee's composition, role and responsibilities.

The Committee will advise Council of any changes to its Charter. Council may endorse the Charter or recommend changes but the Committee is responsible for adoption of the Charter.

10. Administrative Arrangements

Council will provide Secretariat for the Committee from the Internal Ombudsman's Office.

Meetings of the Committee are not open to the public. There is no opportunity for members of the public to address the Committee.

Meeting schedule and Forward Plan

The Committee shall meet a minimum of 6 times per year.

If necessary, additional meetings may be held to review and endorse the annual audited financial reports and external audit opinion. The need for any additional

DRAFT

meetings will be decided by the Chair, although the other Committee members may make requests to the Chair for additional meetings.

Where, either Internal Audit Plan priorities change between meetings or new urgent issues arise, and where it is not possible to schedule an additional meeting, the Committee will be kept fully informed of all changes via email through the Secretariat .

A Forward Meeting Plan, including meeting dates and agenda items, will be agreed by the Committee each year. The Forward Meeting Plan will cover all Committee responsibilities as detailed in this Charter.

Agendas and minutes

Meeting agendas must be set and approved by the Chair of the Committee in consultation with the General Manager, Internal Ombudsman and Internal Auditor.

All agenda items must include a covering report. Confidential items must include a non-confidential covering report that provides a brief summary of the matter for the public.

The officer support will ensure the agenda for each meeting is circulated at least seven business days before the meeting and made publicly available on Council's website the following day.

The Committee must ensure that full and accurate minutes of the proceedings of its meetings are kept. In particular, the Committee must ensure that the following matters are recorded (at a minimum) in the minutes:

- the date and time of meetings, attendees and any apologies;
- any conflict of interests declared at the meeting
- the confirmation (or otherwise) of the minutes from previous the meeting;
- details of each motion moved and of any amendments moved to it;
- whether the motion or amendment is passed or lost;
- the Committee recommendations on each item;
- the time the meeting closed.

The Secretariat will circulate minutes to all Committee members, Councillors and relevant staff within two weeks of the meeting being held. The minutes must be confirmed by the Committee at the next available Committee meeting.

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Confidential Reports

All agenda reports will be publicly available unless the report contains information of the following kind, in which case the report will not be publicly available (the below criteria reflect section 10A(2) of the Local Government Act 1993).

- Personnel matters concerning particular individuals (other than councillors).
- Personal hardship of any resident or ratepayer.
- Information that would, if disclosed, confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business.
- Commercial information of a confidential nature that would, if disclosed:
  - prejudice the commercial position of a person who supplied it; or
  - confer a commercial advantage on a competitor of Council; or
  - reveal a trade secret.
- Information that would, if disclosed, prejudice the maintenance of law.
- Matters affecting the security of Council, Council Officials and Council property.
- Advice concerning litigation, or advice that would otherwise be privileged from production in legal proceedings on the grounds of legal professional privilege.
- Information concerning the nature and location of a place or an item of Aboriginal significance on community land.
- Alleged contraventions of any code of conduct requirements applicable under section 440 of the Local Government Act.

If the subject business is of a kind listed above then those documents will be issued separately to the Agenda and are to be treated as confidential. The grounds for restricting public access to documents will be stated on the Agenda along with an explanation provided as to why public access would be, on balance, contrary to the public interest.

Quorum

A quorum will consist of a majority of Committee members, including at least two external independent members.

Voting

The Committee is expected to make decisions by consensus, but if voting becomes necessary then the vote will be decided by a majority of votes of Members present and the details of the vote recorded in the minutes.

Each Member of the Committee is entitled to one vote only. In the case of an equality of votes on any issue, the Chair shall have the casting vote.

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Conflicts of Interest

Members of the Committee must comply with Council's Code of Conduct in carrying out their functions as Committee members. It is the personal responsibility of each Committee member to comply with the standards in the code of conduct and regularly review their personal circumstances with this in mind.

Committee members must declare any conflicts of interest at the start of each meeting or before discussion of a relevant agenda item or topic. Details of any conflicts of interest will be appropriately minuted.

Where members or invitees at Committee meetings are deemed to have a real or perceived conflict of interest, it may be appropriate that they be excused from deliberations on the issue where the conflict of interest may exist. It is the responsibility of each member and staff member to determine if a conflict of interest exists, the nature of that interest and how they will respond to that interest.

Induction

New voting members will receive information packs and briefings upon their appointment to assist them to meet their Committee responsibilities.

Remuneration

The independent members on the Committee shall be remunerated on a per meeting basis for participating on the Committee at the remuneration level adopted by Council.

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REPORT
A-1811.5

Subject: **Internal Audit Plans 2018-2022**

TRIM No.: A10/0345-02

Author: Umayal Sivanandan [Senior Internal Auditor-SSROC]

RECOMMENDATION:

That the Committee

1. Endorses the Four-Year Internal Audit Plan 2018-2022
2. Endorses the Annual Internal Audit Plan for 2018/2019

1. Introduction/Background

In October 2008, the Division of Local Government (former Department of Local Government) published its Internal Audit Guidelines (revision published September 2010), which highly recommended that local councils take progressive steps towards incorporating an internal audit function as a mechanism to assist councils to manage risk and improve efficiency and effectiveness and endorsed Internal Audit as an essential component of a good governance framework for all councils.

As part of this new direction to establish a formal Internal Audit function within Council and in order to strengthen the internal control environment and enhance process efficiencies, a Senior Internal Auditor was engaged through an SSROC (Southern Sydney Regional Organisation of Councils) shared services arrangement in May 2010. In addition, a renewed and improved (independent) Audit Committee was appointed and an Audit Committee Charter was developed and adopted in line with the Division of Local Government's recommendation to provide direction, guidance and support to the Senior Internal Auditor in carrying out his/her role and responsibilities.

2. Discussion

The establishment of the independent Audit Committee as well as the engagement of the Senior Internal Auditor have been continuing to assist and support Council in the last several years to achieve its corporate vision and objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.

Development of the Annual and Strategic Four-Year Audit Plans

The Annual (2018-2019) & Strategic Four Year (2018-2022) Audit Plans have been developed in conjunction with each other and the methodology followed in developing the plans has been kept closely aligned with the approach utilised in previous years as well drawn from various inputs from key internal and external elements to ensure that the plans are robust and comprehensive.

Council Vision and Corporate Objectives – It is the primary focus of Internal Audit to assist the organisation in realising its corporate vision and objectives by supporting management in achieving its business objectives. Internal Audit has continued to take into consideration Council's vision and corporate objectives in every step of developing the Audit Plans for the year.

Council's Delivery Program/Operational Plan – Maintaining and restoring vital infrastructure is one of Council's key objectives and therefore the consideration of Council's current Delivery Program and supporting Operational Plan continue to provide Internal Audit with an understanding and appreciation of Council's capital and operational commitment and obligation in meeting its corporate deliverables, and identifying areas that may require due focus when developing the Audit Plans.

Review of last year's Audit Plans and incorporation of Internal Audits carried forward from 2017-2018 – Annual and Four Year Audit Plans were presented and endorsed by the Audit Committee in November 2017. An evaluation of the previous year's Audit Plans was conducted, to ascertain the relevance and timing of auditable areas identified in the Plans. Internal audits that could not be accommodated in the previous year (for reasons stated in the Internal Audit progress report) would have been taken into consideration when developing the revised Annual Audit Plan. [One audit in the 2017 Annual Internal Audit Plan has been carried forward-Please see plans attached].

Risk Management Framework – Waverley Council is currently developing a formal risk management framework. In this regard risk management assessments are being conducted with the Senior Leadership team and the results will be incorporated into a risk management software tool. Consequently, whilst this risk management framework is being formally established Internal Audit has utilised the repository of risks within the "Risk Register" compiled in 2015 to identify potential key auditable areas that may be included in the Internal Audit Plans. These risks have been summarised to 10 key corporate risks that have been reflected in the Audit Plans.

Consultation with General Manager, Executives and Managers – As in previous years this approach involved consultation with Executive Management and Senior Managers which has assisted Internal Audit in identifying significant areas that require focus and inclusion in the Internal Audit Plans.

Review of the External Auditors' Management Letter and discussions with the External Auditors – Review of the External Auditors' Management Letter on elements impacting the control environment (if any) and obtaining their valuable insight, comments and feedback greatly assisted in identifying areas that would benefit from an internal audit review and inclusion into the Internal Audit Plans.

Analysis of Local Government Audit 'Hot Spots' – Maintaining a holistic approach to risks and pitfalls impacting local government as a whole, Internal Audit has reviewed recent publications and media releases on local government, documentation presented and discussed at Internal Audit conferences and forums with a focus on local government concerns and liaised with other Internal Auditors of SSROC as well as where possible other members of the Local Government Internal Audit Network (LGIAN).

Further in developing the plans, consideration has also been given to the following:

- Internal audit resourcing is currently 3 days per week and takes into consideration commitment to training/professional requirements, leave taken (annual/sick) and public holidays.
- Internal audit resourcing is expected to increase to 4/5 days per week in the next three to four years.
- The number of audits to be undertaken is based on the type, complexity and duration of audits to be conducted each year.
- Accommodating at least two follow up audits every year, ensuring as best as possible that they are no more than 3 years since the original review [and going forward, that all issues of the relevant review would have indicated as being completed and closed in the quarterly follow up reports to be provided to the Audit Committee].
- Ensuring that the audits have been prioritised accordingly in line with Management's risk, objectives and focus.
- Ensuring that the timing of audits is suitably agreed with the relevant process owners and available resources, especially in the event of other related audits or projects that may also be conducted during the year.

