



City of  
Joondalup

# minutes

## Special Audit and Risk Committee

MEETING HELD ON

TUESDAY 30 JANUARY 2024

### **Acknowledgement of Traditional Custodians**

The City of Joondalup acknowledges the traditional custodians of the land, the Whadjuk people of the Noongar nation, and recognises the culture of the Noongar people and the unique contribution they make to the Joondalup region and Australia. The City of Joondalup pays its respects to their Elders past and present and extends that respect to all Aboriginal and Torres Strait Islander peoples.

*This document is available in alternate formats upon request*

[joondalup.wa.gov.au](http://joondalup.wa.gov.au)

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## TABLE OF CONTENTS

1	DECLARATION OF OPENING .....	3
2	DECLARATIONS OF FINANCIAL INTEREST / PROXIMITY INTEREST / INTEREST THAT MAY AFFECT IMPARTIALITY.....	4
3	APOLOGIES AND LEAVE OF ABSENCE .....	4
4	ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION.....	4
5	IDENTIFICATION OF MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC .....	4
6	PETITIONS AND DEPUTATIONS .....	4
7	REPORTS .....	5
7.1	2022-23 ANNUAL FINANCIAL REPORT .....	5
7.2	CONFIDENTIAL - 2022-23 OFFICE OF THE AUDITOR GENERAL INFORMATION SYSTEMS AUDIT.....	12
8	CLOSURE .....	13

**Note:**

Clause 15.10 of the City's *Meeting Procedures Local Law 2013* states:

*This local law applies generally to committee meetings except for clause 7.1 in respect of members seating and clause 7.8 in respect of limitation on members speaking.*

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## CITY OF JOONDALUP

### MINUTES OF THE SPECIAL AUDIT AND RISK COMMITTEE MEETING HELD IN CONFERENCE ROOM 1, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON TUESDAY 30 JANUARY 2024.

#### ATTENDANCE

##### Committee Members:

Cr John Raftis	<i>Presiding Member</i>	
Mayor Hon. Albert Jacob, JP		
Cr Rebecca Pizzey		
Cr Daniel Kingston		
Cr Rohan O'Neill	<i>Deputy Presiding Member</i>	
Cr Christine Hamilton-Prime, JP		<i>absent from 6.44pm to 6.53pm</i>
Vacant	<i>External Member</i>	

##### Observers:

Cr John Chester		
Cr Russ Fishwick		<i>from 6.03pm</i>
Cr Phillip Vinciullo		<i>absent from 7.08pm to 7.10pm</i>

##### Guest:

Ms Renuka Venkatraman	Director Financial Audit Officer, Auditor General
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##### Officers:

Mr James Pearson	Chief Executive Officer
Mr Jamie Parry	Director Governance and Strategy
Mr Nico Claassen	Director Infrastructure Services
Mr Mat Humfrey	Director Corporate Services
Mr Roney Oommen	Manager Financial Services
Ms Christine Robinson	Manager Audit, Risk and Executive Services
Mrs Kylie Bergmann	Manager Governance
Mrs Deborah Gouges	Senior Governance Officer
Ms Avril Schadendorf	Governance Officer

## 1 DECLARATION OF OPENING

The Presiding Member declared the meeting open at 6.01pm.

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**2 DECLARATIONS OF FINANCIAL INTEREST / PROXIMITY INTEREST / INTEREST THAT MAY AFFECT IMPARTIALITY**

Nil.

**3 APOLOGIES AND LEAVE OF ABSENCE**

**3.1 APOLOGIES**

Cr Lewis Hutton.

**4 ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION**

Nil.

**5 IDENTIFICATION OF MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC**

In accordance with Clause 5.2 of the City's *Meeting Procedures Local Law 2013*, this meeting is not open to the public.

**6 PETITIONS AND DEPUTATIONS**

Nil.

Cr Fishwick entered the Room at 6.03pm.

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## 7 REPORTS

### 7.1 2022-23 ANNUAL FINANCIAL REPORT

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mat Humfrey Director Corporate Services
<b>FILE NUMBER</b>	110723, 101515
<b>AUTHORITY / DISCRETION</b>	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

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#### PURPOSE

For Council to consider and accept the *2022-23 Annual Financial Report* and Independent Auditor's Report.

#### EXECUTIVE SUMMARY

In accordance with Section 6.4 of the *Local Government Act 1995*, the *2022-23 Annual Financial Report* has been prepared and, together with the City's accounts, was submitted to the Office of the Auditor General of Western Australia (OAG) to conduct the annual financial audit.

The OAG has completed its audit, in accordance with the terms of their engagement and the requirements of Part 7 Division 3 of the *Local Government Act 1995* and the Independent Auditor's Report has been issued. The *Annual Financial Report* will form part of the City's 2022- 23 Annual Report.

*It is therefore recommended that Council:*

- 1 *BY AN ABSOLUTE MAJORITY, ACCEPTS the Annual Financial Report of the City of Joondalup for the financial year 2022-23, forming Attachment 1 to this Report;*
- 2 *BY AN ABSOLUTE MAJORITY, ACCEPTS the Independent Auditor's Report for the financial year 2022-23, forming Attachment 2 to this Report;*
- 3 *NOTES the Auditor's Management Letter in respect of the financial audit for the year ended 30 June 2023, forming Attachment 3 to this Report;*
- 4 *NOTES that no interim Management Letter was issued in respect of the financial audit for the year ended 30 June 2023;*
- 5 *NOTES the Auditor's Exit Brief in respect of the financial audit for the year ended 30 June 2023, forming Attachment 4 to this Report.*

## BACKGROUND

Section 6.4 of the *Local Government Act 1995* requires local governments to prepare an annual financial report and to submit both the report and its accounts to its auditor by 30 September each year. The City of Joondalup has met those requirements and the City's auditor, the OAG, has now completed its audit of the accounts and the *2022-23 Annual Financial Report*.

The OAG undertook its audit in two stages. The interim audit was undertaken during June and July 2023, while the final audit commenced at the beginning of October 2023. Following the completion of the final audit, the OAG issued a management letter which incorporated responses from management on the items noted (Attachment 3 refers).

No interim management letter was issued.

The *2022-23 Annual Financial Report* is included as Attachment 1 to this Report.

## DETAILS

The preparation and submission of the Annual Financial Report to the auditors for audit are statutory requirements under the *Local Government Act 1995*.

The Annual Financial Report is required to be accepted by Council prior to the holding of the Annual General Meeting of Electors, at which the City's Annual Report containing the Annual Financial Report will be considered. The Annual Financial Report is also required to be submitted to the Department of Local Government, Sport and Cultural Industries (DLGSC).

### Issues and options considered

#### Outcome of the Financial Audit

The financial audit has been completed with an unqualified audit report issued (Attachment 2 refers). The OAG has issued a final management letter in respect of the financial audit (Attachment 3 refers). An interim management letter was not issued.

#### End of Financial Year Position

The City has finished the financial year with a Rate Setting Statement surplus higher than estimated. An anticipated end of year surplus as at 30 June 2023 of \$2,262,360 was used as the opening balance in the *2023-24 Annual Budget*. The final end of year Statement of Financial Activity (Rate Setting Statement) surplus for 2022-23 is \$3,534,128, being \$1,271,768 more than estimated.

When comparing the actual end of year results to the estimate shown in the *2023 - 24 Annual Budget*, in summary terms the variance comprises:

Description	Sub Total	Total
Increased Operating Cash Surplus	\$ 11,152,125	
Reduced Capital Revenue	(\$ 349,315)	
Reduced Capital Expenditure	\$ 8,118,405	\$ 18,921,215
Reduced Net Funding including equity investment movements		(\$ 17,649,447)
<b>Net Variance</b>		<b>\$ 1,271,768</b>

The increased cash operating surplus relative to forecast is driven primarily by a \$6,851,700 advance of the City's 2023-24 Federal Assistance Grants allocation. Increased interest earnings \$573,875, and additional revenue from fees and charges \$395,694, as well as lower employee costs \$1,091,552 and lower materials and contracts expenditure \$2,762,381 are the other main contributors to the increased operating cash surplus.

Lower employee costs arose mainly due to the cumulative impact of vacancies through the year, due to the persistently challenging labour market through 2022-23 and the consequent impacts on recruitment efforts.

Lower materials and contracts expenditure includes lower waste management costs \$1,249,687 mainly arising from consistently reduced recycling waste volumes driving lower processing costs as well as lower than expected general waste tipping fees, as well as reduced professional fees \$761,414 including lower than anticipated consultancy and research costs, lower external services expenses \$773,065 than estimated.

Reduced capital expenditure pertains mainly to capital works projects that progressed to a lesser extent than anticipated by 30 June 2023, including projects that received grant funds which were not fully expended by year end. These are progressing into the following financial year. Municipal and reserve funding unspent on these projects has been carried forward or retained in reserves, respectively.

#### Management Letter – Financial Audit

The financial audit management letter (Attachment 3 refers) contained no significant findings, four moderate findings and one minor finding. The matters raised as well as the management responses are detailed in Attachment 3 to this Report.

#### Timing and completion of audit process

Contrary to prior practice, the OAG only commenced the interim audit for 2022-23 in June 2023, despite the City's request to commence earlier and have the interim process completed before 30 June. The OAG advised at the time that the interim audit could only commence in June as the OAG was occupied with State Government interim audits prior to June.

It is noted that interim audits in previous years, including the years that the OAG has been the City's auditors, have generally been undertaken in the April-June period.

Information was not provided to the City to help understand why State Government interim audits caused a delay in the City's interim audit in 2023.

The interim audit team was on site from the first week of June 2023 until the end of June, and thereafter continued requesting information and raising audit queries well into July 2023.

No interim management letter was issued.

The OAG audit team returned to the City at the beginning of October 2023 for the final audit. Prior to this, in September 2023, the OAG advised the City and other local governments that it intended to issue reports approximately in the first week of December 2023.

The final audit team remained on site until the first week of November. The OAG discussed a few matters with the City in a progress meeting at the end of October, two of which are reflected in the management letter, and advised that no other issues had been identified. However, subsequent to the audit team returning to their office, the City continued receiving multiple queries and requests for audit information. A few audit staff returned to the City's premises again for a few days in the following week to complete audit fieldwork that appeared to not have been performed while on site.

The City understands that some of the work that was being undertaken in November 2023 included procedures that would have been expected to be attended to much earlier, such as obtaining some bank confirmations, testing end-of-year accruals to supplier invoices in the next financial year and the like.

The OAG also advised the City shortly before commencing the interim audit that the OAG was testing new audit software and that the City had been identified as a pilot site to undertake testing/training in a live audit process.

The City does not have information to assess how much of this process may have contributed to the time taken to undertake and finalise both the interim and final audits.

The OAG also advised the City that new auditing standards had placed additional requirements on the audit process. The City experienced this as a repeat of audit queries and questions on processes and controls that had been addressed in prior years, although these had not changed in 2022-23. The City understands that the OAG's documentation of these processes and controls from prior years did not meet the requirement of the new auditing standards.

The City notes that the OAG audit team was still raising queries to, and seeking information from, City staff as late as 24 November 2023.

#### Matters not raised in management letter

The OAG also identified a few items as unadjusted differences.

Unadjusted differences in an audit arise where the auditor considers that a particular item presented in the financial statements (FS) is incorrect or misstated but not material and which does not affect a true and fair view of the financial statements.

The following items were identified as unadjusted differences that are not raised as findings in the management letter:

- |    |  |                    |
|----|--|--------------------|
| a) | Inventories – Tamala Park Land held for sale – current     | \$ 526,689 per FS  |
|    | Inventories – Tamala Park Land held for sale – non current | \$2,699,325 per FS |

The City has reported land at Catalina Estate as "current" where it is developed and ready for sale. All other Catalina Estate land, including land under development but not completed, is reported as "non-current". The OAG considers that land that is currently under development ought to be classified as "current" inventory. For this reason, the OAG is of the view that a further \$2,270,124, which is reported in the financial statements as "non-current", should be classified as "current", rather than the reported "non-current" classification.

The City considers that land lots that have not been completed are not readily available to be sold in the normal course of business and therefore do not warrant a "current" inventory classification.

b) Accrued expenses \$4,066,351 per FS

The City accrues expenses incurred but not billed at 30 June as part of the standard end-of-year reporting process. At 30 June 2023, the City has recognised accrued expenses of \$4,066,351 offset by an accrued expense liability of \$4,066,351. When this accrual is undertaken, GST is specifically excluded from the accrual transaction. UIG Interpretation 1031 *Accounting for Goods and Services Tax (GST)* issued by the Australian Accounting Standards Board (AASB) in 2004 gives the following directions:

- 6 *Revenues, expenses and assets shall be recognised net of the amount of goods and services tax (GST) except where paragraphs 7 and 8 apply.*
- 7 *The amount of GST incurred by a purchaser that is not recoverable from the taxation authority shall be recognised as part of the cost of acquisition of an asset or as part of an item of expense.*
- 8 *Receivables and payables shall be stated with the amount of GST included.*
- 9 *The net amount of GST recoverable from, or payable to, the taxation authority shall be included as part of receivables or payables in the statement of financial position.*

The OAG has advised the City that a technical opinion indicates that the City's accrued expenses liability is understated by \$239,568, being the value of the GST pertaining to those expenses, and that the City should include the value of GST pertaining to those expenses when accruing for them. This would entail recognising a GST receivable asset in addition to the cost of accrued expenses and include this amount in the corresponding liability.

The City does not agree with this view and considers that the accrued expenses reported at 30 June 2023 are in accordance with Interpretation 1031.

c) Materials and Contracts \$ 53,628,849 per FS  
Retained Surplus \$562,368,848 per FS

In the previous financial year, 2021-22, the OAG considered that materials and contracts expenditure was overstated, and prepaid expenses understated, by \$187,620. This represented the cost incurred in 2021-22 in respect of a services contract established for three years. Due to the commencement of the contract during 2021-22, part of the cost of the contract charged in that year pertained to 2022-23. The City recognised the full cost of year one of the contract in 2021-22 as the amount pertaining to the following year was not considered material, on the expectation that this accounting treatment would be maintained in subsequent years of the contract.

This was noted by the OAG as an unadjusted difference in 2021-22. The effect of this in 2022-23 is therefore included in unadjusted differences as an understatement of materials and contracts in the reporting year and a corresponding overstatement of the retained surplus.

The City notes the net impact on retained surplus at 30 June 2023 is actually NIL as the net effect of year one of the contract flows through in full across the two financial years 2021-22 and 2022-23.

Being a three-year contract, the second year of the contract commenced in 2022-23 and runs into the following financial year. The City has recognised the cost of this part of the contract in 2022-23. It is noted that no similar finding of an understatement of prepaid expenses in 2022-23 has been made by the OAG.

### **Legislation / Strategic Community Plan / Policy implications**

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

### **10-Year Strategic Community Plan**

**Key theme**                      5. Leadership.

**Outcome**                      5-4 Responsible and financially sustainable - you are provided with a range of City services which are delivered in a financially responsible manner.

**Policy**                          Not applicable.

### **Risk management considerations**

Not applicable.

### **Financial / budget implications**

#### Current financial year impact

<b>Account no.</b>	Not applicable
<b>Budget Item</b>	Closing surplus
<b>Budget amount</b>	\$ 2,262,360
<b>Actual amount</b>	\$ 3,534,128
<b>Proposed cost</b>	\$ Not applicable
<b>Balance</b>	\$ 1,271,768

All amounts quoted in this report are exclusive of GST.

### **Regional significance**

Not applicable.