3. Timeframe/Completion of the Annual Audit Plan

The Annual Audit Plan has identified a total of 7 audits that will be undertaken by the Internal Auditor during the year. However, in the event of any constraints or setbacks in commencing or conducting a review, such as the unavailability of staff, Internal Audit may select an alternative review to be undertaken as identified in the Strategic Four Year Audit Plan.

It is expected that for any reason if an audit is unable to be completed in the current year, it may be carried over to the following year's plan, which may consequently lead to the revision of the Audit Plan for 2019/2020 and the Four Year Plan 2019-2023.

4. Attachments

1. Four Year Audit Plan 2018-2022
2. Annual Audit Plan 2018/2019

THE STRATEGIC FOUR YEAR INTERNAL AUDIT PLAN

Our vision is to provide a highly valued internal audit function that assists and supports Council to achieve their corporate objectives and discharge their responsibilities by working together to develop an effective and efficient system of internal control

Strategic Four Year Internal Audit Plan – July 2018 to June 2022

Auditable Area	Council Corporate Risk	Financial Year 2018/2019	Financial Year 2019/2020	Financial Year 2020/2021	Financial Year 2021/2022
Waverley Corporate					
Digital					
Records Management	CR3		✓		
IT Security	CR4	✓ B/fwd - 17/18 [IT Specialist]			✓ **[Follow Up]**
General Controls in Digital Waverley	CR3/CR4				✓
149 Certificates-GIS [Shaping Waverley – see below]	CR3	See below			
Financial					
Procurement	CR4/CR10		✓		
Cash Management	CR4/CR10	✓			
Accounts Payable	CR4	✓			
Contracts Management	CR4			✓	
Rates	CR4/CR9		✓		
Fleet Management	CR3			✓	
Supplier Relationship Management	CR10			✓ **[Follow Up]**	✓
Internal Ombudsman and Governance					
Delegation of Authority	CR4/CR10			✓	
Councillor Expenses & Payments	CR3/CR10	✓			
Complaints Management	CR9		✓		
Governance Framework	CR10				✓
People & Culture					
Recruitment & Selection	CR5			✓	
Overtime	CR3/CR10	✓			
Work Health & Safety	CR8				✓
Payroll	CR3/CR4				✓ **[Follow Up]**
Engaging					
Integrated Planning & Reporting	CR4				✓
Waverley Futures					
Shaping					
149 Planning Certificates-GIS [Digital Waverley]	CR3	✓			
Building					
Building Compliance [94 & other certificates – Fee collection from private certifiers]	CR3		✓		

Auditable Area	Council Corporate Risk	Financial Year 2018/2019	Financial Year 2019/2020	Financial Year 2020/2021	Financial Year 2021/2022
Development applications assessment	CR6/CR10			✓	
Safety Inspections	CR8				✓
Sustainable					
Compliance	CR6				✓
Waverley Renewal					
Creating					
Asset maintenance	CR3				✓
Clean & Attractive					
Waste Management	CR8	✓ [Follow Up]			
Cemeteries	CR8/CR9		✓ [Follow Up]		
Project					
Project management process [select major project completed]	CR1			✓	
Waverley Life					
Caring					
Children Services – Day Care (Procurement management)	CR4/CR9			✓ [Follow Up]	
Customer First					
On street parking	CR9	✓ [Follow Up]			
Off street parking	CR9		✓ [Follow Up]		
Enriching					
Facilities – Outdoor dining	CR9			✓	
Safe					
Health & Food Inspections	CR8/CR9				✓
TOTAL		**8**	**7**	**9**	**11**

Corporate, Local Government and Business Risks

Council's Top Ten Corporate Risks (Risk Register 2015)

The top ten corporate risks compiled (summarised) using the risks identified by the Executive and their team in the Risk Register 2015 (in TRIM) are tabulated below, and are reflected in the Audit Plans.

CR1 Inability to deliver on major community projects/ineffective project management (time/cost/scope/quality).

CR2 Inability to sustain and enhance a reliable infrastructure.

CR3 Failure to safeguard integrity of council data, assets and financial resources.

CR4 Failure of corporate, business and information systems (essential support systems).

CR5 Ineffective organisational development including the provision of a skilled and capable workforce.

CR6 Failure to comply with Statutory obligations.

CR7 Failure to effectively engage stakeholders (including State and Federal Govt).

CR8 Failure to maintain a safe environment for the community and employees.

CR9 Failure to effectively manage community needs/expectations and breakdown of community relations.

CR10 Conflicts of Interest and incidences of corruption and or fraud within council.

As well as the corporate risks identified above there are several other risks that also have an impact on council's objectives which have been considered in developing and prioritising audits in the annual audit plan.

Risks in Local Government

There are several potential risks that have been identified as intrinsic to local government as a whole. These have been summarised below into six of the most significant that have an impact on local government.

R1. Operational – Failure to adequately anticipate and deliver the strategic and operational plans leading to poor public infrastructure and community dissatisfaction.

R2. Financial – Loss of revenues, resources and assets due to inefficiencies in processes and inadequate financial management.

R3. Reputational – Incidences of corruption, public safety, wastage of resources and poor public relationship management leading to breakdown of community confidence.

R4. Legislative – Failure to comply with legislative obligations leading to disputes/penalties.

R5. Environmental – Environmental incidents leading to environmental impacts/pollution.

R6. Health & Safety: Safety incidents involving council employees and the public leading to lost time, and financial impact such as workers compensation and public liability claims.

Common Business Risks

There are common business process risks that have also been taken into consideration. Thirteen of the most common business risks drawn from elements contained in the Guidance on Assessing Controls – the CoCo Principles (developed by the Canadian Institute of Chartered Accountants – Criteria of Control Board) have been summarised below.

BR1 – Inability to withstand unanticipated events such as natural disasters.

BR2 – Interruption to continuity of operations.

BR3 – Unnecessary costs.

BR4 – Revenue not maximised.

BR5 – Internal and external information unreliable and / or irrelevant.

BR6 – Inefficient use of resources.

BR7 – Inability to take advantage of opportunities.

BR8 – Non-compliance with laws and regulations.

BR9 – Failure to develop people.

BR10 – Loss of reputation / credibility.

BR11 – Quality of service or product not at acceptable standard.

BR12 – Assets not safeguarded.

BR13 – Lack of safety of employees or customers or the environment.

THE ANNUAL AUDIT PLAN

The Internal Audit strives to provide a highly valued internal audit function that assists Management to achieve their business objectives and discharge their responsibilities by working together to develop an efficient and effective system of internal control.

Annual Audit Plan – 1 July 2018 to 30 June 2019

Auditable Area	Allocated Audit Team	Prioritisation Factors					Audit Coverage & Estimated Timelines			Other Comments
		Corporate Risks	Risks in Local Govt.	Business Risks	Overall Risk Rating	Overall Priority of Audit	Proposed Coverage	Days	Estimated Timing Quarter Ending (in Fiscal Year 30/06/19)	
Waverley Corporate										
Digital										
IT Security	IT Specialist Consultant	CR4	R1 R2	BR1 BR2 BR5	H	A	A comprehensive review of council's IT systems and security by a specialist consultant in IT. [Assess the overall adequacy, robustness, veracity and integrity of Information Systems, including adequacy of data, network, server & application security].	TBA	30/06/2019	Brought fwd from 2017/2018
149 Certificates-GIS [Shaping Waverley – see below]	SSROC	CR3	R3 R4	BR5 BR8 BR10	H	A	Pls. see Shaping Waverley below.	See below	See below	

Auditable Area	Allocated Audit Team	Prioritisation Factors					Audit Coverage & Estimated Timelines			Other Comments
		Corporate Risks	Risks in Local Govt.	Business Risks	Overall Risk Rating	Overall Priority of Audit	Proposed Coverage	Days	Estimated Timing Quarter Ending (in Fiscal Year 30/06/19)	
Financial										
Cash Management	SSROC	CR4 CR10	R2 R3	BR4 BR6 BR12	H	A	Review the process of cash handling and management across council to ascertain the adequacy and effectiveness of controls.	21	30/09/2018	
Accounts Payable	SSROC	CR4	R2	BR3 BR5	M	B	Evaluate the effectiveness of controls in the establishment of suppliers and the authorisation and processing of invoice payments in the system.	21	30/06/2019	
Internal Ombudsman & Governance										
Councillor Expenses & Payments	SSROC	CR3 CR10	R3 R4	BR8 BR10	M	B	Review the process of recording, verifying, authorising and reimbursing councillors' expenses and travel costs and ascertain if they are in compliance with policy and statutory requirements. Evaluate the adequacy and effectiveness of controls.	18	31/12/2018	
People & Culture										
Overtime	SSROC	CR3 CR10	R2 R3	BR3 BR6	H	A	Assess the effectiveness of controls in the process of allocation, recording and authorisation of overtime hours worked and overtime costs incurred.	21	31/12/2018	
Waverley Futures										
Shaping										
149 Planning Certificates-GIS [Digital Waverley]	SSROC	CR3	R3 R4	BR5 BR8 BR10	H	A	Evaluate the adequacy of controls in ensuring that data in regards to 149 certificates have been accurately and correctly recorded and maintained in the systems (GIS).	21	31/03/2019	