### **Sustainability implications**

Not applicable.

### **Consultation**

There is no legislative requirement to consult on the preparation of the Annual Financial Report, although the *Local Government Act 1995* requires the local government to hold an Annual General Meeting of Electors and the City's Annual Report, incorporating the Annual Financial Report is to be made available publicly.

## COMMENT

The *Annual Financial Report for 2022-23* reflects the City's financial performance and position for the year ended 30 June 2023.

The Annual Financial Report will be made available on the City's public website as part of the City's Annual Report. A limited number of printed, bound colour copies of the Annual Report, including the Annual Financial Report, will be available for viewing at libraries, leisure centres and the customer service centre.

## VOTING REQUIREMENTS

Absolute Majority.

*Cr Hamilton-Prime left the Room at 6.44pm and returned at 6.53pm.*

**OFFICER'S RECOMMENDATION MOVED Cr Hamilton-Prime, SECONDED Mayor Jacob that Council:**

- 1 BY AN ABSOLUTE MAJORITY, ACCEPTS the Annual Financial Report of the City of Joondalup for the financial year 2022-23, forming Attachment 1 to this Report;**
- 2 BY AN ABSOLUTE MAJORITY, ACCEPTS the Independent Auditor's Report for the financial year 2022-23, forming Attachment 2 to this Report;**
- 3 NOTES the Auditor's Management Letter in respect of the financial audit for the year ended 30 June 2023, forming Attachment 3 to this Report;**
- 4 NOTES that no interim Management Letter was issued in respect of the financial audit for the year ended 30 June 2023;**
- 5 NOTES the Auditor's Exit Brief in respect of the financial audit for the year ended 30 June 2023, forming Attachment 4 to this Report.**

**The Motion was Put and**

**TIED (3/3)**

**In favour of the Motion:** Mayor Jacob, Cr Hamilton-Prime and Cr Pizzey.

**Against the Motion:** Cr Raftis, Cr Kingston and Cr O'Neill.

There being an equal number of votes, the Presiding Member exercised his casting vote and declared the Motion **CARRIED (4/3)**

## ATTACHMENTS

1. Annual Financial Report year ended 30 June 2023 [7.1.1 - 50 pages]
2. Independent Auditor's Report - City of Joondalup - 30 June 2023 [7.1.2 - 3 pages]
3. Financial Management Letter - City of Joondalup - 30 June 2023 [7.1.3 - 9 pages]
4. Exit Brief - City of Joondalup - 30 June 2023 (updated) [7.1.4 - 8 pages]

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## 7.2 CONFIDENTIAL - 2022-23 OFFICE OF THE AUDITOR GENERAL INFORMATION SYSTEMS AUDIT

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr James Pearson Chief Executive Officer
<b>FILE NUMBER</b>	106169
<b>AUTHORITY / DISCRETION</b>	Information – includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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This report is confidential in accordance with section 5.23(2)(f)(ii) of the *Local Government Act 1995*, which permits the meeting to be closed to the public for business relating to the following:

- (f) *a matter that if disclosed, could be reasonably expected to -*
  - (ii) *endanger the security of the local government's property.*

A full report was provided to Elected Members under separate cover. The report is not for publication.

*Cr Vinciullo left the Room at 7.08pm and returned at 7.10pm.*

**OFFICER'S RECOMMENDATION MOVED Cr Hamilton-Prime, SECONDED Cr O'Neill that the Audit and Risk Committee NOTES the findings identified during the Office of the Auditor General Information Systems Audit for the period 1 July 2022 to 30 June 2023, shown as Attachment 1 to this Report.**

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Cr Raftis, Mayor Jacob, Cr Hamilton-Prime, Cr Kingston, Cr O'Neill and Cr Pizzey.  
**Against the Motion:** Nil.

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## **8 CLOSURE**

There being no further business, the Presiding Member declared the meeting closed at 7.13pm the following Committee Members being present at that time:

CR JOHN RAFTIS  
MAYOR HON. ALBERT JACOB, JP  
CR REBECCA PIZZEY  
CR DANIEL KINGSTON  
CR ROHAN O'NEILL  
CR CHRISTINE HAMILTON-PRIME, JP.

## **30 JANUARY 2024 - SPECIAL AUDIT AND RISK COMMITTEE - AGENDA ATTACHMENTS**

7.1 2022-23 ANNUAL FINANCIAL REPORT.....	2
7.1.1 ANNUAL FINANCIAL REPORT YEAR ENDED 30 JUNE 2023.....	2
7.1.2 INDEPENDENT AUDITOR'S REPORT - CITY OF JOONDALUP - 30 JUNE 2023.....	52
7.1.3 FINANCIAL MANAGEMENT LETTER - CITY OF JOONDALUP - 30 JUNE 2023.....	55
7.1.4 EXIT BRIEF - CITY OF JOONDALUP - 30 JUNE 2023 (UPDATED).....	64

**CITY OF JOONDALUP**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**TABLE OF CONTENTS**

Statement by Chief Executive Officer	2
Statement of Comprehensive Income	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Statement of Financial Activity	7
Notes to the Financial Report	8
Independent Auditor's Report	51



**CITY OF JOONDALUP  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

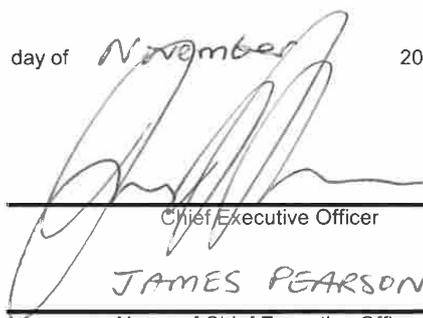
*Local Government Act 1995  
Local Government (Financial Management) Regulations 1996*

**STATEMENT BY CEO**

The accompanying financial report of the City of Joondalup has been prepared in compliance with the provisions of the *Local Government Act 1995* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2023 and the financial position as at 30 June 2023.

At the date of signing this statement the particulars included in the financial report are not misleading or inaccurate.

Signed on the 30<sup>th</sup> day of November 2023

  
\_\_\_\_\_  
Chief Executive Officer  
JAMES PEARSON  
\_\_\_\_\_  
Name of Chief Executive Officer



**CITY OF JOONDALUP  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2023**

	NOTE	2023 Actual	2023 Budget	2022 Actual
		\$	\$	\$
<b>Revenue</b>				
Rates	2(a),27	105,527,166	105,326,824	100,765,757
Grants, subsidies and contributions	2(a)	10,733,091	3,035,034	10,506,403
Fees and charges	2(a)	42,031,725	42,474,492	40,871,218
Interest revenue	2(a)	6,444,819	1,252,345	942,843
Other revenue	2(a)	3,454,381	362,000	3,798,536
		<u>168,191,182</u>	<u>152,450,695</u>	<u>156,884,757</u>
<b>Expenses</b>				
Employee costs	2(b)	(66,639,170)	(68,399,625)	(62,011,632)
Materials and contracts		(53,628,849)	(56,458,391)	(48,677,996)
Utility charges		(5,756,266)	(5,949,025)	(5,808,545)
Depreciation	10(a)	(30,205,721)	(32,132,620)	(32,865,308)
Finance costs	2(b)	(268,014)	(327,150)	(309,204)
Insurance		(1,599,806)	(1,666,704)	(1,535,116)
		<u>(158,097,826)</u>	<u>(164,933,515)</u>	<u>(151,207,801)</u>
		10,093,356	(12,482,820)	5,676,956
Capital grants, subsidies and contributions	2(a)	9,580,228	11,100,320	13,209,118
Profit on asset disposals		199,178	1,436,831	170,565
Loss on asset disposals		(29,081)	(94,759)	(54,175)
Fair value adjustments to financial assets at fair value through profit or loss	4(b)	4,607	0	4,996
Share of net profit of associates accounted for using the equity method	22(a)	1,271,795	0	(2,271,206)
		<u>11,026,727</u>	<u>12,442,392</u>	<u>11,059,298</u>
<b>Net result for the period</b>	26(b)	<b>21,120,083</b>	<b>(40,428)</b>	<b>16,736,254</b>
<b>Other comprehensive income for the period</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	17	51,598,336	0	2,282,878
Share of other comprehensive income of associates accounted for using the equity method	17, 22(b)	1,710,608	0	3,356,712
<b>Total other comprehensive income for the period</b>	17	<b>53,308,944</b>	<b>0</b>	<b>5,639,590</b>
<b>Total comprehensive income for the period</b>		<b>74,429,027</b>	<b>(40,428)</b>	<b>22,375,844</b>

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



**CITY OF JOONDALUP  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2023**

	NOTE	2023 \$	2022 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	44,278,285	39,269,487
Trade and other receivables	5	3,391,478	4,979,660
Other financial assets	4(a)	107,380,000	101,210,000
Inventories	6	760,689	708,427
Other assets	7	2,681,816	1,111,109
<b>TOTAL CURRENT ASSETS</b>		<b>158,492,268</b>	<b>147,278,683</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	5	2,317,264	2,106,389
Other financial assets	4(b)	101,862	97,255
Inventories	6	2,699,325	2,059,599
Investment in associate	22(a)	29,925,789	28,422,837
Property, plant and equipment	8(a)	381,218,642	372,664,942
Infrastructure	9(a)	1,026,960,412	972,842,028
Right-of-use assets	11(a)	7,083,874	6,480,498
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,450,307,168</b>	<b>1,384,673,548</b>
<b>TOTAL ASSETS</b>		<b>1,608,799,436</b>	<b>1,531,952,231</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	13,241,412	12,898,751
Other liabilities	13	6,706,122	5,534,917
Lease liabilities	11(b)	653,487	492,772
Borrowings	14	935,712	909,513
Employee related provisions	15	16,468,013	15,341,835
Other provisions	16	9,415	9,415
<b>TOTAL CURRENT LIABILITIES</b>		<b>38,014,161</b>	<b>35,187,203</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	11(b)	6,742,665	6,203,663
Borrowings	14	962,667	1,898,379
Employee related provisions	15	1,386,222	1,501,965
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>9,091,554</b>	<b>9,604,007</b>
<b>TOTAL LIABILITIES</b>		<b>47,105,715</b>	<b>44,791,210</b>
<b>NET ASSETS</b>		<b>1,561,693,721</b>	<b>1,487,161,021</b>
<b>EQUITY</b>			
Retained surplus		562,368,848	555,332,842
Reserve accounts	30	119,755,045	105,567,295
Revaluation surplus	17	879,569,828	826,260,884
<b>TOTAL EQUITY</b>		<b>1,561,693,721</b>	<b>1,487,161,021</b>

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



**CITY OF JOONDALUP  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2023**

	<b>NOTE</b>	<b>RETAINED SURPLUS</b>	<b>RESERVE ACCOUNTS</b>	<b>REVALUATION SURPLUS</b>	<b>TOTAL EQUITY</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance as at 1 July 2021</b>		<b>533,361,385</b>	<b>110,772,200</b>	<b>820,621,294</b>	<b>1,464,785,177</b>
Comprehensive income for the period					
Net result for the period		16,736,254	0	0	16,736,254
Other comprehensive income for the period	17	0	0	5,639,590	5,639,590
Total comprehensive income for the period		16,736,254	0	5,639,590	22,375,844
Transfers from reserve accounts	30	33,831,761	(33,831,761)	0	0
Transfers to reserve accounts	30	(28,626,856)	28,626,856	0	0
Transfer from Trust Funds		30,298	0	0	30,298
<b>Balance as at 30 June 2022</b>		<b>555,332,842</b>	<b>105,567,295</b>	<b>826,260,884</b>	<b>1,487,161,021</b>
Comprehensive income for the period					
Net result for the period		21,120,083	0	0	21,120,083
Other comprehensive income for the period	17	0	0	53,308,944	53,308,944
Total comprehensive income for the period		21,120,083	0	53,308,944	74,429,027
Transfers from reserve accounts	30	29,115,707	(29,115,707)	0	0
Transfers to reserve accounts	30	(43,303,457)	43,303,457	0	0
Transfer from Trust Funds	31	103,673	0	0	103,673
<b>Balance as at 30 June 2023</b>		<b>562,368,848</b>	<b>119,755,045</b>	<b>879,569,828</b>	<b>1,561,693,721</b>

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



**CITY OF JOONDALUP  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2023**

	NOTE	2023 Actual \$	2022 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Rates		105,408,875	100,897,986
Grants, subsidies and contributions		12,513,642	8,640,874
Fees and charges		42,041,876	40,859,297
Interest revenue		6,444,819	942,843
Goods and services tax received		(319,906)	419,595
Other revenue		461,143	928,674
		<u>166,550,448</u>	<u>152,689,269</u>
<b>Payments</b>			
Employee costs		(65,699,057)	(60,227,300)
Materials and contracts		(54,730,334)	(49,344,554)
Utility charges		(5,756,266)	(5,808,545)
Finance costs		(268,014)	(309,204)
Insurance paid		(1,599,806)	(1,535,116)
		<u>(128,053,477)</u>	<u>(117,224,719)</u>
<b>Net cash provided by (used in) operating activities</b>	18(b)	<u>38,496,971</u>	<u>35,464,550</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net Proceeds/(payments) from financial assets at amortised cost - Term deposits		(6,170,000)	26,440,000
Payments for purchase of property, plant & equipment	8(a)	(16,751,152)	(13,031,955)
Payments for construction of infrastructure	9(a)	(24,184,014)	(22,256,731)
Capital grants, subsidies and contributions		10,751,433	14,244,658
Net Distributions from investments in associates - Tamala Park Regional Council		3,749,260	1,988,872
Equity Investment - Mindarie Regional Council		0	(14,166,667)
Proceeds from sale of property, plant & equipment		415,670	471,727
		<u>(32,188,803)</u>	<u>(6,310,096)</u>
<b>Net cash provided by (used in) investing activities</b>		<u>(32,188,803)</u>	<u>(6,310,096)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings	29(a)	(909,513)	(1,836,594)
Payments for principal portion of lease liabilities	29(b)	(493,531)	(455,496)
		<u>(1,403,044)</u>	<u>(2,292,090)</u>
<b>Net cash provided by (used in) financing activities</b>		<u>(1,403,044)</u>	<u>(2,292,090)</u>
<b>Net increase (decrease) in cash held</b>		4,905,125	26,862,364
Cash at beginning of year		39,269,487	12,376,825
Transfer from Trust Fund	31	103,673	30,298
<b>Cash and cash equivalents at the end of the year</b>	18(a)	<u>44,278,285</u>	<u>39,269,487</u>

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



**CITY OF JOONDALUP  
STATEMENT OF FINANCIAL ACTIVITY  
FOR THE YEAR ENDED 30 JUNE 2023**

	NOTE	2023 Actual \$	2023 Budget \$	2022 Actual \$
<b>OPERATING ACTIVITIES</b>				
<b>Revenue from operating activities</b>				
Rates	27	105,527,166	105,326,824	100,765,757
Grants, subsidies and contributions		10,733,091	3,035,034	10,506,403
Fees and charges		42,031,725	42,474,492	40,871,218
Interest revenue		6,444,819	1,252,345	942,843
Other revenue		3,454,381	362,000	3,798,536
Profit on asset disposals		199,178	1,436,831	170,565
		<u>168,390,360</u>	<u>153,887,526</u>	<u>157,055,322</u>
<b>Expenditure from operating activities</b>				
Employee costs		(66,639,170)	(68,399,625)	(62,011,632)
Materials and contracts		(53,628,849)	(56,458,391)	(48,677,996)
Utility charges		(5,756,266)	(5,949,025)	(5,808,545)
Depreciation		(30,205,721)	(32,132,620)	(32,865,308)
Finance costs		(268,014)	(327,150)	(309,204)
Insurance		(1,599,806)	(1,666,704)	(1,535,116)
Loss on asset disposals		(29,081)	(94,759)	(54,175)
		<u>(158,126,907)</u>	<u>(165,028,274)</u>	<u>(151,261,976)</u>
Non-cash amounts excluded from operating activities	28(a)	26,799,469	30,890,548	30,337,179
<b>Amount attributable to operating activities</b>		<u>37,062,921</u>	<u>19,749,800</u>	<u>36,130,525</u>
<b>INVESTING ACTIVITIES</b>				
<b>Inflows from investing activities</b>				
Capital grants, subsidies and contributions		9,580,228	11,100,320	13,209,118
Proceeds from disposal of assets		415,669	1,916,500	471,727
Net Distributions from investments in associates - Tamala Park Regional Council	22(b)	3,749,260	1,333,333	1,988,872
		<u>13,745,157</u>	<u>14,350,153</u>	<u>15,669,717</u>
<b>Outflows from investing activities</b>				
Purchase of property, plant and equipment	8(a)	(16,751,152)	(5,633,048)	(13,031,955)
Purchase and construction of infrastructure	9(a)	(24,184,013)	(48,207,162)	(22,256,731)
Equity Investment - Mindarie Regional Council		0	0	(14,166,667)
		<u>(40,935,165)</u>	<u>(53,840,210)</u>	<u>(49,455,353)</u>
<b>Amount attributable to investing activities</b>		<u>(27,190,008)</u>	<u>(39,490,057)</u>	<u>(33,785,636)</u>
<b>FINANCING ACTIVITIES</b>				
<b>Inflows from financing activities</b>				
Transfers from reserve accounts	30	29,115,707	37,460,158	33,831,761
Transfer from Trust Fund	31	103,673	115,172	30,298
		<u>29,219,380</u>	<u>37,575,330</u>	<u>33,862,059</u>
<b>Outflows from financing activities</b>				
Repayment of borrowings	29(a)	(909,513)	(909,513)	(1,836,594)
Payments for principal portion of lease liabilities	29(b)	(493,531)	(388,065)	(455,496)
Transfers to reserve accounts	30	(43,303,457)	(16,587,121)	(28,626,856)
		<u>(44,706,501)</u>	<u>(17,884,699)</u>	<u>(30,918,946)</u>
<b>Amount attributable to financing activities</b>		<u>(15,487,121)</u>	<u>19,690,631</u>	<u>2,943,113</u>
<b>MOVEMENT IN SURPLUS OR DEFICIT</b>				
<b>Surplus or deficit at the start of the financial year</b>	28(b)	9,148,335	53,549	3,860,336
Amount attributable to operating activities		37,062,921	19,749,800	36,130,525
Amount attributable to investing activities		(27,190,008)	(39,490,057)	(33,785,636)
Amount attributable to financing activities		(15,487,121)	19,690,631	2,943,113
<b>Surplus or deficit after imposition of general rates</b>	28(b)	<u><b>3,534,128</b></u>	<u><b>3,923</b></u>	<u><b>9,148,338</b></u>

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



**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**1. BASIS OF PREPARATION**

The financial report comprises general purpose financial statements which have been prepared in accordance with the *Local Government Act 1995* and accompanying regulations.

**Local Government Act 1995 requirements**

Section 6.4(2) of the *Local Government Act 1995* read with the *Local Government (Financial Management) Regulations 1996* prescribe that the financial report be prepared in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards. The Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board were applied where no inconsistencies exist.

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

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

**The local government reporting entity**

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 31 of the financial report.

**Judgements and estimates**

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

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

The balances, transactions and disclosures impacted by accounting estimates are as follows:

- estimated fair value of certain financial assets
- impairment of financial assets
- estimation of fair values of land and buildings, and infrastructure.
- estimation uncertainties made in relation to lease accounting

**Initial application of accounting standards**

During the current year, the following new or revised Australian Accounting Standards and Interpretations were applied for the first time.

- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments
- AASB 2020-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current - Deferral of Effective Date
- AASB 2021-7a Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [general editorials]
- AASB 2022-3 Amendments to Australian Accounting Standards - Illustrative Examples for Not-for-Profit Entities accompanying AASB 15

These amendments have no material impact on the current annual financial report

**New accounting standards for application in future years**

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

- AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates  
This standard will result in a terminology change for significant accounting policies
- AASB 2021-7c Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [deferred AASB 10 and AASB 128 amendments in AASB 2014-10 apply]
- AASB 2022-5 Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback
- AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants
- AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards
- AASB 2022-10 Amendments to Australian Accounting Standards - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities

The amendment may result in changes to the fair value of non-financial assets. The impact is yet to be quantified. Except as described above these amendments are not expected to have any material impact on the financial report on initial application.

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**2. REVENUE AND EXPENSES**

**(a) Revenue**

**Contracts with customers**

Recognition of revenue is dependant on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Timing of revenue recognition
Grants, subsidies and contributions	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Output method based on project milestones and/or completion date matched to performance obligations
Fees and charges - licences, registrations, approvals	Building, planning, development and animal management.	Single point in time	Full payment prior to issue	None	On payment of the licence, registration or approval
Fees and charges - waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	On entry to facility
Other revenue - private works	Contracted private works	Single point in time	Monthly in arrears	None	At point of service

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

**Revenue Recognition**

Revenue recognised during the year under each basis of recognition by nature of goods or services is provided in the table below:

**For the year ended 30 June 2023**

Nature	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	0	0	105,527,166	0	105,527,166
Grants, subsidies and contributions	448,423	0	0	10,284,668	10,733,091
Fees and charges	12,132,479	0	29,899,246	0	42,031,725
Interest revenue	0	0	0	6,444,819	6,444,819
Other revenue	3,405,768	0	0	48,613	3,454,381
Capital grants, subsidies and contributions	0	9,580,228	0	0	9,580,228
<b>Total</b>	<b>15,986,670</b>	<b>9,580,228</b>	<b>135,426,412</b>	<b>16,778,100</b>	<b>177,771,410</b>

**For the year ended 30 June 2022**

Nature	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	0	0	100,765,757	0	100,765,757
Grants, subsidies and contributions	850,737	0	0	9,655,666	10,506,403
Fees and charges	11,016,576	0	29,854,642	0	40,871,218
Interest revenue	0	0	0	942,843	942,843
Other revenue	3,232,305	0	0	566,231	3,798,536
Capital grants, subsidies and contributions	0	13,209,118	0	0	13,209,118
<b>Total</b>	<b>15,099,618</b>	<b>13,209,118</b>	<b>130,620,399</b>	<b>11,164,740</b>	<b>170,093,875</b>

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**2. REVENUE AND EXPENSES (Continued)**

(a) Revenue (Continued)	2023	2022
Note	Actual	Actual
	\$	\$
<b>Interest revenue</b>		
Interest on reserve account funds	3,308,437	399,696
Other interest revenue	3,136,382	543,147
	6,444,819	942,843
<b>Fees and charges relating to rates receivable</b>		
Charges on instalment plan	585,392	583,581
The 2023 original budget estimate in relation to: Charges on instalment plan was \$590,000		
<b>Other revenue</b>		
Miscellaneous	461,142	928,674
Profit on sale of Tamala Park land	2,993,238	2,869,862
	3,454,381	3,798,536
<b>(b) Expenses</b>		
<b>Auditors remuneration and other audit costs</b>		
- Audit of the Annual Financial Report for current FY	136,000	99,700
- Additional Annual Financial Report audit fees incurred for the previous years	21,906	26,240
- Certifications including grant acquittals incurred for the previous year	13,050	9,870
- Other related audit costs like bank confirmations, legal confirmations etc	3,150	160
	174,106	135,970
<b>Employee Costs</b>		
Employee benefit costs	62,198,646	58,130,353
Other employee costs	4,440,525	3,881,279
	66,639,171	62,011,632
<b>Finance costs</b>		
Interest and financial charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss	268,014	309,204
	268,014	309,204

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**3. CASH AND CASH EQUIVALENTS**

<b>Note</b>	<b>2023</b>	<b>2022</b>
	\$	\$
Cash at bank and on hand	44,278,285	39,269,487
<b>Total cash and cash equivalents</b>	<b>44,278,285</b>	<b>39,269,487</b>
Held as		
- Unrestricted cash and cash equivalents	25,197,118	29,377,273
- Restricted cash and cash equivalents	19,081,167	9,892,214
	44,278,285	39,269,487

**SIGNIFICANT ACCOUNTING POLICIES**

**Cash and cash equivalents**

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

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

**Restricted financial assets**

Restricted financial asset balances are not available for general use by the local government due to externally imposed restrictions. Restrictions are specified in an agreement, contract or legislation. This applies to reserve accounts, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement and for which no liability has been recognised.

**4. OTHER FINANCIAL ASSETS**

	<b>2023</b>	<b>2022</b>
	\$	\$
<b>(a) Current assets</b>		
Financial assets at amortised cost	107,380,000	101,210,000
	107,380,000	101,210,000
<b>Other financial assets at amortised cost</b>		
Term deposits	107,380,000	101,210,000
	107,380,000	101,210,000
Held as		
- Restricted other financial assets at amortised cost	18(a) 107,380,000	101,210,000
	107,380,000	101,210,000
<b>(b) Non-current assets</b>		
Financial assets at fair value through profit or loss	101,862	97,255
	101,862	97,255
<b>Financial assets at fair value through profit or loss</b>		
Units in Local Government House Trust - opening balance	97,255	92,259
Movement attributable to fair value increment	4,607	4,996
Units in Local Government House Trust - closing balance	101,862	97,255

**SIGNIFICANT ACCOUNTING POLICIES**

**Other financial assets at amortised cost**

The City classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Fair values of financial assets at amortised cost are not materially different to their carrying amounts, since the interest receivable on those assets is either close to current market rates or the assets are of a short term nature. Non-current financial assets at amortised cost fair values are based on discounted cash flows using a current market rates. They are classified as level 2 fair values in the fair value hierarchy (see Note 25) due to the observable market rates).

Interest received is presented under cashflows from operating activities in the Statement of Cash Flows where it is earned from financial assets that are held for cash management purposes.

**Financial assets at fair value through profit or loss**

The City has elected to classify the following financial assets at fair value through profit or loss:

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments which the City has elected to recognise as fair value gains and losses through profit or loss.

**Impairment and risk**

Information regarding impairment and exposure to risk can be found at Note 23.

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**5. TRADE AND OTHER RECEIVABLES**

	Note	2023	2022
		\$	\$
<b>Current</b>			
Rates and statutory receivables		1,565,873	1,558,519
Sundry receivables		864,921	2,770,212
GST receivable		984,941	665,035
Allowance for credit losses of trade receivables	23(b)	(24,257)	(14,106)
		<u>3,391,478</u>	<u>4,979,660</u>
<b>Non-current</b>			
Pensioner's rates and ESL deferred		1,994,375	1,908,240
Long service leave - due from other Councils	15	322,889	198,149
		<u>2,317,264</u>	<u>2,106,389</u>

**Disclosure of opening and closing balances related to contracts with customers**

Information about receivables from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non financial assets is:

	Note	30 June 2023 Actual	30 June 2022 Actual
		\$	\$
Trade and other receivables from contracts with customers		333,643	2,369,176
Allowance for credit losses of trade receivables	5	(24,257)	(14,106)
Total trade and other receivables from contracts with customers		<u>309,386</u>	<u>2,355,070</u>

**SIGNIFICANT ACCOUNTING POLICIES**

**Rates and statutory receivables**

Rates and statutory receivables are non-contractual receivables arising from statutory requirements and include amounts due from ratepayers for unpaid rates and service charges and other statutory charges or fines.

Rates and statutory receivables are recognised when the taxable event has occurred and can be measured reliably.

**Trade receivables**

Trade receivables are amounts receivable from contractual arrangements with customers for goods sold, services performed or grants or contributions with sufficiently specific performance obligations as part of the ordinary course of business.

**Other receivables**

Other receivables are amounts receivable from contractual arrangements with third parties other than contracts with customers including grants for the construction of recognisable non financial assets.

**Measurement**

Trade and other receivables are recognised initially at the amount of the transaction price, unless they contain a significant financing component, and are to be recognised at fair value.

**Classification and subsequent measurement**

Receivables which are generally due for settlement within 30 days except rates receivables which are expected to be collected within 12 months are classified as current assets. All other receivables such as, deferred pensioner rates receivable after the end of the reporting period are classified as non-current assets.

Trade and other receivables are held with the objective to collect the contractual cashflows and therefore the City measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.

**Impairment and risk exposure**

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 23.

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**6. INVENTORIES**

	Note	2023	2022
		\$	\$
<b>Current</b>			
Inventories		143,556	174,993
Land held for resale		90,442	90,442
Assets held for transfer (Note 1)		2	2
Tamala Park Regional Council - Land held for sale (Note 2)		526,689	442,990
		760,689	708,427
<b>Non-current</b>			
Land held for resale			
Tamala Park Regional Council - Land held for sale (Note 2)		2,699,325	2,059,599
		2,699,325	2,059,599

The following movements in inventories occurred during the year:

<b>Balance at beginning of year</b>	2,768,026	2,312,912
Inventories expensed during the year	(3,379,580)	(2,556,250)
Additions to inventory	4,071,568	3,011,364
<b>Balance at end of year</b>	3,460,014	2,768,026

Note 1- Assets held for transfer comprises: Two lots of land to be transferred to Development WA for the Ocean Reef Marina development. The two lots were originally recognised and presented at a combined cost of \$554,785. They are now held at their net realisable value, following revaluation in 2019-20. The land was presented in the 2018-19 financial year at a combined fair value of \$63,077,000 following revaluation in 2017. In addition peripheral assets previously held at a value of \$6,598,000 (\$2,745,000 buildings and \$3,853,000 infrastructure) relevant to the development are also held at net realisable value.

Note 2 - This land relates to the Tamala Park Regional Council (TPRC's) subsequently changed to Catalina Regional Council (CRC) on 1st August 2023 which was established in January 2006 for the purpose of the development of the Tamala Park land jointly owned by seven local governments, including the City of Joondalup.

**SIGNIFICANT ACCOUNTING POLICIES**

**General**

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

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

**Land held for resale**

Land held for development and resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development.

**Land held for resale (Continued)**

Borrowing costs and holding charges incurred after development is completed are expensed.