Auditable Area	Allocated Audit Team	Prioritisation Factors					Audit Coverage & Estimated Timelines			Other Comments
		Corporate Risks	Risks in Local Govt.	Business Risks	Overall Risk Rating	Overall Priority of Audit	Proposed Coverage	Days	Estimated Timing Quarter Ending (in Fiscal Year 30/06/19)	
Waverley Renewal										
Clean & Attractive										
Waste Management - Commercial [Follow Up]	SSROC	CR8	R4 R5	BR11 BR13	M	B	Ascertain whether the agreed actions taken to address the recommendations in the report of the Commercial Waste Management Review conducted in 2014 have been implemented and are operating as planned.	15	31/03/2019	
Waverley Life										
Customer First										
On Street Parking [Follow Up]	SSROC	CR9	R6 R2	BR4 BR7 BR11	H	A	Ascertain whether the agreed actions taken to address the recommendations in the report of the On Street Parking Review conducted in 2011 and followed up in 2013 have been implemented and are operating as planned.	15	30/09/2018	

LEGEND

Auditable Area – Name of the audit

Allocated Audit Team – Internal Auditor conducting the audit

Corporate Risks – see legend of corporate risks above.

Risks in Local Govt. – see legend above.

Common Business Risks – see legend above.

Overall Corporate Risk Rating – overall rating of the risk associated with this auditable area (H – High; M – Medium; L – Low)

Overall Priority of Audit – "A" – must do; "B"- highly desirable to do; "C" – desirable to do if time permits

Proposed Coverage – brief description of scope (more detailed scoping to be included in the individual audit scopes)

Days – the number of days estimated for this audit to be completed including planning, review and reporting.

Estimated Timing – *the likely quarter the audit is scheduled to start (**Please note:** This timing is indicative only and is subject to liaison with the business, availability of key contacts and the internal auditor).*

REPORT
A-1811.6

Subject: **Progress Report on the Work of the Internal Audit Function**

TRIM No.: A10/0345-02

Author: **Umayal Sivanandan (Senior Internal Auditor-SSROC)**

RECOMMENDATION:

That the Committee note the progress of the Internal Audit function.

1. Introduction/Background

At the Audit Committee meeting in February 2018, the Audit Committee stated that they have not been provided adequate information on the progress of the internal audit plan and requested the auditor to provide a report on the progress of all audits in the internal audit plan.
At the Audit Committee meeting in May 2018 a progress report was presented to the Audit Committee to provide an update on the work carried out by the Internal Audit function on the current audit plan.

2. Discussion

In November 2017 the Audit Committee endorsed the annual audit plan (2017/2018). In December 2017 due to unforeseen circumstances the Senior Internal Auditor departed unexpectedly. A new Senior Internal Auditor was engaged in February 2018. An evaluation of the progress of the audit plan was conducted by the auditor and the general manager and it was determined that of the seven audits in the plan, only one was complete. A second review (Developer Contributions & Planning Agreements) nearing completion was unfortunately not finalised due to the Senior Internal Auditor's unexpected departure.
Taking into consideration that it was already the 3rd quarter in the financial year (2017/2018), and the constraints in time to complete the audit plan by the end of the financial year, it was decided that audits with a risk rating of high would be given more priority over audits rated medium. These audits were completed as per the plan or have been carried forward into the current plan (2018/2019). The exception being the Developer Contributions & Planning Agreements (rated high), which was an audit commenced by the Senior Internal Auditor and was nearing completion (report stage) when he unexpectedly left. After careful consideration it was deemed not suitable and impractical to commence the review all over again at this stage, but instead include this with a revised, enhanced scope in the following year's plan 2019/2020. Please refer Four Year Strategic Audit Plan. (Building Compliance-94 & other certificates – Fee collection from private certifiers).

Please see attached Progress Report to Audit Committee on the Work of the Internal Audit Function as at 26th October 2018.

3. Conclusion

The current audit plan will be endorsed by the Audit Committee on 1 November 2018 and despite a slight delay in commencement, is progressing well.

4. Attachment

Progress Report to Audit Committee on the Work of the Internal Audit Function

PROGRESS REPORT ON THE WORK OF THE INTERNAL AUDIT FUNCTION

PURPOSE:

To provide an update to the Audit Committee on the work carried out by the Internal Audit function.

REPORT:

Status of Audits as at 26th October 2018

Name of Audit	Risk Rating	Audit Priority	As Per Audit Plan	Revised Audit Schedule As At 26/10/2018	Audit Team	Current Status/Comments
Annual Internal Audit Plan – 2017/2018						
Public Place Cleansing – OHS	M	A	1st Quarter (as per 2017/2018)	N/A	Senior Internal Auditor (SSROC)	Completed. Reported to Audit Committee on 23rd February 2018.
Developer Contributions & Planning agreements	H	A	1st Quarter (as per 2017/2018)	N/A	Senior Internal Auditor (SSROC)	Field work for this audit was completed and at report stage when due to unforeseen circumstances the Senior Internal Auditor departed unexpectedly and was unable to finalise the report. This review is being considered with a revised scope to be conducted in 2019/2020.
Food & Health Premises	M	B	2nd Quarter (as per 2017/2018)	N/A	Senior Internal Auditor (SSROC)	This review was in the planning stages when as indicated above due to unforeseen circumstances this review was suspended. It was agreed with the previous General Manager that given the time constraints in completing the plan, it would be prudent to focus on the audits identified in the plan with a risk rating of high and/or an audit priority of A. This review will be considered for inclusion to future audit plans as per timing, rating and priorities.

Name of Audit	Risk Rating	Audit Priority	As Per Audit Plan	Revised Audit Schedule As At 26/10/2018	Audit Team	Current Status/Comments
Children's Services- Purchasing Processes/Management Review	H	B	2nd Quarter (as per 2017/2018)	3rd Quarter	Senior Internal Auditor (SSROC)	Completed. Reported to Audit Committee on 23rd February 2018.
Domestic Waste Services	M	B	3rd Quarter (as per 2017/2018)	N/A	Senior Internal Auditor (SSROC)	This review was not commenced. As indicated above due to the unforeseen circumstances it was agreed with the previous General Manager that given the time constraints in completing the plan it would be prudent to focus on the audits identified in the plan with a risk rating of high and/or an audit priority of A. This review will be considered for inclusion to future audit plans as per timing, rating and priorities.
IT Security – Integrity & Security of Systems	H	A	Not determined (as per 2017/2018)	Carried Forward to 2018/2019	External IT Specialist/ Consultant	This review has been carried forward to the current audit plan (2018/2019). Please see below.
Payroll	H	A	4th Quarter (as per 2017/2018)	1st Quarter (as per 2018/2019)	Senior Internal Auditor (SSROC)	**Completed. Report included to Audit Committee 1st Nov.2018**
Annual Internal Audit Plan – 2018/2019						
On Street Parking [Follow Up]	H	A	1st Quarter	1st Quarter	Senior Internal Auditor (SSROC)	**Completed. Report included to Audit Committee 1st Nov.2018**
Cash Management	H	A	1st Quarter	1st Quarter	Senior Internal Auditor (SSROC)	Work in Progress
Councillor Expenses & Payments	M	B	2nd Quarter	2nd Quarter	Senior Internal Auditor (SSROC)	Planning in Progress

Name of Audit	Risk Rating	Audit Priority	As Per Audit Plan	Revised Audit Schedule As At 26/10/2018	Audit Team	Current Status/Comments
Overtime	H	A	2nd Quarter	2nd Quarter	Senior Internal Auditor (SSROC)	Planning in Progress
Waste Management - Commercial [Follow Up]	M	B	3rd Quarter	3rd Quarter	Senior Internal Auditor (SSROC)	Not yet due
149 Planning Certificates- GIS [Digital Waverley]	H	A	3rd Quarter	3rd Quarter	Senior Internal Auditor (SSROC)	Not yet due
IT Security – Integrity & Security of Systems	H	A	4th Quarter	4th Quarter	External IT Specialist/ Consultant	Planning in Progress. This review has been brought forward from the 2017/2018 audit plan into the current audit plan (2018/2019). Preliminary scoping for this specialised audit commenced in the 4th quarter of 2017/2018.
Accounts Payable	M	B	4th Quarter	4th Quarter	Senior Internal Auditor (SSROC)	Not yet due

RECOMMENDATION:

That the Audit Committee notes the progress of the Internal Audit function's work as given above.

Umayal Sivanandan

Senior Internal Auditor

REPORT
A-1811.7

Subject: **Internal Audit Report – Follow-up Review of On-Street Parking (2011)**

TRIM No.: A10/0631

Author: Umayal Sivanandan (Senior Internal Auditor-SSROC)

RECOMMENDATION:

That the Committee note and review the attached report for discussion.