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

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

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**7. OTHER ASSETS**

	<u>2023</u>	<u>2022</u>
	\$	\$
<b>Other assets - current</b>		
Prepayments	485,602	738,765
Accrued income	<u>2,196,214</u>	<u>372,344</u>
	2,681,816	1,111,109

**SIGNIFICANT ACCOUNTING POLICIES**

**Other current assets**

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

**CITY OF JOONDALUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**8. PROPERTY, PLANT AND EQUIPMENT**

**(a) Movements in Balances**

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

	Land	Buildings - specialised	Total land and buildings	Furniture and equipment	Plant and equipment	Artworks	Work in progress	Library Assets	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2021</b>	114,464,596	214,615,220	329,079,816	1,057,569	15,580,757	885,886	18,250,282	2,024,840	366,879,150
Additions	0	0	0	0	0	0	12,764,876	267,079	13,031,955
Disposals	0	0	0	0	(355,337)	0	0	0	(355,337)
Catalina Tip Site and Refuse Facility Buffer Revaluation increments / (decrements) transferred to revaluation surplus	1,122,783	0	1,122,783	0	0	0	0	0	1,122,783
Impairment (losses) / reversals	0	0	0	0	0	(26,300)	0	(192,936)	(219,236)
Depreciation	0	(4,413,745)	(4,413,745)	(431,485)	(2,435,970)	0	0	(513,173)	(7,794,373)
Transfers	0	6,996	6,996	436,704	2,199,577	68,300	(2,939,640)	228,063	0
<b>Balance at 30 June 2022</b>	115,587,379	210,208,471	325,795,850	1,062,788	14,989,027	927,886	28,075,518	1,813,873	372,664,942
<b>Comprises:</b>									
Gross balance amount at 30 June 2022	115,587,379	317,436,304	433,023,683	8,716,078	26,841,177	927,886	28,075,518	4,939,084	502,523,426
Accumulated depreciation at 30 June 2022	0	(107,227,833)	(107,227,833)	(7,653,290)	(11,852,150)	0	0	(3,125,211)	(129,858,484)
<b>Balance at 30 June 2022</b>	115,587,379	210,208,471	325,795,850	1,062,788	14,989,027	927,886	28,075,518	1,813,873	372,664,942
Additions	0	0	0	0	0	0	16,451,136	300,016	16,751,152
Disposals	0	0	0	0	(245,572)	0	0	0	(245,572)
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	0	0	255,758	0	0	255,758
Impairment (losses) / reversals	0	(162,742)	(162,742)	0	0	(23,720)	(22,380)	0	(208,842)
Depreciation	0	(4,424,193)	(4,424,193)	(485,741)	(2,620,912)	0	0	(467,950)	(7,998,796)
Transfers	0	1,728,118	1,728,118	656,868	1,364,075	45,440	(4,127,803)	333,302	0
<b>Balance at 30 June 2023</b>	115,587,379	207,349,654	322,937,033	1,233,915	13,486,618	1,205,364	40,376,471	1,979,241	381,218,642
<b>Comprises:</b>									
Gross balance amount at 30 June 2023	115,587,379	318,888,238	434,475,617	9,372,946	27,071,628	1,205,364	40,376,471	5,572,402	518,074,428
Accumulated depreciation at 30 June 2023	0	(111,538,584)	(111,538,584)	(8,139,031)	(13,585,010)	0	0	(3,593,161)	(136,855,786)
<b>Balance at 30 June 2023</b>	115,587,379	207,349,654	322,937,033	1,233,915	13,486,618	1,205,364	40,376,471	1,979,241	381,218,642

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**8. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**(b) Carrying Value Measurements**

<b>Asset Class</b>	<b>Fair Value Hierarchy</b>	<b>Valuation Technique</b>	<b>Basis of Valuation</b>	<b>Date of Last Valuation</b>	<b>Inputs Used</b>
<b>(i) Fair Value</b>					
<b>Land and buildings</b>					
Land	2	Market approach using recent observable market data for similar properties	Independent registered valuer/ Management valuation	June 2020	Price per hectare, with reference to current zoning of land. Market values were used unless there were some restrictions or other factors associated with the land.
Buildings - specialised	3	Cost approach using depreciated replacement cost	Independent registered valuer/ Management valuation	June 2020	Construction Costs based on recent contract prices and current condition, residual values and remaining useful life assessments
<b>Artworks</b>					
Artworks	2	Valuer inspection and appraisal	Independent registered valuer	June 2023	Market based evidence

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

During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

**(ii) Cost**

Plant and Equipment, Furniture and Equipment and Library Assets are measured at cost.

CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023

9. INFRASTRUCTURE

(a) Movements in Balances

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

	Infrastructure - roads	Footpaths	Drainage	Car Park	Bridges and Underpasses	Other Infrastructure	Lighting	Parks and Reserves	Work in Progress	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2021</b>	402,682,276	89,227,751	251,535,479	15,659,195	23,661,949	4,969,990	20,624,227	134,233,767	30,782,412	973,377,046
Additions	0	0	0	0	0	0	0	0	22,256,731	22,256,731
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	1,538,099	0	0	0	0	0	0	1,538,099
Impairment (losses) / reversals	0	(244,624)	(82,940)	0	0	0	(172,795)	(1,563,943)	0	(2,064,302)
Depreciation	(9,625,419)	(2,646,304)	(4,544,814)	(419,857)	(391,986)	(129,338)	(1,260,450)	(3,247,378)	0	(22,265,546)
Transfers	8,781,333	1,276,988	2,234,172	95,827	0	176,552	3,819,254	7,686,091	(24,067,217)	0
<b>Balance at 30 June 2022</b>	401,838,190	87,613,611	250,679,996	15,335,165	23,269,963	5,017,204	23,007,236	137,108,537	28,971,926	972,842,028
<b>Comprises:</b>										
Gross balance at 30 June 2022	690,529,142	125,969,768	359,325,954	25,395,319	38,753,759	6,377,206	44,613,302	179,998,243	28,971,926	1,499,934,619
Accumulated depreciation at 30 June 2022	(288,690,952)	(38,356,157)	(108,645,958)	(10,060,154)	(15,483,796)	(1,360,002)	(21,606,066)	(42,869,706)	0	(527,092,591)
<b>Balance at 30 June 2022</b>	401,838,190	87,613,611	250,679,996	15,335,165	23,269,963	5,017,204	23,007,236	137,108,537	28,971,926	972,842,028
Additions	0	0	0	0	0	0	0	0	24,184,014	24,184,014
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	0	0	0	0	51,342,578	0	51,342,578
Impairment (losses) / reversals	0	(276,885)	(17,165)	0	0	(66,141)	(12,459)	(387,971)	22,380	(738,241)
Depreciation	(9,772,660)	(2,334,920)	(3,013,473)	(423,833)	(383,813)	(133,751)	(1,308,218)	(3,299,299)	0	(20,669,967)
Transfers	2,146,529	3,170,711	420,980	139,512	0	496,608	1,184,573	7,081,655	(14,840,568)	0
<b>Balance at 30 June 2023</b>	394,212,059	88,172,717	248,070,338	15,050,844	22,886,150	5,313,920	22,871,132	191,845,500	38,537,752	1,026,960,412
<b>Comprises:</b>										
Gross balance at 30 June 2023	692,675,672	128,408,120	359,719,748	25,534,831	37,707,169	6,743,141	45,740,051	248,001,945	38,537,752	1,583,068,429
Accumulated depreciation at 30 June 2023	(298,463,613)	(40,235,403)	(111,649,410)	(10,483,987)	(14,821,019)	(1,429,221)	(22,868,919)	(56,156,445)	0	(556,108,017)
<b>Balance at 30 June 2023</b>	394,212,059	88,172,717	248,070,338	15,050,844	22,886,150	5,313,920	22,871,132	191,845,500	38,537,752	1,026,960,412

CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023

9. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

(i) Fair Value	Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
	Infrastructure - roads	3	Cost approach using depreciated replacement cost	Management valuation	June 2021	Construction costs and current condition, residual values and remaining useful life assessments.
	Footpaths	3	Cost approach using depreciated replacement cost	Management valuation	June 2021	Construction costs and current condition, residual values and remaining useful life assessments.
	Drainage	3	Cost approach using depreciated replacement cost	Management valuation	June 2022	Construction costs and current condition, residual values and remaining useful life assessments.
	Car Park	3	Cost approach using depreciated replacement cost	Management valuation	June 2021	Construction costs and current condition, residual values and remaining useful life assessments.
	Bridges and Underpasses	3	Cost approach using depreciated replacement cost	Independent registered valuer/ Management valuation	June 2021	Construction costs and current condition, residual values and remaining useful life assessments.
	Other Infrastructure	3	Cost approach using depreciated replacement cost	Management valuation	June 2021	Construction costs and current condition, residual values and remaining useful life assessments.
	Lighting	3	Cost approach using depreciated replacement cost	Management valuation	June 2019	Construction costs and current condition, residual values and remaining useful life assessments.
	Parks and Reserves	3	Cost approach using depreciated replacement cost	Management valuation	June 2023	Construction costs and current condition, residual values and remaining useful life assessments.

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

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

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**10. FIXED ASSETS**

**(a) Depreciation**

**Depreciation rates**

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

<b>Asset Class</b>	<b>Useful life</b>
Buildings	10 to 100 years
Furniture and equipment	3 to 10 years
Plant and equipment	3 to 13 years
Library assets	8 to 12 years
Artworks	Nil
Infrastructure Assets:	
Roads/Traffic Management	30 to 100 years
Footpaths	10 to 100 years
Drainage	75 to 100 years
Car Parks	30 to 100 years
Bridges and Underpasses	70 to 100 years
Lighting	25 to 40 years
Other Infrastructure assets	10 to 70 years
Parks and Reserves:	
Fencing	15 to 30 years
Furniture and Amenities	10 to 50 years
Hard Landscaping	10 to 50 years
Irrigation	20 to 50 years
Marine	20 years
Park and POS Signage	15 to 20 years
Play space	20 years
POS Structure	20 to 100 years
Soft Landscaping	10 to 40 years
Sporting Infrastructure	10 to 50 years
Waste	10 years

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

	<u>2023</u>	<u>2022</u>
	\$	\$
The gross carrying value of assets held by the City which are currently in use yet fully depreciated are shown in the table below.		
Furniture and equipment	7,458,809	7,087,717
Plant and equipment	2,754,739	880,676
	<u>10,213,548</u>	<u>7,968,393</u>

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**10. FIXED ASSETS (Continued)**

**SIGNIFICANT ACCOUNTING POLICIES**

**Fixed assets**

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

**Initial recognition and measurement for assets held at cost**

Plant and equipment including furniture and equipment is recognised at cost on acquisition in accordance with *Financial Management Regulation 17A*. Where acquired at no cost, the asset is initially recognised at fair value. Assets held at cost are depreciated and assessed for indicators of impairment annually.

**Initial recognition and measurement between mandatory revaluation dates for assets held at fair value**

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

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

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

Individual assets that are land, buildings and infrastructure acquired between scheduled revaluation dates of the asset class in accordance with the City's revaluation policy, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next revaluation date consistent with *Financial Management Regulation 17A(4)*.

**Revaluation**

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

At the end of each period, the carrying amount for each asset class is reviewed and, where appropriate, the fair value is updated to reflect current market conditions consistent with *Financial Management Regulation 17A(2)* which requires land, buildings infrastructure, investment properties and vested improvements to be shown at fair value.

**Revaluation (continued)**

For property, plant and equipment and infrastructure, increases in the carrying amount arising on revaluation of asset classes are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss. Subsequent increases are then recognised in profit or loss to the extent they reverse a net revaluation decrease previously recognised in profit or loss for the same class of asset.

**Depreciation**

The depreciable amount of all property, plant and equipment and infrastructure, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

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

**Depreciation on revaluation**

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

- (i) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset.
- (ii) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

**Impairment**

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

**Gains or losses on disposal**

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

CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023

11. LEASES

(a) Right-of-Use Assets

Movement in the balance of each class of right-of-use asset between the beginning and the end of the current financial year.	Note	Right-of-use assets - land and buildings \$	Right-of-use assets - plant and equipment \$	Right-of-use assets Total \$
<b>Balance at 1 July 2021</b>		6,556,901	445,450	7,002,350
Depreciation		(381,647)	(140,205)	(521,852)
<b>Balance at 30 June 2022</b>		6,175,254	305,245	6,480,499
Gross balance amount at 30 June 2022		7,305,850	463,898	7,769,748
Accumulated depreciation at 30 June 2022		(1,130,596)	(158,653)	(1,289,249)
<b>Balance at 30 June 2022</b>		6,175,254	305,245	6,480,499
Additions/ Net adjustments to Lease Liabilities		(136,091)	1,329,339	1,193,248
Depreciation		(411,687)	(178,186)	(589,873)
<b>Balance at 30 June 2023</b>		5,627,476	1,456,398	7,083,874
Gross balance amount at 30 June 2023		7,169,759	1,793,238	8,962,997
Accumulated depreciation at 30 June 2023		(1,542,283)	(336,840)	(1,879,123)
<b>Balance at 30 June 2023</b>		5,627,476	1,456,398	7,083,874
The following amounts were recognised in the statement of comprehensive income during the period in respect of leases where the entity is the lessee:		<b>2023 Actual \$</b>		<b>2022 Actual \$</b>
Depreciation on right-of-use assets		589,873		521,851
Finance charge on lease liabilities	29(b)	(185,738)		(177,442)
<b>Total amount recognised in the statement of comprehensive income</b>		404,135		344,409
Total cash outflow from leases		(679,269)		(632,938)

(b) Lease Liabilities

Current		653,487	492,772
Non-current		6,742,665	6,203,663
	29(b)	7,396,152	6,696,435

**Secured liabilities and assets pledged as security**

Lease liabilities are effectively secured, as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

**SIGNIFICANT ACCOUNTING POLICIES**

**Leases**

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

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

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

Details of individual lease liabilities required by regulations are provided at Note 29(b).

**Right-of-use assets - measurement**

Right-of-use assets are measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not recognised in the Statement of Financial Position). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value.

Refer to Note 10 under revaluation for details on the significant accounting policies applying to vested improvements.

**Right-of-use assets - depreciation**

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

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**11. LEASES (Continued)**

**(c) Lessor - Property, Plant and Equipment Subject to Lease**

	<b>2023</b>	<b>2022</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
The table below represents a maturity analysis of the undiscounted lease payments to be received after the reporting date.		
Less than 1 year	838,872	782,745
1 to 2 years	849,243	838,872
2 to 3 years	865,104	849,243
3 to 4 years	881,726	865,104
4 to 5 years	899,146	881,726
> 5 years	5,201,156	6,100,302
	<u>9,535,247</u>	<u>10,317,992</u>

**Amounts recognised in profit or loss for Property, Plant and Equipment Subject to Lease**

Rental income	782,745	786,045
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The City leases part of facilities and land to incorporated associations, community groups, government departments and other organisations with rental payable monthly, quarterly or annually. These leases are classified as operating leases as they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Lease payments include CPI increases, percentage increases or market rates. At the end of the current leases, the City typically enters into new operating leases and therefore does not expect any impact from any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

**SIGNIFICANT ACCOUNTING POLICIES**

**The City as Lessor**

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

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

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

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

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**12. TRADE AND OTHER PAYABLES**

	<u>2023</u>	<u>2022</u>
	\$	\$
<b>Current</b>		
Trade payables	3,134,113	2,709,216
Other payables	292,660	317,462
Accrued expenses	4,066,351	4,266,327
Rates received in advance	3,465,895	3,336,241
Bonds and deposits held	2,282,393	2,269,505
	<u>13,241,412</u>	<u>12,898,751</u>

**SIGNIFICANT ACCOUNTING POLICIES**

**Financial liabilities**

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

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

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

**Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the City prior to the end of the financial year that are unpaid and arise when the City becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

**Prepaid rates**

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

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**13. OTHER LIABILITIES**

	<u>2023</u>	<u>2022</u>
	\$	\$
<b>Current</b>		
Grants and contributions liabilities	5,484,255	4,313,050
Contract Liabilities	1,221,867	1,221,867
	<u>6,706,122</u>	<u>5,534,917</u>
<b>Reconciliation of changes in contract liabilities</b>		
Opening balance	1,221,867	1,221,867
Additions	0	0
Revenue from contracts with customers included as a contract liability at the start of the period	0	0
	<u>1,221,867</u>	<u>1,221,867</u>
The City expects to satisfy the performance obligations, from contracts with customers unsatisfied at the end of the reporting period, within the next 12 months.		
<b>Reconciliation of changes in grant/contribution liabilities</b>		
Opening balance	4,313,050	3,277,510
Additions	14,403,248	5,411,555
Revenue from Grants and Contributions held as a liability at the start of the period	(13,232,043)	(4,376,015)
	<u>5,484,255</u>	<u>4,313,050</u>
<b>Expected satisfaction of grant/contribution liabilities</b>		
Less than 1 year	5,484,255	4,313,050
	<u>5,484,255</u>	<u>4,313,050</u>

Performance obligations in relation to capital grant/contribution liabilities are satisfied as project milestones are met or completion of construction or acquisition of the asset.

**SIGNIFICANT ACCOUNTING POLICIES**

**Contract liabilities**

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

Contract liabilities represent obligations which are not yet satisfied. Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

**Grant/contribution liabilities**

Grant/contribution liabilities represent the City's obligations to construct recognisable non-financial assets to identified specifications to be controlled by the City which are yet to be satisfied. Grant/contribution liabilities are recognised as income when the obligations in the contract are satisfied.

Fair values for non-current capital grant/contribution liabilities, not expected to be extinguished within 12 months, are based on discounted cash flows of expected cashflows to satisfy the obligations using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 25) due to the unobservable inputs, including own credit risk.

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**14. BORROWINGS**

	Note	2023			2022		
		Current	Non-current	Total	Current	Non-current	Total
<b>Secured</b>		\$	\$	\$	\$	\$	\$
Other loans		935,712	962,667	1,898,379	909,513	1,898,379	2,807,892
<b>Total secured borrowings</b>	29(a)	935,712	962,667	1,898,379	909,513	1,898,379	2,807,892

**Secured liabilities and assets pledged as security**

Loans are secured by a floating charge over the assets of the City of Joondalup.

The City of Joondalup has complied with the financial covenants of its borrowing facilities during the 2023 and 2022 years.

**SIGNIFICANT ACCOUNTING POLICIES**

**Borrowing costs**

The City has elected to recognise borrowing costs as an expense when incurred regardless of how the borrowings are applied.

Fair values of borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short term nature.

Borrowings fair values are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 25) due to the unobservable inputs, including own credit risk.

**Risk**

Information regarding exposure to risk can be found at Note 23.

Details of individual borrowings required by regulations are provided at Note 29(a).

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**15. EMPLOYEE RELATED PROVISIONS**

**Employee Related Provisions**

	2023	2022
	\$	\$
<b>Current provisions</b>		
<b>Employee benefit provisions</b>		
Annual leave	4,679,402	4,588,627
Long service leave	6,565,922	6,425,430
Purchased leave	140,572	208,657
Sick Leave	955,380	982,117
Workers Compensation	4,126,737	3,137,004
	<u>16,468,013</u>	<u>15,341,835</u>
<b>Total current employee related provisions</b>	16,468,013	15,341,835
<b>Non-current provisions</b>		
<b>Employee benefit provisions</b>		
Long service leave	1,386,222	1,501,965
	<u>1,386,222</u>	<u>1,501,965</u>
<b>Total non-current employee related provisions</b>	1,386,222	1,501,965
<b>Total employee related provisions</b>	<u>17,854,235</u>	<u>16,843,800</u>

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave and associated on costs for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

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

	Note	2023	2022
		\$	\$
<b>Amounts are expected to be settled on the following basis:</b>			
Less than 12 months after the reporting date		16,468,013	15,341,835
More than 12 months from reporting date		1,386,222	1,501,965
		<u>17,854,235</u>	<u>16,843,800</u>

Expected reimbursements of employee related provisions from other WA local governments included within other receivables

5	322,889	198,149
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**SIGNIFICANT ACCOUNTING POLICIES**

**Employee benefits**

The City's obligations for employees' annual leave, long service leave and other employee leave entitlements are recognised as employee related provisions in the Statement of Financial Position.

**Short-term employee benefits**

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

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

**Other long-term employee benefits**

Long-term employee benefits provisions are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**16 OTHER PROVISIONS**

	<b>Other Provisions</b>	<b>Total</b>
	\$	\$
<b>Opening balance at 1 July 2022</b>		
Current provisions	9,415	9,415
	<u>9,415</u>	<u>9,415</u>
<b>Balance at 30 June 2023</b>	<u>9,415</u>	<u>9,415</u>
<b>Comprises</b>		
Current	9,415	9,415
	<u>9,415</u>	<u>9,415</u>

**Other provisions**

Amounts which are expected to be paid out within 12 months of the reporting date are classified as current. Exact timing of payment of non-current obligations is unable to be reliably estimated as it is dependent on factors beyond the control of the local government.

**Provisions**

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

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

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**17. REVALUATION SURPLUS**

	<b>2023 Opening Balance</b>	<b>Total Movement on Revaluation</b>	<b>2023 Closing Balance</b>	<b>2022 Opening Balance</b>	<b>Total Movement on Revaluation</b>	<b>2022 Closing Balance</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revaluation surplus - Land - freehold land	127,878,068	0	127,878,068	127,133,289	744,779	127,878,068
Revaluation surplus - Buildings - specialised	141,089,543	0	141,089,543	141,089,543	0	141,089,543
Revaluation surplus - Artworks	0	255,758	255,758	0	0	0
Revaluation surplus - Infrastructure - roads	165,280,142	0	165,280,142	165,280,142	0	165,280,142
Revaluation surplus - Footpaths	79,464,052	0	79,464,052	79,464,052	0	79,464,052
Revaluation surplus - Drainage	165,440,145	0	165,440,145	163,902,046	1,538,099	165,440,145
Revaluation surplus - Car Park	4,741,097	0	4,741,097	4,741,097	0	4,741,097
Revaluation surplus - Bridges and Underpasses	26,379,892	0	26,379,892	26,379,892	0	26,379,892
Revaluation surplus - Other Infrastructure	1,718,757	0	1,718,757	1,718,757	0	1,718,757
Revaluation surplus - Lighting	6,647,764	0	6,647,764	6,647,764	0	6,647,764
Revaluation surplus - Parks and Reserves	98,865,736	51,342,578	150,208,314	98,865,736	0	98,865,736
	<b>817,505,196</b>	<b>51,598,336</b>	<b>869,103,532</b>	<b>815,222,318</b>	<b>2,282,878</b>	<b>817,505,196</b>
Revaluation surplus - Share from investments in Associates:-						
Tamala Park Regional Council Assets	1,060	0	1,060	1,060	0	1,060
Mindarie Regional Council Assets	8,754,628	1,710,608	10,465,236	5,397,916	3,356,712	8,754,628
	<b>8,755,688</b>	<b>1,710,608</b>	<b>10,466,296</b>	<b>5,398,976</b>	<b>3,356,712</b>	<b>8,755,688</b>
Total Revaluation Surplus	<b>826,260,884</b>	<b>53,308,944</b>	<b>879,569,828</b>	<b>820,621,294</b>	<b>5,639,590</b>	<b>826,260,884</b>

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**18. NOTES TO THE STATEMENT OF CASH FLOWS**

**(a) Reconciliation of Cash**

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

	Note	2023 Actual	2022 Actual
		\$	\$
Cash and cash equivalents	3	44,278,285	39,269,487

**Restrictions**

The following classes of financial assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:

- Cash and cash equivalents	3	19,081,167	9,892,214
- Financial assets at amortised cost	4	107,380,000	101,210,000
		<u>126,461,167</u>	<u>111,102,214</u>

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

Restricted reserve accounts	30	119,755,045	105,567,297
Grants and contributions liabilities	13	5,484,255	4,313,050
Contract liabilities	13	1,221,867	1,221,867
<b>Total restricted financial assets</b>		<u>126,461,167</u>	<u>111,102,214</u>

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

Net result		21,120,083	16,736,254
Non-cash items:			
Adjustments to fair value of financial assets at fair value through profit or loss		(4,607)	(4,996)
Depreciation/amortisation		30,205,721	32,865,308
(Profit)/loss on sale of asset		(170,097)	(116,390)
(Profit)/loss on sale of land held for resale		(2,993,238)	(2,869,862)
Changes in assets and liabilities:			
(Increase)/decrease in trade and other receivables		105,513	(13,291,233)
(Increase)/decrease in other assets		(1,570,707)	244,424
(Increase)/decrease in inventories		31,437	(39,162)
Increase/(decrease) in trade and other payables		342,661	14,526,113
Increase/(decrease) in employee related provisions		1,010,435	623,212
Capital grants, subsidies and contributions		(9,580,228)	(13,209,118)
Net cash provided by/(used in) operating activities		<u>38,496,972</u>	<u>35,464,550</u>

**(c) Undrawn Borrowing Facilities**

**Credit Standby Arrangements**

Bank overdraft limit	500,000	500,000
Credit card limit	47,000	47,000
Credit card balance at balance date	(17,053)	(20,711)
<b>Total amount of credit unused</b>	<u>529,947</u>	<u>526,289</u>

**Loan facilities**

Loan facilities - current	935,712	909,513
Loan facilities - non-current	962,667	1,898,379
<b>Total facilities in use at balance date</b>	<u>1,898,379</u>	<u>2,807,892</u>

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**19. CONTINGENT LIABILITIES**

(a) Contaminated site – Mindarie Regional Council Landfill site

The most recent 2021 Mandatory Auditor's Report (MAR) report recommended that further works were required to close out the following:

- The adequacy of the landfill gas monitoring network including confirmation of screening intervals.
- Assessment of the potential for off-site migration of landfill gas particularly with relation to preferential pathways.
- Ongoing assessment of landfill gas and groundwater as part of an ongoing site management plan to inform long term trends and to inform the need or otherwise for mitigation measures.
- The MAR noted further long-term assessment of PFAS (in addition to other COPCs in groundwater including arsenic, nickel, ammonia, benzene and pathogens) would be appropriate.

The October 2023 MAR reports on those further investigations completed and provides an update on the conditions of the source site and affected site. The MRC MAR report is required by the Department of Water and Environmental Regulation (DWER) in respect of the Tamala Park Waste Management Facility site.

The purpose of the 2023 MAR audit was to:

- Confirm that the investigations undertaken adequately characterized the contamination status of the site.
- Confirm whether potentially significant risks to human health, the environment or environmental values exist on-site or off-site.
- Confirm the suitability of the site for the current and proposed land uses.
- Recommend a site classification under the Contaminated Sites Act 2003

The MAR auditor has determined, based on the analysis contained in the assessed reports, that:

- Source Site: Remains suitable for ongoing use as a Class II landfill, subject to implementation of a site management plan to prevent exposure to landfill gas, soil and groundwater contamination
- Affected Site: Remains suitable for current use as a development "buffer zone". The site is situated to the north of the MRC landfill.

The MAR report summary of findings for the Source and Affected sites are listed below:

Source site:

- Soil – No soil investigations were completed in 2021 and 2023
- Groundwater – Groundwater results indicate impact to aquifer immediately below the landfill. Elevated levels of contaminants were above the relevant drinking water guidelines, some also exceeded the criteria for non-potable water use. No contaminants of potential concern (COPCs) were detected in samples collected from the onsite abstraction bore above the non-potable criteria.
- Landfill gas – The site is considered capable of generating a significant quantity of landfill gases and vapours. Methane was detected at elevated levels in boreholes outside the waste mass and along the northern wall of the landfill. The extraction system appears to be effectively mitigating methane with negligible detections outside of the extraction well network. There are indications of fugitive emissions through damages areas of the cap which would require repair and maintenance.

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**19 CONTINGENT LIABILITIES**

Affected site:

- Groundwater results indicate some contaminants above the relevant drinking water guidelines but were below criteria for non-potable water uses. Certain COPCs detected above drinking water criteria were considered to be a reflection of natural site conditions.
- No methane has been recorded in recent events at monitoring wells outside the site boundary.

Site management plan (SMP)

A SMP was developed and received by the MRC in May 2020 and updated in May 2022. The SMP was required to provide a management plan for the site to ensure that potential hazards associated with soil, landfill gas, and groundwater contaminants are appropriately managed for the site's continued use as a landfill facility and leachate management. There are no "results" associated with this SMP, it is an ongoing document that continues to evolve to address the comprehensive management of landfill gas and groundwater in light of the most recent information obtained from periodic tests results.

The October 2023 MAR report concludes that:

- The auditor is satisfied that the information contained in the reviewed reports, considered as a whole, is sufficient to inform the current site and surrounding site condition and restrictions that may be applicable.
- Expectations of concerted effort to improve future reporting and reports to comply with relevant standards and guidelines.
- The assessments were sufficient to define the potential extents and types of contaminated media with an appropriate level of confidence.
- Investigation methodologies were sufficient to assess and manage risk.
- Ongoing assessment of landfill gas and groundwater as part of an ongoing Site Management Plan should be undertaken to inform long term trends and to inform the need or otherwise for mitigation measures.

Based on the above, MRC has no new information indicating that an additional landfill rehabilitation provision is required to address any specific remediation requirements nor do the October 2023 MAR report recommend such action.

(b) Contaminated sites- other

Under the contaminated sites Act 2003, the City is required to report known and suspected contaminated sites to the Department of Water and Environmental Regulation (DWER). In accordance with the Contaminated Sites Act 2003, DWER classifies these sites on the basis of the risk to human health, the environment and environmental values. Where sites are classified as contaminated - remediation required or possibly contaminated investigation required, the City may have a liability in respect of investigation or remediation expense.

During the year the City reported two suspected contaminated sites to DWER. These have been classified as "Possibly Contaminated Investigation is Required". The City is unable to assess the likely outcome of the classification process, and accordingly, it is not practicable to estimate the potential financial effect or to identify the uncertainties relating to the amount or timing of any outflows.

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**20. CAPITAL COMMITMENTS**

	2023	2022
	\$	\$
<b>Contracted for:</b>		
- capital expenditure projects	6,808,795	15,795,272
	<u>6,808,795</u>	<u>15,795,272</u>
<b>Payable:</b>		
- not later than one year	6,808,795	15,795,272

**21. RELATED PARTY TRANSACTIONS**

**(a) Elected Member Remuneration**

Fees, expenses and allowances to be paid or reimbursed to elected council members.

Note	2023 Actual	2023 Budget	2022 Actual
	\$	\$	\$
Mayor's annual allowance	140,701	140,701	138,367
Mayor's child care expenses	6,672	3,900	0
Mayor's other expenses	4,938	3,000	6,518
Mayor's annual allowance for ICT expenses	3,500	3,500	3,500
Mayor's travel and accommodation expenses	4,284	3,400	8,250
Mayor's conference/training	3,539	16,600	5,990
	<u>163,633</u>	<u>171,101</u>	<u>162,625</u>
Deputy Mayor's annual allowance	22,999	22,999	13,813
Deputy Mayor's meeting attendance fees	32,470	32,470	33,548
Deputy Mayor's other expenses	5,808	5,000	4,479
Deputy Mayor's annual allowance for ICT expenses	3,500	3,500	3,500
Deputy Mayor's travel and accommodation expenses	2,657	2,000	0
Deputy Mayor's conference/training	0	0	2,195
	<u>67,434</u>	<u>65,969</u>	<u>57,535</u>
All other council member's annual allowance	0	0	400,713
All other council member's meeting attendance fees	357,170	357,170	0
All other council member's All other council member expenses	8,925	8,600	4,355
All other council member's annual allowance for ICT expenses	38,500	38,500	0
All other council member's travel and accommodation expenses	49,727	24,700	0
All other council member's annual allowance for travel and accommodation expenses	0	0	11,952
All other council member's Conference and Training expenses	15,463	116,400	5,994
	<u>469,785</u>	<u>545,370</u>	<u>423,014</u>
21(b)	<u>700,852</u>	<u>782,440</u>	<u>643,174</u>

**(b) Key Management Personnel (KMP) Compensation**

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

Note	2023 Actual	2022 Actual
	\$	\$
Short-term employee benefits	1,270,157	1,207,060
Post-employment benefits	148,569	119,649
Employee - other long-term benefits	161,639	139,046
Employee - termination benefits	0	67,861
Council member costs	700,852	643,174
	<u>2,281,217</u>	<u>2,176,790</u>

*Short-term employee benefits*

These amounts include all salary and fringe benefits awarded to KMP except for details in respect to fees and benefits paid to council members which may be separately found in the table above.