1. Introduction/Background

In June 2018 a revised Annual (2018-2019) & Strategic Four Year (2018-2022) Audit Plans were developed after extensive discussions with management. On 1 November 2018 the Audit Plans will be presented to the Audit Committee to be endorsed.
As part of the annual audit plan 2018/2019, the Follow Up Review of the On Street Parking Audit conducted in 2011 has recently been completed. The attached report presents the primary objective, overall scope and key findings of the review.

2. Discussion

Please see attached report of the On Street Parking (2011) - Follow Up Review.

3. Timeframe/Consultation

This review was finalised in August 2018 and took approximately 5 weeks to complete (3 days a week). All detailed audit findings have been discussed with relevant management and an action plan for improvement for each control has been agreed. The key findings of the review and the agreed management actions are set out in the detailed section of the attached report.

4. Conclusion

The overall *control environment* for this review can be described as *improvement required* as further action is required to mitigate identified risks and enhance processes as noted in section 3 (Detailed Findings) of the attached report.

5. Attachment

On Street Parking (2011) - Follow Up Review Report

REPORT
A-1811.8

Subject: **Internal Audit Report – Review of Payroll Process**

TRIM No.:

Author: Umayal Sivanandan (Senior Internal Auditor-SSROC)

RECOMMENDATION:

That the Committee note and review the attached report for discussion.

1. Introduction/Background

On 3 November 2017 the annual audit plan for 2017/2018 was endorsed by the Audit Committee.
As part of the endorsed annual audit plan 2017/2018, the review of the Payroll Process has recently been completed. The attached report presents the primary objective, overall scope and key findings of the review.

2. Discussion

Please see attached report on the Payroll Process Review.

3. Timeframe/Consultation

This review was finalised in July 2018 and took approximately 8 weeks to complete (3 days a week). All detailed audit findings have been discussed with relevant management and an action plan for improvement for each control has been agreed. The key findings of the review and the agreed management actions are set out in the detailed section of the attached report.

4. Conclusion

The overall *control environment* of this review can be described as *improvement required* as further action is required as noted in the attached report, to mitigate the risks identified in the processes, such as inadequate segregation of responsibilities, prevention and detection of errors and development and updating of procedures etc.

5. Attachment

Payroll Process Review Report

REPORT
A-1811.9

Subject: **Scope for Audit of Information and Technology Systems**

TRIM No.: **A18/0665**

Author: Kevin Trinh – Executive Manager Digital Waverley

RECOMMENDATION:

That the Committee notes the progress of the Audit of Information and Technology Systems as outlined in this report.

1. Introduction/Background

In the approved Annual Audit Plan for 2017/2018, an audit of the IT infrastructure and systems by an external specialist had been included.

At the Audit Committee meeting on 23rd February the Committee Chair enquired about the progress in the planning of the IT Audit that has been included in the Annual Audit Plan for 2018 and expressed their views and thoughts on certain integral elements of the IT framework and their inclusion in the review such as security concerns around using cloud-based technology.

In this regard at the Audit Committee meeting on 23rd May the scope for the IT Audit was presented by the Executive Manager Digital Waverley.

2. Discussion

Given the breadth of the audit scope; procurement advice was sought on the best approach to seek quotes from suppliers. Advice from procurement was to obtain quotes from a minimum of two suppliers for the full scope. Depending on the suppliers' capabilities to deliver, selecting multiple suppliers to deliver the entire scope of work was an acceptable option.

Quotes were requested from four suppliers (CSA, Datacom, Data#3 and Content Security) on the Local Government Procurement (LGP) panel using contract **'IT&C Products, Services & consulting' (LGP-115)**. CSA, Datacom and Data#3 indicated they did not have capacity to undertake the audit and did not provide a quote. As Content Security was the only vendor to provide a quote.

Through the conversations that occurred as part of the RFQ process, it was apparent our initial audit scope lacked linkage to key information security risks (that face council) and alignment with best practise standards and frameworks. Given the newly identified gaps, I felt it was necessary to expand the scope of work to include a security governance and risk assessment component.

This will ensure the auditing and assessment work:

- Has a comprehensive scope, which relates to threats that council is exposed to; and the risks which council is willing to tolerate;
- Has traceability through a formal risk management process and any risk treatments are appropriate and cost effective;

- Follows the ISO 27001 (Information Security Standard) methodology and is usable for demonstrating compliance to said standard and adherence to the DISP (Digital Information Security Policy – Developed by NSW Government)

The revised scope has been divided into two main components:

Component 1: Security Governance

Objective: To set the strategic direction for our information security and allow management to communicate its goals and expectations.

Deliverables:

- Documented business context including: security objectives, internal and external challenges, stakeholders and security arrangements
- Information security policy

Component 2: Security Risk Management

Objective: To identify security risks and appropriate mitigation measures for systems and determine risk tolerance threshold; ensuring risks can be managed in a coordinated and consistent manner.

Deliverables

- Information Security Risk Management Framework
- Documented process identification
- Documented risk assessment report
- Documented risk treatment report and roadmap

Undertaking both components of work would provide council with the most tailored outcome however, Component 2 (Initial audit scope + Risk assessment) can be performed independently of the security governance piece. In this scenario, component 2 will proceed on the presumption that our position on information security and technology controls are not dissimilar to those in the broader local government sector.

3. Financial impact/Timeframe

We have gone back out to market with the revised scope. We have received indicative pricing between $35,000 - $50,000 ex GST; with a project timeframe of 4-6 weeks and a 4-6 week lead time.

Once formal quotes have been received and the most suitable provider is selected, a definitive cost and timeframe for the completion of the IT audit will be confirmed. The Audit Committee will be kept updated on progress at each meeting.

4. Conclusion

The completed IT Audit will be presented to the Audit Committee for their review and discussion.

5. Attachment

[IT Review scope again if required]

REPORT
A-1811.10

Subject: **Enterprise Risk Management**

TRIM No.: A14/0211

Author: Matt Williams – Manager, Risk & Safety

RECOMMENDATION:

That the Committee notes the activities undertaken in the enterprise risk management field and the Enterprise Risk Management Policy attached to this report.

1. Executive Summary

Risk arises in all aspects of Council's operations and at all stages within the life cycle of those operations. It can represent both opportunity and threat, and must therefore be managed appropriately. Risk management involves establishing an appropriate risk management infrastructure and culture, and applying logical and systematic risk management processes to all stages in the life cycle of any activity, function or operation. By minimising losses and maximising gains, risk management enables Council to best meet its organisational objectives as set out in the Community Strategic Plan. Risk management is an integral part of sound management practice and an essential element of good corporate governance, as it improves decision-making and enhances outcomes and accountability.

The Council is implementing an Enterprise Risk Management Framework. This is a part of the General Manager's focus on risk management and probity issues as part of his organisation development programme.

A key part of an effective risk management approach is ensuring risk management is operationalised and does not just sit in policy documents, and that is the focus of the activities outlined later in this report.

2. Introduction/Background

Council is in the process of revising its approach to risk management. Key factors in this revision are:

a. Council is rolling out an enterprise risk framework and policy across the organisation. This is designed to improve the maturity of the organisation in managing risk.
b. The new General Manager has identified the areas of enterprise risk management, probity, internal audit, management control environment and complaints management as interrelated areas across which he wishes to see greater levels of rigour, coordination and coherence. He has signalled that a work stream within his organisational development and improvement programme will target improvement in the organisation in these areas.
c. As this corporate focus on risk management gathers momentum, particular operational activities and risks are being addressed or used as pilot areas as they surface or come to light. These issues are getting more immediate attention and are being used to help develop organisational processes and thinking which will benefit other parts of the organisation.

3. Discussion

The key activities underway in risk management are as follows:

Enterprise Risk Management Policy
Council's existing Enterprise Risk Management Policy has been extensively re-written to move Council away from a risk-averse approach to one of pro-active risk management with an eye towards achieving Council's objectives. This policy was approved in draft form by Council on 21 August 2018 along with a report outlining Council's activities in the enterprise risk space.

Risk Assessment Form and Risk Matrix
To support this new risk policy and approach, a new Risk Assessment Form, including a new matrix and risk definitions was also rolled out Council-wide in August 2018. Feedback from staff so far on the use of this form has been very positive.

Enterprise Risk Management Workshops
A series of workshops has been completed with all managers, executive managers, directors and the General Manager covering the basics of enterprise risk. These workshops explained that risk covers much more than just safety, and showed how enterprise risk is integral and intertwined with all of Council's operations and strategic objectives. Again feedback on these sessions was overwhelmingly positive.

A further workshop is planned for the Mayor & Councillors at a date to be confirmed.

Business Continuity Plan (BCP)
The evacuation of Council's chambers in May 2018 and resulting relocation of Council staff and operations to alternate sites highlighted the need for a structured BCP to assist the management team and ensure that disruptions to Council services are minimised.

Following a workshop review of the circumstances that led to the evacuation and of Council's response (a report on which is currently in development), a Business Process Assessment was conducted to identify Council's core functions and to determine how long each function could be taken out of action before it began to threaten Council's ability to meet its business objectives.

With this complete, a Business Impact Analysis will be carried out on each of these functions to outline resourcing requirements before Sub-Plans and Action Plans for each can be developed. An over-arching BCP will then be developed to assist with the strategic management of Council during a crisis.

Risk Register
A risk register was initially developed by InConsult in a half day workshop with management in 2014. This workshop resulted in the production of an Excel spreadsheet outlining particular risks and associated (brief) controls, however the process used and the document produced has significant shortcomings.

In order to address this, specialist software is required that will allow the risks contained in the register to not only have context in Council's operations, but for the actions associated with control implementation to be allocated and tracked within the organisation.

The acquisition of all new software by Council was suspended in July 2017, pending the formation of an IT Advisory Group to consolidate and prioritise all software purchases made in the organisation. On 12 October 2018 advice was received from that group that the acquisition of the required risk software has been approved. Project managers for this process are Sneha Sabu (Co-ordinator, Corporate Planning & Reporting) and Matt Williams (Manager, Risk & Safety). The procurement process for this purchase is due to begin shortly.

Insurance Broking, Claims Management & Risk Management Services
Council commenced a Tender process in July 2018 for the provision of these services in line with Council's current insurance portfolio expiring on October 3, 2018. Following a comprehensive review of the submissions received, Council appointed Jardine Lloyd Thompson as its insurance, claims and risk services provider, and will be joining Statewide Mutual as a result. This has achieved very positive results for Council with almost all existing insurance policies strengthened (either through increased limits, reduced excess or more favourable terms) along with the acquisition of new policies including Cyber Liability for an overall reduction in premium of approximately $300,000.

As a member of Statewide Mutual, Council now has access to a wide network of NSW Council's for collaboration and resource sharing, as well as on-the-ground support from a regional risk manager to assist with major project areas.

Function Specific Risk Initiatives
There have been a range of initiatives commenced throughout Council as these areas have either been identified as priorities or as particular issues have come to light. These function areas include:

- Fleet management
- Public trees and tree root management
- Bondi Pavilion operations
- Event management
- Beach Safety/Lifeguard operations
- Crowded Space Safety/Hostile Vehicle Management at Bondi Beach and Waverley Mall
- Operational and Insurable Risk Profiling

4. Financial impact statement/Timeframe/Consultation

Financial

The purchase of the risk software will have a financial cost, but as the procurement process is only beginning I am unable to provide details on this at this stage.

Timeframe

Enterprise Risk Policy – Complete
Risk Assessment Form and Matrix – Complete
Enterprise Risk Management Workshops – Complete, with Councillor workshop to be determined.
Business Continuity Plan

- Business Process Assessment – Complete
- Business Impact Analysis – Dec 2018
- Sub-Plans & Action Plans – Feb 2019
- Overarching BCP – April 2019

Risk Register

- Acquisition of software – Nov/Dec 2018
- Development of software – Feb 2019
- Completion of Strategic Risk Register – April 2019
- Completion of Operational and Project Risk Registers – June/July 2019

Insurance, Claims & Risk Services – Complete

Consultation

The Audit Committee has been consulted as part of the development of this framework and the ERM Policy was adopted by Council in August 2018.

5. Conclusion

As outlined above, there has been significant progress in improving Council's risk profile, but much work remains to be done to continue to build and develop the enterprise risk framework that will guide Council's operations into the future.

6. Attachments

1. Enterprise Risk Management Policy.

Enterprise Risk Management (ERM) Policy

Responsible Officer	[Manager Risk & Safety; Risk & Safety; People & Culture]
Date adopted by Executive Leadership Team	
Date adopted by Council	
Version	3
Review date	July 2019
TRIM reference	

Policy Amendments

Version	Date	Responsible Officer	Description
1	May 2014	Manager Risk & Safety	New Policy
2	October 2016	Manager Risk & Safety	Review and updates
3	August 2018	Manager Risk & Safety	Review and overhaul. Update to current policy template. Referred to Council for approval.

1. Background

Risk arises in all aspects of Council's operations and at all stages within the life cycle of those operations. It can represent both opportunity and threat, and must therefore be managed appropriately.

This policy confirms Council's commitment to adopting a strategic, consistent and structured enterprise-wide approach to risk management in order to achieve an appropriate balance between realising opportunities for gains and minimising losses. The policy reflects the *Australian New Zealand Risk Management Standard (AS/NZS ISO 31000:2009)* which provides the overall framework for risk management at Council, along with Council's Risk Management Strategy.

Risk management involves establishing an appropriate risk management infrastructure and culture, and applying logical and systematic risk management processes to all stages in the life cycle of any activity, function or operation. By minimising losses and maximising gains, risk management enables Council to best meet its organisational objectives as set out in the Waverley Together 3 strategic document.

Risk management is an integral part of sound management practice and an essential element of good corporate governance, as it improves decision-making and enhances outcomes and accountability.

2. Objective (Purpose)

Waverley Council understands that large, unmitigated risks can adversely impact its stakeholders and its ability to achieve strategic and operational objectives. Accordingly Council is committed to a systematic, proactive and enterprise wide approach to managing risk.

The aim of this policy is to ensure that Council makes informed decisions with respect to the activities that it undertakes by appropriately and systematically considering both risks and opportunities.
The application of this policy and related Strategy will provide the basis for:
More confident and rigorous decision-making and planning;

- Better identification of opportunities and threats;
- Pro-active rather than re-active management;
- More effective allocation of resources;
- Improved incident management and reduction in loss and the cost of risk, including insurance premiums;
- Improved public confidence and trust;
- A clear understanding by all staff and elected officials of their roles, responsibilities and authorities for managing risk;
- Improved compliance with relevant legislation;

- Better corporate governance;
- The development of a more risk aware organisational culture through enhanced communication and reporting of risk;
- A consistent and systematic approach to the management of risk across the organisation;
- Effective business continuity planning;
- Risk management to be incorporated into the strategic and operational processes at all levels within Council

3. Definitions

Council will adopt a consistent terminology in relation to risk to ensure effective communication and awareness of risk and risk management throughout the organisation.

In the context of this policy and Council's Risk Management Strategy:

Consequence; the outcome of an event.

Control; the measure that is modifying risk.

Control Owner; the person or entity with the responsibility and authority to implement specified controls.

Likelihood; the chance of something happening.

Inherent Risk; the risk level prior to the implementation of any controls.

Monitoring; continual checking, supervising, critically observing or determining the status of risk in order to identify change from the performance level required or expected.

Residual risk; the risk remaining after controls have been put in place.

Review; the activity undertaken to determine the suitability, adequacy and effectiveness of existing controls to achieve the established objectives.

Risk; the effect of uncertainty on objectives.

Risk Analysis; the process to comprehend the nature of risk and to determine the level of risk.

Risk Appetite/Risk Tolerance Level; the amount of risk that Council is prepared to accept or be exposed to at any point in time in pursuit of its objectives.

Risk Assessment; the overall process of risk identification, risk analysis and evaluation.

Risk Evaluation; the process of comparing risk analysis with the risk tolerance level to determine whether the risk and/or its magnitude are acceptable to Council.

Risk Identification; finding, recognising and describing risks.

Risk Management; co-ordinated activities to direct and control the organisation with regard to risk.

Risk Rating; the magnitude of a risk or combination of risks, expressed in terms of the combination of consequence and their likelihood rating resulting from the application of Council's risk assessment matrix.

Risk Management Action Plan (RMAP); the program within the Risk Management Strategy specifying the approach, management components and resources to be applied to the management of risk each financial year.

Risk Management Framework; the systematic application of management policies, strategy and practices to the activities of communicating, consulting, establishing the context, identifying, analysing, evaluating, treating, monitoring and reviewing risk.

Risk Management Strategy; the set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.

Risk Owner; the person or entity with the accountability and authority to manage a risk.

Risk Profile; the description of any set of risks.

Risk Register; the library of all risks identified, analysed and treated by the organisation.

Risk Treatment; the selection and implementation of appropriate options for dealing with risk.

4. Scope

This policy applies to all Councillors, Managers, staff, contractors and volunteers across all Council activities and processes.

5. Roles and Responsibilities

Elected Representatives are ultimately responsible for adopting and committing to this policy, identifying and monitoring emerging risks and fully considering risk management issues contained in Council reports. This requires support for the implementation of risk management through the allocation of funding to instigate this and associated activities crucial to the process as well as ongoing recognition of the process as an integral part of Council's goals and objectives.

The Audit Committee is responsible for reviewing whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of business and financial risks, including fraud. The Committee is responsible for providing independent assurance and assistance to Council on risk management, control, governance, and external accountability responsibilities.

The Executive Leadership Team (ELT) is responsible for establishing and reviewing the framework for identifying, monitoring and managing significant business risks, periodically reviewing the Risk Management Policy and Strategy and ensuring risk management practices operate within the framework provided by *AS/NZS ISO 31000: 2009*, relevant legislation and Council Policy.

The General Manager, with the assistance of senior management, is responsible for leading the development of an enterprise risk management culture across the organisation and ensuring that the Enterprise Risk Management Policy and Strategy are being effectively implemented.

Directors are responsible for establishing the process for managing risk and ensuring that the Enterprise Risk Management Policy and Strategy are being effectively implemented within their areas of responsibility.

Managers are required to create an environment where the management of risk is accepted as the personal responsibility of all staff, volunteers and contractors. Managers are accountable for the implementation and maintenance of sound risk management processes and structures within their area of responsibility in conformity with Council's risk management framework.