*Post-employment benefits*

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

*Other long-term benefits*

These amounts represent annual leave and long service leave entitlements accruing during the year.

*Termination benefits*

These amounts represent termination benefits paid to KMP

*Council member costs*

These amounts represent payments of member fees, expenses, allowances and reimbursements during the year.

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**21. RELATED PARTY TRANSACTIONS**

**(c) Transactions with related parties**

Transactions between related parties and the City are on normal commercial terms and conditions, no more favourable than those available to other parties, unless otherwise stated.

No outstanding balances or provisions for doubtful debts or guarantees exist in relation to related parties at year end.

In addition to KMP compensation above the following transactions occurred with related parties:

	<b>2023</b>	<b>2022</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
<b>Mindarie Regional Council</b>		
Sale of goods and services	181,501	158,711
Purchase of goods and services	6,067,198	6,980,601
Trade and other payables	117,844	108,887
<b>Tamala Park Regional Council</b>		
Distributions received	3,333,332	1,666,666
Reimbursements received	415,928	322,206
Payments made for settling GST liabilities	270,177	165,040
Trade and other receivables	129,087	22,587
Trade and other payables	142,107	96,456

**Related Parties**

**The City's main related parties are as follows:**

*i. Key management personnel*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any council member, are considered key management personnel and are detailed in Notes 21(a) and 21(b)

*ii. Other Related Parties*

An associate person of KMP employed by the City under normal employment terms and conditions.

Any entity that is controlled by or over which KMP, or close family members of KMP, have authority and responsibility for planning, directing and controlling the activity of the entity, directly or indirectly, are considered related parties in relation to the City.

*iii. Entities subject to significant influence by the City*

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

The City has significant influence over Mindarie Regional council and Tamala Park Regional Council; as the City is party to agreements establishing the regional councils and is correspondingly represented on the Council's of these entities.

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**22. INVESTMENT IN ASSOCIATES**

**(a) Carrying amount of investment in associates**

Set out in the table below are the associates of the City. All associates are measured using the equity method. Western Australia is the principal place of business for all associates.

Name of entity	% of ownership interest		2023	2022
	2023	2022	Actual	Actual
			\$	\$
Equity in Mindarie Regional Council	16.67%	16.67%	22,119,135	19,336,855
Equity in Tamala Park Regional Council	16.67%	16.67%	7,806,654	9,085,982
<b>Total equity-accounted investments</b>			<b>29,925,789</b>	<b>28,422,837</b>
<b>Share of associates profit/(loss) from continuing operations</b>				
Mindarie Regional Council			1,071,671	(2,108,605)
Tamala Park Regional Council			200,123	(182,601)
			<b>1,271,794</b>	<b>(2,271,206)</b>

**(b) Mindarie Regional Council**

The City of Joondalup, along with the City of Wanneroo, City of Perth, City of Stirling, City of Vincent, Town of Cambridge and Town of Victoria Park is a member of the Mindarie Regional Council. The City holds 1/6 share of the land and establishment costs of the refusal disposal facility.

The City has determined it has significant influence over the Regional Council despite holding less than 20 percent of the voting rights as the City has representation on Council and participates in policy-making decisions including the decisions regarding contributions and distributions

Mindarie Regional Council Statement of Summarised comprehensive income	Note	2023	2022
		Actual	Actual
		\$	\$
Total operating revenues		39,111,122	43,482,662
Total operating expenses		(32,681,096)	(56,134,290)
<b>Net Result</b>		<b>6,430,026</b>	<b>(12,651,628)</b>
<b>Other comprehensive income</b>			
Net change on revaluation of assets		10,263,654	20,140,272
<b>Total comprehensive income for the period</b>		<b>16,693,680</b>	<b>7,488,644</b>
<b>The City's interest in Mindarie Regional Council's Total Comprehensive Income (1/6th share)</b>			
Share of associate's profit/(loss) from ordinary activities	22(a)	1,071,671	(2,108,605)
Share of associate's other comprehensive income arising during the period	17	1,710,608	3,356,712
Share of associate's total comprehensive income arising during the period		<b>2,782,279</b>	<b>1,248,107</b>
<b>Mindarie Regional Council Summarised statement of financial position</b>			
Current Assets		64,273,412	50,281,492
Non-Current Assets		100,324,693	95,598,663
<b>Total Assets</b>		<b>164,598,105</b>	<b>145,880,155</b>
Current liabilities		(5,528,381)	(5,605,777)
Non-Current Liabilities		(26,354,914)	(24,253,247)
<b>Total Liabilities</b>		<b>(31,883,295)</b>	<b>(29,859,024)</b>
<b>Net assets</b>		<b>132,714,810</b>	<b>116,021,131</b>
<b>The City's interest in Mindarie Regional Council Net assets (1/6th share)</b>			
		<b>22,119,135</b>	<b>19,336,855</b>
<b>Movement in Carrying Amount</b>			
<b>Carrying amount at 1 July</b>		19,336,855	3,922,081
Share of associate's total comprehensive income arising during the period		2,782,279	1,248,107
Contribution to equity in associate		0	14,166,667
<b>Carrying amount at 30 June</b>		<b>22,119,134</b>	<b>19,336,855</b>

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**22. INVESTMENT IN ASSOCIATES**

**(c) Tamala Park Regional Council**

Tamala Park Regional Council (TPRC) subsequently changed to Catalina Regional Council (CRC) on 1st August 2023 was established in January 2006 for the purpose of the development of the Tamala Park land jointly owned by seven local governments, including the City of Joondalup, which has 1/6 equity in the land.

The West Australian Planning Commission (WAPC) requested that a portion of this land be retained as "Bush Forever", which the commission was prepared to acquire and pay for. The "Bush Forever" land was disposed of by the joint owners to the WAPC in November 2006. The City of Joondalup's share of the proceeds of disposal was \$2,703,573 which was subsequently contributed to the TPRC as equity investment to be used for TPRC purposes.

The City has determined it has significant influence over the Regional Council despite holding less than 20 percent of the voting rights as the City has representation on Council and participates in policy-making decisions including the decisions regarding contributions and distributions

The current fair value of the equity is estimated at \$7,806,654. As per the audited financial statements of Tamala Park Regional Council for the year ended 30 June 2023, the City's share of Net result of operations was a profit of \$200,123. The City has recognised this profit in the Statement of Comprehensive Income in accordance with the equity method of accounting.

**Tamala Park Regional Council Statement of Summarised  
Comprehensive Income**

Note	2023 Actual	2022 Actual
	\$	\$
Total operating revenues	2,192,146	322,628
Total operating expenses	<u>(1,190,176)</u>	<u>(1,011,503)</u>
<b>Net Result</b>	<b>1,001,970</b>	<b>(688,875)</b>
<b>Other comprehensive income</b>		
Net change on revaluation of assets	(6,353)	0
<b>Total Comprehensive Income</b>	<b>995,617</b>	<b>(688,875)</b>

**The City's interest in Tamala Park Regional Council's  
Total Comprehensive Income (1/6th share)**

	2023 Actual	2022 Actual
	\$	\$
Share of associate's total comprehensive income as above	165,936	(114,812)
Additional movement in Share of associate's profit/(loss) from ordinary activities	<u>34,187</u>	<u>(47,789)</u>
Share of associate's total comprehensive income arising during the period	<u>200,123</u>	<u>(162,601)</u>
22(a)		

**The Tamala Park Regional Council summarised statement of  
Financial Position**

	2023 Actual	2022 Actual
	\$	\$
Current Assets	44,873,314	53,079,035
Non-Current Assets	<u>2,640,157</u>	<u>1,786,027</u>
<b>Total assets</b>	<b>47,513,471</b>	<b>54,865,062</b>
Current liabilities	(559,922)	(216,486)
Non-Current Liabilities	<u>(113,627)</u>	<u>(132,683)</u>
<b>Total liabilities</b>	<b>(673,549)</b>	<b>(349,169)</b>

**Net Assets** **46,839,922** **54,515,893**

**The City's interest in Tamala Park Regional Council Net Assets (1/6th share)** **7,806,654** **9,085,982**

**Movement in Carrying Value**

<b>Carrying amount at 1 July</b>	9,085,982	9,161,548
Movement in Capital Contributions	2,269,808	2,075,906
Distributions Received	(3,749,260)	(1,988,872)
Share of associate's total comprehensive income arising during the period	<u>200,123</u>	<u>(162,601)</u>
22(a)		
<b>Carrying amount at 30 June</b>	<b>7,806,654</b>	<b>9,085,982</b>

**(d) Contingent liabilities related to investments in associates**

Refer to Note 19(a) for contingent liabilities relating to Mindarie Regional Council.

**SIGNIFICANT ACCOUNTING POLICIES**

**Investments in associates**

An associate is an entity over which the City has significant influence, that is it has the power to participate in the financial and operating policy decisions of the investee but not control or joint control of those policies.

Investments in associates are accounted for using the equity method. The equity method of accounting, is whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the City's share of net assets of the associate. In addition, the City's share of the profit or loss of the associate is included in the City's profit or loss.

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**23. FINANCIAL RISK MANAGEMENT**

This note explains the City's exposure to financial risks and how these risks could affect the City's future financial performance.

<b>Risk</b>	<b>Exposure arising from</b>	<b>Measurement</b>	<b>Management</b>
<b>Market risk - interest rates</b>	Long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings
<b>Credit risk</b>	Cash and cash equivalents, trade receivables, financial assets and debt investments	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
<b>Liquidity risk</b>	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

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

Financial risk management is carried out by the finance department under policies approved by the council. The finance department identifies, evaluates and manages financial risks in close co-operation with the operating divisions. Council have approved the overall risk management policy and provide policies on specific areas such as investment policy.

**(a) Interest rate risk**

**Cash and cash equivalents**

The City's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the City to cash flow interest rate risk. Short term overdraft facilities also have variable interest rates however these are repaid within 12 months, reducing the risk level to minimal.

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the City to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents, term deposits, and Treasury bonds held disclosed as financial assets at amortised cost are reflected in the table below.

	<b>Weighted Average Interest Rate</b>	<b>Carrying Amounts</b>	<b>Fixed Interest Rate</b>	<b>Variable Interest Rate</b>	<b>Non Interest Bearing</b>
	<b>%</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2023</b>					
Cash and cash equivalents	4.30%	44,278,285	0	44,269,500	8,785
Financial assets at amortised cost - term deposits	4.43%	107,380,000	107,380,000	0	0
<b>2022</b>					
Cash and cash equivalents	0.45%	39,269,487	2,750,000	36,479,388	40,099
Financial assets at amortised cost - term deposits	3.00%	101,210,000	101,210,000	0	0

**CITY OF JOONDALUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**23 FINANCIAL RISK MANAGEMENT (Continued)**

**Sensitivity**

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

	2023	2022
	\$	\$
Impact of a 1% movement in interest rates on profit or loss and equity*	442,695	364,794

\* Holding all other variables constant

**Borrowings**

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The City manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The City does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 29(a).

**(b) Credit risk**

**Trade and Other Receivables**

The City's major trade and other receivables comprise contractual non-statutory user fees and charges, grants, contributions and reimbursements. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The City manages this risk by monitoring outstanding debt and employing debt recovery policies.

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

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

The expected loss rates are based on the payment profiles of trade and other receivables over a period of 36 months before 1 July 2022 or 1 July 2023 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of users to settle the receivables.

The loss allowance as at 30 June 2023 and 30th June 2022 for rates receivable was determined as follows:

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
<b>30 June 2023</b>					
Rates receivable					
Gross carrying amount	0	3,560,248	0	0	3,560,248
<b>30 June 2022</b>					
Rates receivable					
Gross carrying amount	0	3,466,759	0	0	3,466,759

The loss allowance as at 30 June 2023 and 30 June 2022 was determined as follows for trade receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
<b>30 June 2023</b>					
Trade and other receivables					
Gross carrying amount	1,135,938	28,500	1,690	21,682	1,187,810
Loss allowance	0	885	1,690	21,682	24,257
Trade and other receivables					
Gross carrying amount	2,892,142	36,910	27,703	11,605	2,968,360
Loss allowance	0	0	2,501	11,605	14,106

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**23. FINANCIAL RISK MANAGEMENT (Continued)**

**(b) Credit risk**

The loss allowances for Trade and other receivables as at 30 June reconcile to the opening loss allowances as follows:

	Trade receivables		Other receivables		Contract Assets	
	2023 Actual	2022 Actual	2023 Actual	2022 Actual	2023 Actual	2022 Actual
<b>Opening loss allowance as at 1 July</b>	\$ 14,106	\$ 26,026	\$ 0	\$ 0	\$ 0	\$ 0
Receivables written off during the year as uncollectible	21,757	11,606	0	0	0	0
Unused amount reversed	(11,606)	(23,526)	0	0	0	0
<b>Closing loss allowance at 30 June</b>	<b>24,257</b>	<b>14,106</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Trade and other receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the City, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on rates and statutory receivables, trade and other receivables are presented as net impairment losses within other expenditure. Subsequent recoveries of amounts previously written off are credited against the same line item.

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**23. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Liquidity risk**

**Payables and borrowings**

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The City manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 18(c).

The contractual undiscounted cash flows of the City's payables and borrowings are set out in the liquidity table below. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	<b>Due within 1 year</b>	<b>Due between 1 &amp; 5 years</b>	<b>Due after 5 years</b>	<b>Total contractual cash flows</b>	<b>Carrying values</b>
	\$	\$	\$	\$	\$
<b>2023</b>					
Trade and other payables	13,241,412	0	0	13,241,412	13,241,412
Lease liabilities	872,301	2,990,001	4,901,612	8,763,914	7,396,152
Borrowings	979,875	979,875	0	1,959,750	1,898,379
	<u>15,093,588</u>	<u>3,969,876</u>	<u>4,901,612</u>	<u>23,965,076</u>	<u>22,535,943</u>
<b>2022</b>					
Trade and other payables	12,898,751	0	0	12,898,751	12,898,751
Lease liabilities	669,655	2,928,890	4,801,719	8,400,264	6,696,435
Borrowings	979,875	1,959,750	0	2,939,625	2,807,892
	<u>14,548,281</u>	<u>4,888,640</u>	<u>4,801,719</u>	<u>24,238,640</u>	<u>22,403,078</u>

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**24. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD**

There were no material events after 30 June 2023 that require inclusion in the notes to the financial statements.

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**25. OTHER SIGNIFICANT ACCOUNTING POLICIES**

**a) Goods and services tax (GST)**

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

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

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

**b) Current and non-current classification**

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

**c) Rounding off figures**

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

**d) Comparative figures**

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

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

**e) Budget comparative figures**

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

**f) Superannuation**

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

**g) Fair value of assets and liabilities**

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

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

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

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

**h) Interest revenue**

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

**i) Fair value hierarchy**

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

**Level 1**

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

**Level 2**

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

**Level 3**

Measurements based on unobservable inputs for the asset or liability.