The Risk and Safety Manager is responsible for developing and coordinating the processes for the management of risk throughout the organisation. This may include the provision of advice and service assistance to all areas on risk management matters. Responsible for the development of the Risk Management Action Plan (RMAP) each year.

The Risk Management Officer is responsible for the provision of advice and assistance to management and staff in all risk management matters, and oversee all insurance claims. Responsible for the implementation of the RMAP each year and to assist the Risk & Safety Manager on all risk management issues.

All ***staff, contractors and volunteers*** are responsible and accountable for taking practical steps to minimise Council's exposure to risks in so far as is reasonably practicable within their area of activity and responsibility. Council is committed to create a risk management culture throughout the organisation, where all staff are actively involved in the management of risk. It is recognised and accepted that risk management is every employee's responsibility and is to be applied to all aspects of their duties.

Council recognises that quality results can only come from fostering and maintaining ownership of risk management at all levels within the organisation. This is not a separate and distinct function but rather an essential element of the whole.

6. Functional Responsibilities

Risk Owners - Every risk on the risk register will have a risk owner specified. Risk owners are the primary person accountable for the management of the risk and its documentation.

Risk owners are responsible for:

- Identification and evaluation of the adequacy of controls for managing the risk;
- Identification and endorsement of the requirements and resources to implement risk treatment strategies;
- Where controls are evaluated as ineffective or inadequate, the risk owner will establish suitable treatments to ensure the effectiveness of the control is corrected.

In general the ELT or managers will be the risk owner for strategic risks.

Control Owners – Existing policies, procedures and processes (i.e. 'controls') that mitigate a risk will be identified for all registered risks.

The control owner is the officer responsible for the management of a policy, procedure or process that has been identified as a control. Typically each risk may have several control owners.

Where controls are evaluated as being inadequate the control owner will participate in the development of a treatment to improve the effectiveness of the control.

In general control owners will be managers, team leaders or co-ordinators.

7. Related Policies and Procedures

This policy will work in conjunction with Council's Work Health & Safety Policy, Risk Management Strategy and Business Continuity Plan.

8. Links to the Delivery Program and Operational Plan

Waverley Together 3	***Delivery Program***	
Direction 2014-2024	**Strategies**	**Deliverables**
G7. In service delivery sound safety and risk management practices are maintained to protect the community and service agency staff.	G7a. Provide a safer environment by implementing specific risk management practices.	Deliverable 5. Establish effective organisational risk management practices.

9. Review of Policy

This policy takes effect immediately upon approval by Council. It is to be reviewed annually from the date of adoption by Council by the Manager Risk & Safety and the Risk Management Officer.

REPORT
A-1811.11

Subject: **NSW Audit Office Fraud Control Practice Survey**

TRIM No.: A07/0944

Author: Teena Su, Executive Manager Financial Waverley

RECOMMENDATION:

That the Committee notes Council participated to the NSW Audit Office's Fraud Control Practice Survey.

1. Executive Summary

All councils had been invited to participate to the NSW Audit Office's Fraud Control Practice Survey around August 2017. Waverley Council has completed the survey.

2. Introduction/Background

At the 24 May 2018 Audit Committee Meeting, a member was asking if Council has participated to the AO's fraud control practice survey, and would like to review Council's response to the survey to the next Committee meeting.

3. Discussion

AO had invited all councils to participate to their fraud control practice survey around August 2017. AO confirmed that Waverley had completed the survey.

However, with the responsible officer has left the Council and a copy of Council's response provided for the survey could not be found in TRIM. This maybe because the survey was conducted online that officer who completed the survey could not save a copy for record purpose.

I contacted AO for a copy of Waverley Council's response, but did not receive it when this report is prepared.

4. Financial impact statement/Timeframe/Consultation

Timeframe

Awaiting for AO to release the report from this fraud control practice survey.

5. Conclusion

Waverley has participated to the AO's fraud control practice survey.

Register of Management Actions - Internal audits - 2018

Audit	Date reported to AC	Issue	Internal Audit's Recommendation	Management Action	Directorate	Responsible officer	*Original target date*	Implementation status/comments	Date finalised
Public Place Cleansing - OH&S	Feb-18	Training registers	The inability to confidently test the accuracy, completeness of training records with councils register increases the likelihood of uncertainty of unskilled or unqualified employees conducting high risk council works e.g. asbestos training Immediate review and discussions with Waverley Performance to ensure a reconciliation is conducted to understand who, when, what employees are currently trained and skilled to perform their duties safely.	*Work will need be done with the L&D department to ensure all staff records are kept up to date and mandatory training is conducted on time.*	Waverley Renewal	Manager RRC and PPC Executive Manager People and Culture	*June 2018*		
Public Place Cleansing - OH&S	Feb-18	Timely closure of corrective actions	Inadequate close out of corrective actions in a timely & defined manner increases the likelihood of the risk impacting safety, operations and council public opinion A standard or service level agreement or date is needed to ensure all identified hazards, incidents are addressed in a timely manner	*These items are currently reviewed monthly by the Manager of the department and EM and report on to the Director as part of the EM monthly report.* ***General Council Action*** *Reporting on Corrective Actions will be included in Management workplans with Council-wide timeframes. A system of 'traffic lights' will be developed by Risk and Safety to help highlight the priority of critical issues.* *Risk and Safety will monitor Corrective Actions and the outcomes will be reviewed at the WHS Committee level and by ELT.*	Waverley Renewal	Manager RRC and PPC Executive Manager People and Culture	*June 2018*		
Public Place Cleansing - OH&S	Feb-18	Staff wellbeing	The accumulation of leave balance is in breach of council guidelines, all staff are encouraged to use leave entitlements, staff involved in shift work and physical duties may be at higher risk of fatigue if leave is not used accordingly. A detailed review of all employees leave balance and a program to manage such leave should be visited. A leave management plan will need to be developed with a back fill plan to ensure staff are covered will on leave	***General Council Action*** *People and Culture will work with Executive Managers to implement a leave management plan. This will build on the current procedure for alerting Managers to staff with excess leave.* *A Fatigue Management Strategy has been developed and will be rolled out by the Risk and Safety team.*	Waverley Renewal	Manager RRC and PPC Executive Manager People and Culture	*June 2018*		
Public Place Cleansing - OH&S	Feb-18	Monitoring and reporting	The absence of timely and accurate reporting on key measurable OHS indicators increases the risk of hazards and incidents potentially becoming unsafe to staff and public A review of the reporting requirements and time lines with key accountabilities and alignment of responsibilities should be investigated.	*The system of reporting to all levels including ELT through to Business Unit managers will be developed by People and Culture to ensure comprehensive information is made available regularly and is used as the basis of strategies. This will apply to all Council's operations.*	Waverley Renewal	Executive Manager People and Culture	*June 2018*		
Public Place Cleansing - OH&S	Feb-18	Risk Assessment (2010)	The identified risk is of a critical nature and will impact staff safety in the instance of an emergency. Closure and implementation of action plan	*The Syd Einfeld Sub Depot Emergency Plan including signage is being developed by the Coordinator, RRC & PPC and is due to be completed in March 2018. A trial emergency evacuation at Syd Einfeld is due to be co-ordinated by the Team Leader, PPC in April 2018.*	Waverley Renewal	Manager RRC and PPC	*April 2018*		
Children's Services - Purchasing Processes Review	May-18	Purchasing Procedure and Purchase Orders	If procedures are inadequate/incomplete or inconsistent there is the possibility of the misinterpretation of processes and controls and consequently even non-compliance with processes. It is also important that documents are reviewed regularly (at least annually/biennially) for relevancy and clearly indicates the process/document owner, and the date of revision. Consideration should be given to integrating TRIM and FinanceOne to enable a more streamlined process to access and view supporting documents in FinanceOne via a reference link to TRIM.	*A set of new documents for procurement policy, procedure, process and guideline are underway to be developed and implemented in 2018/19 financial year.* *The initiative to integrate TechOne and TRIM is under investigation and is expected to be implemented if feasible in 2019/2020.* *We are in the process of reviewing and consolidating all policies relating to IT. IT asset management and procurement are not covered in our existing polices, however this will be addressed as part of the review process. We are aiming to have the new IT policy adopted by July 1 2018.*	Waverley Life	Executive Manager Finance Executive Manager Digital	*31/10/2018 (Procurement Policy/Procedure)* *31/12/2019 (TechOne/TRIM integration)*		
Children's Services - Purchasing Processes Review	May-18	Coles online and Coles Store Card Procedures	When there are no clearly defined policies or procedures there is the possibility of the misinterpretation of the processes and controls and consequently non-compliance with processes. Responsibilities and/or key tasks maybe overlooked especially in the event of new employees/team members. It is recommended that suitable procedures be developed for the processes of Coles online purchasing and Coles store card purchasing. Alternatively, these processes may be also be incorporated into the existing Credit Card Usage Policy as well.	*The current credit card usage policy will be reviewed and updated to include store/purchasing cards as well as purchases made using online login access.* *The process of how to apply and acquire a card or an online purchase login as well as the responsibilities and accountabilities of usage will be clearly outlined in the policy/procedure.*	Waverley Life	Executive Manager Finance	*31/10/2018*		
Children's Services - Purchasing Processes Review	May-18	Application for new Coles store cards and online purchasing	Online login access requests may not be adequately scrutinised and monitored (by Council/Coles) prior to linking to Council's corporate account which increases the risk that unauthorised Coles online logins may be created and linked to Council's corporate account. It is highly recommended that all applications for Coles online logins are appropriately authorised by the relevant Manager or Director as like Coles store cards. It is recommended that as like the list/register of Coles cardholders maintained by Finance, a similar list also be maintained of all employees that have Coles online logins. It would be good practice if the relevant card usage and online purchase policy/procedure (as mentioned in 2.1 above) also be duly signed as acknowledgment of compliance by the employee when the applications are submitted to Finance. It is also recommended that all new cards issued by Finance are personally received and signed for by the relevant cardholder on receipt of the card.	*Details of all new store cards and online purchasing requests will have to be included in an application to Finance and authorised by the relevant Executive Manager and/or Director. All applicants will be required to acknowledge their understanding and acceptance of the terms & conditions of use of the store card or online purchase access in their applications. All applicants will be required to present themselves to Finance and personally sign for their store card as acknowledgement of receipt. These requirements will be included in the revised card usage policy/procedure. [2.1 above].*	Waverley Life	Executive Manager Finance	*30/11/2018*		
Children's Services - Purchasing Processes Review	May-18	Adequate segregation for approving payments – Coles Online/Coles Store Cards	There is a lack of adequate segregation of responsibility when making a purchase and approving payments for these purchases. This implies that an inappropriate purchase may be overlooked or remain undetected. To ensure appropriate segregation and adequate objectivity/independence is maintained, it is recommended that when centre directors have made purchases online using their own login or using their individual store card, the Manager Children's Services conduct an overall independent review of the purchases and 'approve' payment.	*EEC Directors will be advised that in those instances when they use their own Coles log in or use their own Coles card to purchase from Coles, the invoices will need to be reviewed and approved by the Manager Children's Services.*	Waverley Life	Executive Manager, Caring Waverley/ Manager, Children's Services	*Effective Immediately*		
Children's Services - Purchasing Processes Review	May-18	Obsolete Coles online login and store cards	There is no established process to ensure that Coles online logins and store cards that are issued to employees that are no longer in their role, or no longer employed by council, have been duly cancelled. There is also no guidelines or procedures that clearly articulates that the sharing or use of Coles login or store card by an employee other than for who it has been issued is prohibited. It is recommended that all cards that are issued to employees that are no longer in their roles or no longer employed by council be returned to Finance to be cancelled. Similarly, all employees that no longer require login access to Coles online should be duly notified to Finance. Finance periodically remind relevant Managers to return obsolete cards to be cancelled and remind them that login access to Coles online should also be cancelled for employees that no longer require it. Employees need to also be reminded that cards and online access can only be used by the persons to whom it has been issued.	*Staff will be reminded that when a staff member resigns from their role their access to Coles on line must be cancelled (via Finance) and their Coles card returned to Finance to be destroyed. Staff will also be reminded that Coles Cards and online access can only be used by the person to whom it has been issued. Staff education and awareness of the cards usage policy and its relevant procedure is highly recommended. The procurement team will cancel cards as well as online purchase access of employees who have left Council in the event that such notifications come through. An annual cardholder review is necessary. A reminder to all staff about cancelling obsolete cards and online purchase access be sent out as part of this review. These requirements will be included in the revised card usage policy/procedure. [2.1 above].*	Waverley Life	Executive Manager, Caring Waverley/ Manager, Children's Services	*Effective Immediately*		

Register of Management Actions - Internal audits - 2018

Audit	Date reported to AC	Issue	Internal Audit's Recommendation	Management Action	Directorate	Responsible officer	*Original target date*	Implementation status/comments	Date finalised
Children's Services - Purchasing Processes Review	May-18	Purchases using petty cash	Petty cash may not always be utilised for what was intended and some purchases made may be perceived to be circumventing the purchasing process which provides overall rigour of pre-approval of purchases and value for money when making large value purchases from a single vendor. It is recommended that guidelines on what petty cash monies may be used for and what may not be purchased using the petty cash float be outlined in a document or procedure so there is a better understanding of the purpose and uses of the petty cash float and any limitations or restrictions that apply.	*Guidelines will be documented for the use of petty cash in the EECs. Each EEC First Aid officer to continue to review the First Aid kits on a monthly basis to ensure the kits are suitably equipped.*	Waverley Life	Executive Manager, Caring Waverley/ Manager, Children's Services	*30/06/2018*		
Children's Services - Purchasing Processes Review	May-18	Consistency and efficiency of processes	If the checking of the Coles Statement is not duly acknowledged it makes it challenging to determine if the check has been completed or if it has been overlooked. Further duplication of checks contributes to inefficiencies in the process. It is recommended that all checks be duly acknowledged as completed. Management should also give consideration to eliminating duplication of tasks. It is suggested that either the centre director or the accounts payable officer carry out the checks on the Coles statements. Maintaining the invoice/receipts (for the store card) in the same shared drive (accessible to both Children's Services and Finance). Used by either centre directors or the accounts payable officer to check that all the purchases for the month have been included in the monthly statements provided by Coles. This is a streamlined process, consistent depository for the maintenance of supporting documents and an adequate audit trail.	*EEC Directors will scan and maintain all approved invoices for both Coles online purchases and Coles store cards in a designated shared drive which is also accessible to Finance.* *Accounts Payable Officer will check the monthly Coles Statements against the approved invoices (for both Coles online purchases and Coles store cards) maintained by Children's Services in the shared folder. This check will be acknowledged (initialled) by the Accounts Payable Officer on the Statement and then processed for payment.*	Waverley Life	Executive Manager, Caring Waverley/ Manager, Children's Services Executive Manager Finance	*30/06/2018*		
Children's Services - Purchasing Processes Review	May-18	Overall monitoring of purchases	No overall monitoring by the Section or Executive Managers of the purchases made using Coles online and Coles store cards, there is the risk that unsuitable or inappropriate purchases may be made by centres and remain undetected. It is recommended that the Section Manager Children's Services regularly/periodically monitor the purchases made using Coles online and Coles store cards at the centres to ascertain if there are any purchases that are deemed to be unsuitable, inappropriate or even excessive. And monitoring overall expenditure between centres as well as expenditure tends to ascertain if expenditure is in line with the size and requirements of the centres and if there are any unusual variations between periods which may warrant further investigation.	*EEC Directors will review regularly the purchases being made at their centre. [Bimonthly]. EEC Directors will be requested to visit another EEC to do a spot visit and review the purchases made. [Annually]. Children's Services Manager will review the overall budget of each EEC. [Monthly]. With Executive Manager to review budget. [Quarterly].*	Waverley Life	Executive Manager, Caring Waverley/ Manager, Children's Services	*Effective Immediately*		

REPORT
A-1811.13

Subject: **Audit Committee's Annual Report to Council 2018**

TRIM No.: A09/1105

Author: Al Johnston, Governance and Internal Ombudsman Officer

RECOMMENDATION:

That the Committee endorses the Audit Committee's Annual Report to Council 2018 from the Chairs of the Audit Committee attached to this report.

1. Executive Summary

Under Part 5 of the Audit Committee Charter the Audit Committee is required to report to Council on its activities once each year.

The Committee's 2018 report, prepared by the Chairs of the Committee, is attached to this report for the Committee's consideration and endorsement prior to it being submitted to Council.

The report covers the activities of the Committee for the period September 2017 to October 2018.

2. Introduction/Background

Nil.

3. Discussion

Nil.

4. Financial impact statement/Timeframe/Consultation

Financial

Funds have been allocated in the budget for the operation and support of an internal audit function.

Timeframe

The attached report covers the Committee's activities for the period September 2017 to October 2018.

Should the report be endorsed by the Committee at this meeting it will be submitted to the next Council meeting scheduled for 20 November 2018.

Consultation

The Committee's endorsement of the report is sought at this meeting prior to the report's submission to Council.

5. Conclusion

It is recommended that the attached Audit Committee's Annual Report to Council prepared by the Chairs of the Committee be endorsed prior to it being submitted to Council.

6. Attachments

1. Audit Committee's Annual Report to Council 2018.

REPORT TO COUNCIL

Waverley Internal Audit Committee Annual Report

Report dated 24th October 2018 from the Chairpersons, Waverley Audit Committee, on the operations of the Waverley Audit Committee for the period September 2017 to October 2018 as required under the Audit Committee Charter.

Recommendation: That Council receives and note this report.

Purpose of Report

Under Part 5 of the Audit Committee Charter adopted by Council in September 2011, the Waverley Audit Committee is required to report to Council on its activities once each a year.

Background / Introduction

Consistent with its commitment to open and transparent governance that meets the highest community expectations, Council resolved in February 2010 to enhance its governance framework by establishing an Internal Audit Function and an Audit Committee to provide Council with independent oversight and monitoring of Council's audit processes.

The principles adopted were based upon guidelines issued by the Department of Premier & Cabinet Division of Local Government in October 2008 and revised in 2010.

Following an advertising and assessment programme, Council appointed two suitably qualified, independent members for the Committee in May 2010. These members were subsequently re-appointed for the term of Council ending to September 2017, after which they will be eligible for extension or re-appointment following a formal review of their performance.

Committee Members

The Committee comprises the following members:

Independent members:

- Mr Martin Bass
- Mr Noel Hall

These independent members have alternated on a yearly basis in the role of Chair.

Councillors:

- Councillor George Copeland

Advisors to the Committee

The following representatives are invited to attend all meetings of the Audit Committee to provide advice as required:

- Arthur Kyron, former General Manager.
- Peter Brown, temporary acting General Manager.
- Cathy Henderson, acting General Manager.
- Peter Monks, acting General Manager.
- Frank Rombola, former Executive Manager, Financial Waverley.
- Sam Helweh, Senior Internal Auditor, SSROC.
- Council's External Auditors Hill Rogers Spencer Steer, as required.
- Umayal Sivanandan, Senior Internal Auditor, SSROC.
- Teena Su, Executive Manager, Financial Waverley

Meetings of the Committee

The table below sets out the meetings of the Committee held during the reporting period from September 2017 to date and members' attendance.

Meeting Date	Martin Bass	Noel Hall	Cr Copeland
11 November 2017	✓	✓	✓
23 February 2018	✓	✓	✓
24 May 2018		✓	✓
1 November 2018	✓	✓	✓

In addition, Mr Noel Hall, attended the Auditor General's inaugural NSW Internal Audit Information Session and Report to Parliament, on 20 April 2018.

Background to the Internal Audit Function

Following consideration of its requirements for suitably qualified internal resources, Council resolved to join with six other Southern Sydney Regional Organisation of Councils (SSROC) councils to develop a shared internal audit function. The benefits of a shared service were that the group could acquire more resources and that learnings from the audit of one council can be used to focus areas of risk in other member councils.

The Internal Audit function is monitored by the Audit Committee, which itself is governed by a Charter that has been adopted by the Council. The Charter and the Internal Audit Function are based on best practice recommendations made by the Department of Premier & Cabinet Division of Local Government in their Guidelines.

The internal audit function is now into its eighth year at Waverley Council and from the outset, the Council and its officers have grown in their understanding of and support for the audit process and its purpose. Continuing education on the importance of the function as an additional governance arm, along with its 'value-add' objectives, are ongoing with Council officers at all levels.

Achievements in this Reporting Period

Since the Committee's last report to Council in 2017, the following milestones have been achieved:

Public Place Cleansing - OH&S
Children's Services - Purchasing Processes Review
Payroll Review
Follow Up of On Street Parking Review (2010)

Audits planned but not completed in 2018 were:

Developer Contributions & Planning agreements
Food & Health Premises
Domestic Waste Services

Incomplete audits have been rescheduled in the four year strategic audit plan.

In addition to the formal audit plan the Committee has reviewed several related matters, which are encompassed by its Charter, but do not necessarily involve the usual audit approach, reporting and resources. These are:

- **Register of Management Actions** – audit reports to the Committee often contain findings that recommend improvements to management processes to improve their efficiency and effectiveness in service delivery, fraud control and other matters. These are discussed with management and result in undertakings to implement changes within set timeframes. Some audits conducted follow up implementation of these changes. The Committee is establishing a Register of Management Actions that aims to monitor implementation of changes in a more dynamic way, involving a review of outstanding actions at each committee meeting, whether they have been subject to a formal audit follow up or not. The register will also encompass some management actions and commitments that result from sources other than formal audits.

- **Risk strategy** – Council is developing an Enterprise Risk Management Policy. The Audit Committee received a briefing on this at its May 2018 meeting. The Committee will ensure integration of audit activity with Council's overall risk strategy by construction Audit Plans with a view to giving priority to identified areas of risk.

- **Auditor-General's Conference.** Now that responsibility for audit of Council's Annual Financial Statements has been assumed by the NSW Auditor General, a conference for Chair's of Council Audit Committee's was held in April 2018 and attended by Mr Noel Hall. The Auditor-General reports to the NSW State Parliament on its findings for all NSW Councils. It is considered that Waverley's relative performance is very good, in the context of findings in the Parliamentary report.

Analysis

Financial: Funds have been allocated in the budget for the operation and support of an internal audit function.

Consultation: The contents of this report have been reviewed by Committee members and comments have been provided to the Chairperson and the Senior Internal Auditors.

Commentary

Completion of Audits in the current period has not been at a rate consistent with previous periods and the internal audit plan. This has been due to the significant turnover of senior staff, Council's restructure and proposed amalgamation. In addition, the Internal Auditor service sourced from SSROC has involved three different staff members due to unexpected turnover.

The Committee has considered all the above factors and regards its overall progress as satisfactory in the circumstances. A detailed review of incomplete work has been conducted, together with consideration of new work, and a prioritised Plan has been developed to match resources available for the upcoming four year period from July 2018 to June 2022. This Plan is attached as Attachment 1. Also, attached is a detailed plan for audits to be conducted during the 2017/18 financial year (see Attachment 2).

During the period covered within this report, Waverley Council has continued to demonstrate support for the internal audit function. Internal audit staff from SSROC have been provided unfettered access to council staff and information in the conduct of their audit reviews. They have worked closely with council staff and the Executive to identify weaknesses in the council's management systems and processes and determine solutions to strengthen them.

However, a continued area of discussion and concern in meetings of the Internal Audit Committee is the apparent inattention and/or resistance within some areas of Council to implementing changes and improvements recommended in the audit reviews. This was raised as an issue in the Committee's last report to Council and it is considered that it has not improved in the past year. The Committee understands the difficulties Council has faced with the significant turnover of senior staff, organisational restructuring, proposed amalgamations and other matters which have created a difficult environment in which to ensure commitments are met. The Committee is very encouraged that some of these impediment issues are being resolved, particularly with the appointment of a permanent General Manager.

To strengthen implementation the Committee now requires all internal audits to include comments on the recommendations by management. Where appropriate, this includes an agreed timetable of implementation and a scheduling of a follow up audit review. Responsible managers are usually required to attend Committee meetings, especially when follow-up reports are tabled.

Further strengthening of implementation will result from management commitment being included in the new Register of Management Actions, discussed above. This aspect of the internal audit process requires attention by Council's Executive in order to address identified weaknesses and to ensure that the Council is realising the full value of the internal audit function.

Time frame

The next Audit Committee report to Council will be prepared by the Chairperson for Council's consideration at its November 2019 meeting in accordance with the Audit Committee Charter.

Changes to the Audit Committee's Charter

Reforms to the NSW Local Government Act were introduced in 2016, mandating the establishment of an Audit, Risk and Improvement Committee in all NSW councils. Whilst the reforms have been formally incorporated into the Act, this change requires the issue of accompanying regulations. These regulations are currently being drafted and all councils must have their Audit, Risk and Improvement committees operational within six months of the next local government general election, scheduled for September 2020.

The reforms to the Act include the following provisions in relation to the operation of Audit, Risk and Improvement Committees:

> ## *Part 4A Internal Audit*
> ***428A Audit, Risk and Improvement Committee***
> *(1) A council must appoint an Audit, Risk and Improvement Committee.*
> *(2) The Committee must keep under review the following aspects of the Council's operations:*
>
> *(a) compliance,*
> *(b) risk management,*
> *(c) fraud control,*
> *(d) financial management,*
> *(e) governance,*
> *(f) implementation of the strategic plan, delivery program and strategies,*
> *(g) service reviews,*
> *(h) collection of performance measurement data by the council,*
> *(i) any other matters prescribed by the regulations.*
>
> *(3) The Committee is also to provide information to the council for the purpose of improving the council's performance of its functions.*
>
> ***428B Joint internal audit arrangements***
> *A council may enter into an arrangement with another council, or a body prescribed by the regulations for the purposes of this section, to jointly appoint an Audit, Risk and Improvement Committee to exercise functions for more than one council or body.*

Whilst some councils will need to establish this committee for the first time, the process for councils such as Waverley that already operate an Internal Audit Committee, will be more one of transition from the scope and operations of the current committee and associated audit processes to the new committee structure and processes as outlined in the revisions to the Act.
In mid-2017, the two Internal Audit Committee independent members, Noel Hall and Martin Bass, met with Acting General Manager Cathy Henderson and other staff to discuss the reforms to the Act and the benefits of Waverley Council commencing the transition to the Audit, Risk and Improvement model.

It was acknowledged by all present that, whilst the regulations providing detailed guidance on the requirements of Audit, Risk and Improvement committees were not due for release until early 2020, the provisions incorporated into the revised Act do make it possible for councils to commence some transition processes.

Since this meeting there has been no further discussion of the Council's actions in considering or commencing the transition process. The independent members are mindful of the significant challenges that the Council as a whole has encountered over the last two or more years, with several incumbents in the General Manager's position, an organisational restructure, a proposed merger process and a local government general election held in September 2017. With these events and the significant instability they brought to both staff and councillors now in the past, it is strongly recommended that the council commence discussion and action to identify appropriate steps in order to align the scope and operations of the Internal Audit Committee with the Audit, Risk and Improvement model as outlined in the revised Local Government Act.

Recommendation: That Council receives and notes this report.

Martin Bass and Noel Hall
Chairpersons, Waverley Council Internal Audit Committee