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

**Valuation techniques**

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

**Market approach**

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

**Income approach**

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

**Cost approach**

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

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

**j) Impairment of assets**

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

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

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

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**26. FUNCTION AND ACTIVITY**

**(a) Service objectives and descriptions**

City operations as disclosed in this financial report encompass the following service orientated functions and activities.

<b>Objective</b>	<b>Description</b>
<p><b>Governance</b> To provide a decision making process for the efficient allocation of limited resources.</p>	Governance relates to elected members costs and other costs that relate to the task of assisting elected members and ratepayers on matters which do not concern specific City Services.
<p><b>General purpose funding</b> To collect revenue to allow for the provision of services.</p>	Rates income and expenditure, Grants Commission and pensioner deferred rates interest.
<p><b>Law, order, public safety</b> To provide services to help ensure a safer and environmentally conscious community.</p>	Supervision and enforcement of various local laws relating to fire prevention including the animal control and other aspects of public safety.
<p><b>Health</b> To provide an operational framework for environmental and community health.</p>	Prevention and treatment of human illnesses, including inspection of premises/food control, immunisation and child health services.
<p><b>Education and welfare</b> To provide services to disadvantaged persons, family, the elderly, children and youth.</p>	Provision, management and support services for families, children and the aged and disabled within the community, including pre-school playgroups, day and after school care, assistance to schools and senior citizens support groups. Provision of aged persons units and resident funded units.
<p><b>Housing</b> Provision of housing and leased accommodation</p>	Provision of housing and leased accommodation where the City acts as landlord.
<p><b>Community amenities</b> To provide services required by the community.</p>	Town planning and development, rubbish collection services, stormwater drainage, the provision of public conveniences, bus shelters, roadside furniture and litter control.
<p><b>Recreation and culture</b> To establish and effectively manage infrastructure and resources to help the social wellbeing of the community.</p>	Provision of facilities and support for organisations concerned with leisure time activities and sport, support for the performing and creative arts. This includes maintenance of halls, aquatic centres, recreation and community centres, parks, gardens, sports grounds and the operation of libraries.
<p><b>Transport</b> To provide safe, effective and efficient transport services to the community.</p>	Construction, maintenance and cleaning of streets, roads, bridges, drainage works, footpaths, parking facilities, traffic signs and the City works operation centre, including development, plant purchase and maintenance.
<p><b>Economic services</b> To help promote the City and its economic well being.</p>	Rural services, pest control and the implementation of building controls.
<p><b>Other property and services</b> To monitor and control Council's overheads and operating accounts.</p>	Public works overheads, plant/vehicle operations, sundry and other outlays that cannot be assigned to one of the preceding programs

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**26. FUNCTION AND ACTIVITY (Continued)**

**(b) Income and expenses**

	<b>2023</b>	<b>2022</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
<b>Income excluding grants, subsidies and contributions and capital grants, subsidies and contributions</b>		
Governance	4,289,050	2,884,887
General purpose funding	112,201,557	102,478,980
Law, order, public safety	3,477,921	3,415,995
Health	414,098	458,872
Education and welfare	72,633	73,735
Community amenities	23,953,897	23,799,004
Recreation and culture	11,581,900	10,402,731
Transport	811,715	829,061
Economic services	1,087,741	1,269,879
Other property and services	1,043,159	940,771
	<u>158,933,671</u>	<u>146,553,915</u>
<b>Grants, subsidies and contributions and capital grants, subsidies and contributions</b>		
Governance	633	65,963
General purpose funding	5,326,595	4,748,180
Law, order, public safety	67,278	174,286
Health	4,380	18,060
Education and welfare	44,227	59,251
Community amenities	666,172	639,925
Recreation and culture	4,389,938	6,872,810
Transport	9,257,102	10,400,018
Economic services	29,469	5,469
Other property and services	527,525	731,560
	<u>20,313,319</u>	<u>23,715,522</u>
<b>Total Income</b>	<u>179,246,990</u>	<u>170,269,437</u>
<b>Expenses</b>		
Governance	(6,387,848)	(8,202,860)
General purpose funding	(3,124,881)	(3,213,367)
Law, order, public safety	(4,047,625)	(3,559,411)
Health	(1,663,850)	(1,648,678)
Education and welfare	(2,088,194)	(2,148,036)
Community amenities	(25,750,333)	(25,698,346)
Recreation and culture	(51,203,514)	(48,613,329)
Transport	(29,219,644)	(30,310,544)
Economic services	(2,869,002)	(2,549,570)
Other property and services	(31,772,016)	(27,589,041)
<b>Total expenses</b>	<u>(158,126,907)</u>	<u>(153,533,182)</u>
<b>Net result for the period</b>	<u>21,120,083</u>	<u>16,736,255</u>
<b>(c) Total Assets</b>		
Governance	177,330	339,894
General purpose funding	37,360,485	32,766,220
Law, order, public safety	5,490,024	5,343,746
Health	424,366	371,768
Education and welfare	6,522,165	6,373,544
Community amenities	67,692,662	52,050,892
Recreation and culture	418,919,759	360,118,257
Transport	887,430,293	880,770,365
Economic services	29,553,941	37,387,255
Other property and services	155,228,411	156,430,290
	<u>1,608,799,436</u>	<u>1,531,952,231</u>

CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023

## 27. RATING INFORMATION

## (a) General Rates

RATE TYPE	Basis of valuation	Rate in \$	Number of Properties	2022/23 Actual Rateable Value*	2022/23 Actual Rate Revenue	2022/23 Actual Reassessed Rates	2022/23 Actual Total Revenue	2022/23 Budget Rate Revenue	2022/23 Budget Reassessed Rate	2022/23 Budget Total Revenue	2021/22 Actual Total Revenue
<b>Gross rental valuations</b>							0			0	
Residential Improved		6.2668	56,725	1,210,151,280	75,837,758	391,922	76,229,681	75,837,759	250,000	76,087,759	71,120,077
Residential Vacant		11.7391	1,029	18,610,120	2,184,661	(52,550)	2,132,111	2,184,661	0	2,184,661	2,095,340
Commercial Improved		6.9784	962	292,859,168	20,436,884	119,245	20,556,129	20,436,884	0	20,436,884	19,586,945
Commercial Vacant		11.7391	22	1,614,250	189,498	(28,891)	160,607	189,498	0	189,498	168,508
Industrial Improved		6.3464	389	26,809,323	1,701,427	28,133	1,729,560	1,701,427	0	1,701,427	1,640,651
Industrial Vacant		11.7391	3	191,000	22,422	(9,190)	13,232	22,422	0	22,422	14,492
<b>Unimproved valuations</b>											
Residential		1.0869	1	1,610,000	17,499	0	17,499	17,499	0	17,499	16,812
Rural		1.0818	2	1,780,000	19,256	0	19,256	19,256	0	19,256	18,500
<b>Total general rates</b>			59,133	1,553,625,141	100,409,406	448,670	100,858,075	100,409,406	250,000	100,659,406	94,661,325
<b>Minimum payment</b>											
<b>Gross rental valuations</b>											
Residential Improved		850	4,348	54,245,446	3,695,800	0	3,695,800	3,695,800	0	3,695,800	5,316,750
Residential Vacant		929	410	2,612,250	380,890	0	380,890	380,890	0	380,890	390,180
Commercial Improved		929	45	443,854	41,805	0	41,805	41,805	0	41,805	47,379
Industrial Improved		929	2	24,125	1,858	0	1,858	1,858	0	1,858	1,858
<b>Total minimum payments</b>			4,805	57,325,675	4,120,353	0	4,120,353	4,120,353	0	4,120,353	5,756,167
<b>Total general rates and minimum payments</b>			63,938	1,610,950,816	104,529,759	448,670	104,978,428	104,529,759	250,000	104,779,759	100,417,492
<b>Specified Area Rates</b>											
Iluka		0.727	1,982	55,531,430	403,536	1,327	404,863	403,536	0	403,536	399,142
Burns Beach		0.401	1,325	41,095,080	164,916	316	165,232	164,916	0	164,916	147,674
Harbour Rise		0.674	518	20,303,160	136,762	105	136,867	136,763	0	136,763	145,835
Woodvale Waters		0.597	138	3,722,420	22,225	0	22,225	22,225	0	22,225	16,515
<b>Total amount raised from rates (excluding general rates)</b>			3,963	120,652,090	727,439	1,749	729,188	727,440	0	568,452	709,166
<b>Discounts</b>											
COVID Discount Commercial							(151,050)			(151,050)	(302,400)
COVID Discount Industrial							(29,400)			(29,325)	(58,500)
<b>Total Rates</b>							105,527,166			105,167,836	100,765,758
Rate instalment interest							585,392				583,581
Rate overdue interest							121,429				130,389

The rate revenue was recognised from the rate record as soon as practicable after the City resolved to impose rates in the financial year as well as when the rate record was amended to ensure the information in the record was current and correct.

\*Rateable Value at time of raising of rate.

CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023

28. DETERMINATION OF SURPLUS OR DEFICIT

Note	2022/23	2022/23	2021/22
	(30 June 2023	Budget	(30 June 2022
	Carried	Carried	Carried
	Forward)	Forward)	Forward
	\$	\$	\$
<b>(a) Non-cash amounts excluded from operating activities</b>			
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> .			
<b>Adjustments to operating activities</b>			
	(199,178)	(1,436,831)	(170,565)
	(210,875)	0	(66,929)
	(115,743)	100,000	82,067
	(2,993,238)	0	(2,869,868)
	83,701	0	442,990
	29,081	94,759	54,175
	30,205,721	32,132,620	32,865,308
10(a)	26,799,469	30,890,548	30,337,179
<b>(b) Surplus or deficit after imposition of general rates</b>			
The following current assets and liabilities have been excluded from the net current assets used in the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.			
<b>Adjustments to net current assets</b>			
	30	(119,755,045)	(77,085,208)
			(105,567,297)
	14	935,712	935,712
			909,513
		1,221,867	0
			1,221,867
	11(b)	653,487	291,713
			492,772
		(116,943,979)	(75,857,783)
			(102,943,145)
<b>Net current assets used in the Statement of Financial Activity</b>			
		158,492,268	109,643,301
			147,278,683
		(38,014,161)	(33,781,595)
			(35,187,203)
		(116,943,979)	(75,857,783)
			(102,943,145)
		3,534,128	3,923
			9,148,335

CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023

29. BORROWING AND LEASE LIABILITIES

(a) Borrowings

Purpose	Loan Number	Actual						Budget				
		Principal at 1 July 2021	New Loans During 2021-22	Principal Repayments During 2021-22	Principal at 30 June 2022	New Loans During 2022-23	Principal Repayments During 2022-23	Principal at 30 June 2023	Principal at 1 July 2022	New Loans During 2022-23	Principal Repayments During 2022-23	Principal at 30 June 2023
Wanwick Hockey Facility	9	952,547	0	(952,547)	0	0	0	0	0	0	0	0
Reid Promenade Multi Storey Car Park	7	3,691,939	0	(884,047)	2,807,892	0	(909,513)	1,898,379	2,807,892	0	(909,513)	1,898,379
<b>Total</b>		<b>4,644,486</b>	<b>0</b>	<b>(1,836,594)</b>	<b>2,807,892</b>	<b>0</b>	<b>(909,513)</b>	<b>1,898,379</b>	<b>2,807,892</b>	<b>0</b>	<b>(909,513)</b>	<b>1,898,379</b>

Loan repayments were financed by general purpose revenue.

Borrowing Finance Cost Payments

Purpose	Note	Loan Number	Institution	Interest Rate	Date final payment is due	Actual for year ending 30 June 2023	Budget for year ending 30 June 2023	Actual for year ending 30 June 2022
Wanwick Hockey Facility						0	0	(18,577)
Reid Promenade Multi Storey Car Park		7	WATC	2.85%	8/05/2025	(82,276)	(82,275)	(113,185)
<b>Total</b>						<b>(82,276)</b>	<b>(82,275)</b>	<b>(131,762)</b>
<b>Total Finance Cost Payments</b>						<b>(82,276)</b>	<b>(82,275)</b>	<b>(131,762)</b>

\* WA Treasury Corporation

CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023

29. BORROWING AND LEASE LIABILITIES (Continued)

(b) Lease Liabilities

Purpose	Note	Actual						Budget				
		Principal at 1 July 2021	Actual New Leases / Adjustments During 2021-22	Principal Repayments During 2021-22	Principal at 30 June 2022	New Leases/Adjustments During 2022-23	Principal Repayments During 2022-23	Principal at 30 June 2023	Principal at 1 July 2022	New Leases During 2022-23	Principal Repayments During 2022-23	Principal at 30 June 2023
Gym Cardio Equipment - 2		342,953	0	(115,630)	227,323	0	(118,811)	108,512	108,129	0	(108,129)	0
Spin Bike		103,105	0	(20,121)	82,984	0	(20,927)	62,057	89,707	0	(21,264)	68,443
Operation Works Depot Land		6,255,268	450,605	(319,745)	6,386,128	(136,091)	(319,745)	5,930,292	5,280,765	0	(258,672)	5,022,093
Performance Cardio		0	0	0	0	198,277	(5,078)	193,198	0	0	0	0
Bio Circuit		0	0	0	0	214,900	(5,504)	209,395	0	0	0	0
Pavi Flooring		0	0	0	0	21,828	(559)	21,269	0	0	0	0
Plate Loaded Equipment		0	0	0	0	305,520	(7,825)	297,694	0	0	0	0
Free Weights		0	0	0	0	149,311	(3,824)	145,487	0	0	0	0
Gym Accessories		0	0	0	0	76,680	(1,964)	74,717	0	0	0	0
Pin Loaded		0	0	0	0	362,824	(9,293)	353,531	0	0	0	0
<b>Total Lease Liabilities</b>	11(b)	<b>6,701,326</b>	<b>450,605</b>	<b>(455,496)</b>	<b>6,696,435</b>	<b>1,193,249</b>	<b>(493,531)</b>	<b>7,396,153</b>	<b>5,478,601</b>	<b>0</b>	<b>(388,065)</b>	<b>5,090,536</b>
<b>Lease Finance Cost Payments</b>												
Purpose	Note	Lease Number	Institution	Interest Rate	Date final payment is due	Actual for year ending 30 June 2023	Budget for year ending 30 June 2023	Actual for year ending 30 June 2022	Lease Term - Months			
Gym Cardio Equipment - 2			Maia Financial Pty Ltd	2.75%	22/05/2024	(6,251)	(16,934)	(9,431)	36			
Spin Bike			Maia Financial Pty Ltd	4.00%	31/03/2026	(3,318)	(2,981)	(4,123)	60			
Operation Works Depot Land			Water Corporation	2.62%	22/06/2027	(163,882)	(224,961)	(163,888)	240			
Performance Cardio			Maia Financial Pty Ltd	4.50%	18/04/2030	(1,833)	0	0	84			
Bio Circuit			Maia Financial Pty Ltd	4.50%	18/04/2030	(1,986)	0	0	84			
Pavi Flooring			Maia Financial Pty Ltd	4.50%	18/04/2030	(202)	0	0	84			
Plate Loaded Equipment			Maia Financial Pty Ltd	4.50%	18/04/2030	(2,824)	0	0	84			
Free Weights			Maia Financial Pty Ltd	4.50%	18/04/2030	(1,380)	0	0	84			
Gym Accessories			Maia Financial Pty Ltd	4.50%	18/04/2030	(709)	0	0	84			
Pin Loaded			Maia Financial Pty Ltd	4.50%	18/04/2030	(3,353)	0	0	84			
<b>Total Finance Cost Payments</b>						<b>(185,738)</b>	<b>(244,876)</b>	<b>(177,442)</b>				

CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023

30. RESERVE ACCOUNTS	2023	2023	2023	2023	2023	2023	2023	2023	2022	2022	2022	2022
	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance	Budget Opening Balance	Budget Transfer to	Budget Transfer (from)	Budget Closing Balance	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Restricted by legislation/agreement</b>												
(a) Non-current long service leave	1,182,192	0	(72,027)	1,110,165	1,340,008	100,000	0	1,440,008	1,240,008	0	(57,816)	1,182,192
(b) Capital works Carried Forward Reserve	12,145,885	10,202,339	(9,834,009)	12,514,215	10,908,521	0	(10,711,908)	196,613	10,718,554	9,524,141	(8,096,810)	12,145,885
(c) Cash in lieu of Parking Reserve	1,367,735	46,458	0	1,414,193	1,147,020	8,635	0	1,155,655	1,362,003	5,732	0	1,367,735
(d) Joondalup Performing Arts and Cultural Facility Reserve	17,033,904	587,890	0	17,621,794	17,030,036	128,206	0	17,158,242	16,962,052	71,852	0	17,033,904
(e) Marmion Car Park Reserve	183,105	0	(183,105)	0	183,105	0	0	183,105	183,105	0	0	183,105
(f) Parking Facility Reserve	4,157,567	2,007,647	(1,010,499)	5,154,715	3,903,665	2,309,845	(991,898)	5,221,612	3,400,845	1,796,137	(1,039,415)	4,157,567
(g) Percy Doyle Infrastructure Reserve	85,705	361,825	0	447,530	85,688	354,141	(200,000)	239,829	85,346	359	0	85,705
(h) Public Art Reserve	312,049	0	0	312,049	312,049	0	(262,049)	50,000	262,049	50,000	0	312,049
(i) Specified area rating - Harbour Rise reserve	9,878	181	(9,140)	919	9,245	0	(9,245)	0	9,378	500	0	9,878
(j) Specified area rating - Iluka reserve	8,692	241	(3,207)	5,726	4,534	0	(4,534)	0	18,079	56	(9,443)	8,692
(k) Specified area rating - Woodvale Waters reserve	3,506	76	(2,515)	1,067	2,515	0	(2,515)	0	2,760	7,983	(7,237)	3,506
(l) Specified area rating - Burns Beach reserve	6,087	15,814	0	21,901	6,110	0	(6,110)	0	8,329	30	(2,272)	6,087
(m) Strategic Asset Reserve	10,070,030	19,896,669	(7,661,323)	22,305,376	7,291,446	9,502,451	(11,698,579)	5,095,318	14,722,778	52,065	(4,704,813)	10,070,030
(n) Tamala Park Land Sales Reserve	17,986,195	4,000,886	0	21,987,081	17,982,765	1,473,731	0	19,456,496	16,247,638	1,738,557	0	17,986,195
(o) Asset Renewal Reserve	35,799,490	2,101,189	(10,339,882)	27,560,795	33,026,293	416,860	(13,573,320)	19,869,833	29,350,875	12,195,903	(5,747,288)	35,799,490
(p) Waste Management Reserve	5,215,277	4,082,242	0	9,297,519	4,725,245	2,293,252	0	7,018,497	16,198,403	3,183,541	(14,166,667)	5,215,277
	105,567,297	43,303,457	(29,115,707)	119,755,045	97,958,245	16,587,121	(37,460,158)	77,085,208	110,772,202	28,626,856	(33,831,761)	105,567,297

All reserves are supported by cash and cash equivalents and financial assets at amortised cost and are restricted within equity as Reserve accounts.

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

CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023

30 RESERVE ACCOUNTS (Continued)

Name of reserve account Restricted by legislation/agreement	Purpose of the reserve account
(a) Non-current long service leave	Created in 2012/13 to facilitate the funding of the non-current portion of long service leave liabilities to City employees.
(b) Capital works Carried Forward Reserve	Created in 2006-07 to hold unspent capital works funds carried forward to subsequent financial year(s). The transfer to accumulated surplus is to fund capital works previously carried forward.
(c) Cash in lieu of Parking Reserve	Created in 1993/94 with funds previously held in Trust Fund. Represents funds received from developers in lieu of providing car parking. Funds transferred from the reserve will be utilised to fund future car parking requirements. Funds transferred to the reserve includes interest.
(d) Joondalup Performing Arts and Cultural Facility Reserve	Created in 2000-01 to assist with the design and development of a regional performing arts facility in the Joondalup City Centre. The reserve was renamed in 2005-06 and again in 2009-10 to more appropriately reflect its intent. The transfer from Reserve was mainly to fund the Jinan Garden, at Lot 1001, Teakle Court. The transfer from accumulated surplus represents interest.
(e) Marmion Car Park Reserve	Created in 2013-14 to receive the State Government's contribution and the unspent portion of City of Joondalup funds for the construction of a car park next to the Marmion Angling and Aquatic Club.
(f) Parking Facility Reserve	Created in 2008-09 to hold the operating surpluses arising from the paid parking in the Joondalup City Centre to be applied in the development and provision of facilities and services, both parking and non parking, in the Joondalup City Centre. The transfer from accumulated surplus represents parking operating surplus and interest. Transfer to accumulated surplus is to fund repayments on the \$8,500,000 loan taken in 2014-15 to construct the Reid Promenade Car Park.
(g) Percy Doyle Infrastructure Reserve	Created in 2020-21 for the purposes of providing new infrastructure and improving existing infrastructure at Percy Doyle Reserve. Transfer from accumulated surplus represents initial funding to establish the reserve and interest.
(h) Public Art Reserve	Created in 2012-13 for the purpose of providing for the commissioning and purchase of public art works. Transfer from accumulated surplus represents funding for this purpose
(i) Specified area rating - Harbour Rise reserve	The reserve was created to hold unspent funds levied for the purpose of undertaking enhanced landscaping services in the Harbour Rise specified area. Transfer from accumulated surplus represents interest. Transfers from the reserve are to fund works undertaken in the Harbour Rise specified area.
(j) Specified area rating - Iluka reserve	The reserve was created to hold unspent funds levied for the purpose of undertaking enhanced landscaping services in the Iluka specified area. Transfer from accumulated surplus represents unspent funds levied during the year and interest.
(k) Specified area rating - Woodvale Waters reserve	The reserve was created to hold unspent funds levied for the purpose of undertaking enhanced landscaping services in the Woodvale specified area. Transfers from the reserve are to fund works undertaken in the Woodvale area. Transfers from accumulated surplus represents interest.
(l) Specified area rating - Burns Beach reserve	The reserve was created to hold unspent funds levied for the purpose of undertaking enhanced landscaping services in the Burns Beach specified area. Transfer from accumulated surplus represents unspent funds levied during the year and interest.
(m) Strategic Asset Reserve	The reserve was created in 2010-11 from the merger of the old Strategic Asset Management and Asset Replacement Reserves, and is intended to fund the acquisition and development of new and renewal of existing City infrastructure and building assets. The transfer from accumulated surplus represents interest. Transfer from reserve was for the funding of various capital works projects including Joondalup City Centre lighting.
(n) Tamala Park Land Sales Reserve	This reserve was created in 2013-14 to receive the City of Joondalup's share of the dividends from the proceeds of the sales of Tamala Park land to be held and subsequently applied for the purpose of investing in income producing facilities, to build significant one-off community facilities and to assist with the cash flow requirements of developing significant infrastructure assets aligned to the 10 Year Strategic Financial Plan. The transfer from accumulated surplus represents interest.
(o) Asset Renewal Reserve	Created in 2008-09 by consolidating the Heavy Vehicle, Light Vehicle and Plant Replacement reserves with the purpose of supporting the funding of vehicle, plant and equipment purchases. The transfer from accumulated surplus represents interest. Renamed to its current name in 2019-20.
(p) Waste Management Reserve	Renamed in 2009-10 and its purpose updated. The reserve is to fund and support waste management services including but not limited to refuse collection, waste management initiatives and

**CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**31. TRUST FUNDS**

Funds held at balance date which are required to be held in trust and which are not included in the financial statements are as follows:

	<b>1 July 2022</b>	<b>Amounts In</b>	<b>Amounts Out</b>	<b>30 June 2023</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Duffy House Funds	103,673	0	(103,673)	0
Connolly Residents Association	86,110	1,227	0	87,337
	<u>189,783</u>	<u>1,227</u>	<u>(103,673)</u>	<u>87,337</u>



## Auditor General

### INDEPENDENT AUDITOR'S REPORT 2023 City of Joondalup

To the Council of the City of Joondalup

#### Opinion

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

- the Statement of Financial Position as at 30 June 2023, and the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Statement of Financial Activity for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial report is:

- based on proper accounts and records
- presents fairly, in all material respects, the results of the operations of the City for the year ended 30 June 2023 and its financial position at the end of that period
- in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

#### Basis for opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial report section below.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Other information

The Chief Executive Officer (CEO) is responsible for the preparation and the Council for overseeing the other information. The other information is the information in the entity's annual report for the year ended 30 June 2023, but not the financial report and my auditor's report.

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

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I did not receive the other information prior to the date of this auditor's report. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to the CEO and Council and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report.

### **Responsibilities of the Chief Executive Officer and Council for the financial report**

The Chief Executive Officer (CEO) of the City is responsible for:

- keeping proper accounts and records
- preparation and fair presentation of the financial report in accordance with the requirements of the Act and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards
- managing internal control as required by the CEO to ensure the financial report is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for:

- assessing the City's ability to continue as a going concern
- disclosing, as applicable, matters related to going concern
- using the going concern basis of accounting unless the State Government has made decisions affecting the continued existence of the City.

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

### **Auditor's responsibilities for the audit of the financial report**

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial report. The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

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

### **My independence and quality management relating to the report on the financial report**

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, the Office of the Auditor General maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

This auditor's report relates to the financial report of the City of Joondalup for the year ended 30 June 2023 included in the annual report on the City's website. The City's management is responsible for the integrity of the City's website. This audit does not provide assurance on the integrity of the City's website. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to contact the City to confirm the information contained in the website version.



Sandra Labuschagne  
Deputy Auditor General  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
1 December 2023

## ATTACHMENT

## CITY OF JOONDALUP

PERIOD OF AUDIT: 30 JUNE 2023

## FINDINGS IDENTIFIED DURING THE FINAL AUDIT

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Incomplete fair value assessment of infrastructure assets	x		✓		✓
2. Delay in capitalisation of completed projects	x		✓		
3. Lack of documented valuation methodologies	x		✓		
4. Inadequate condition assessments and review of valuation inputs for Parks and Reserves	x		✓		
5. Stale cheques in Municipal and Trust bank reconciliations	x			✓	

**Key to ratings**

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

**Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However even if the issue is not likely to impact the audit opinion, it should be addressed promptly.

**Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.

**Minor** - Those findings that are not of primary concern but still warrant action being taken.

The ratings included are preliminary ratings and could be modified pending other findings being identified, rated and the consideration of them collectively on the ratings and any potential impact on the audit opinion.

**ATTACHMENT****CITY OF JOONDALUP****PERIOD OF AUDIT: 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****1. Incomplete fair value assessment of infrastructure assets****Finding**

We noted that for FY23, the City performed a high-level fair value assessment of land and buildings. This review did not include an assessment of the infrastructure asset classes (excluding parks and reserves), to determine whether these assets represent fair value at reporting date. Assessments are required by *AASB 13 Fair Value Measurement*, as well as Regulation 17A(4) of the Local Government (Financial Management) Regulations 1996 (the Regulations). The City last completed independent valuations of the infrastructure assets in 2021 and 2022.

We acknowledge that following the amendments to the Regulations on 1 August 2023, set timeframes are now prescribed for revaluation of applicable non-financial assets by local government entities, alleviating the need for revaluations in the intervening years unless an entity chooses to do so. These changes are effective from FY24.

**Rating: Moderate (2022: Significant)****Implication**

Without a robust assessment of the fair value of all asset classes during the intervening period between formal valuations, there is a risk that the fair value of these assets may not have been assessed adequately and in compliance with *AASB 13 Fair Value Measurement* and the Regulations.

**Recommendation**

Management should ensure that effective FY24, the City complies with the new valuation requirements per Regulation 17A(4B) of the Local Government (Financial Management) Regulations 1996, which requires all local government entities to revalue their non-financial assets every 5 years, with an option to revalue the assets earlier if the entity chooses to do so.

**Management Comment:**

*The City consistently conducts fair value assessments for all asset classes including infrastructure asset classes to ascertain their fair value at the reporting date, in accordance with AASB 13 Fair Value Measurement and Regulation 17A(4) of the Local Government (Financial Management) Regulations 1996. This has been the consistent practice in previous financial years as well. In addition to revaluation of Parks and Reserves assets, which form part of infrastructure assets, in FY 22-23 the City also undertook revaluations of a number of infrastructure asset classes in FY 21-22.*

*The City did not consider, in light of these, that the fair value of infrastructure asset classes differed materially from their reported carrying values and no further detailed assessment was considered necessary outside of the City's normal revaluation cycle for these asset classes.*

*It may be noted that the City undertook an additional fair value assessment for the Land and Buildings asset classes in FY22-23 specifically in response to a finding raised in the management letter for FY 21-22 that pertained to land and buildings reported values in that year. The outcomes of this assessment have served to validate the City's stated position in regard to the reported values of these assets in the previous financial year.*

**ATTACHMENT**

**CITY OF JOONDALUP**

**PERIOD OF AUDIT: 30 JUNE 2023**

**FINDINGS IDENTIFIED DURING THE FINAL AUDIT**

*The City notes the recent changes to the Local Government (Financial Management) Regulations 1996 effective for FY 23-24 make this issue redundant.*

**Responsible Person: Manager Financial Services**

**Completion Date: Completed**

**ATTACHMENT****CITY OF JOONDALUP****PERIOD OF AUDIT: 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****2. Delay in capitalisation of completed projects****Finding**

We noted that at 30 June 2023, 41 projects costing \$25m relating to construction of buildings had been completed, but were incorrectly reported as work in progress in the financial statements. In addition, based on our discussions with management on the status of infrastructure projects over \$500,000, there were 14 projects costing \$10.8m that had been completed prior to 30 June 2023 but had not been capitalised in a timely manner.

The delay in capitalisation of the completed projects resulted in an:

- understatement of depreciation for 2022-23 by approximately \$643,754
- understatement of buildings and overstatement of work in progress by \$24.95m
- understatement of infrastructure assets and overstatement of work in progress by at least \$10.84m.

These have been reported as estimated unadjusted misstatements.

**Rating: Moderate****Implication**

Delays in the capitalisation of completed projects could potentially result in the material misstatement of assets and depreciation reported in the City's financial statements.

**Recommendation**

Management should regularly review the status of ongoing capital work projects and ensure that the assets are capitalised in a timely manner. Depreciation on completed projects should commence as soon as the assets are available for use in accordance with AASB 116 *Property, Plant & Equipment*.

**Management Comment:**

*The City regularly assesses the progress of capitalised projects, although it is acknowledged that this process requires clearer documentation.*

*It has been communicated previously to the OAG that capitalisation does not occur automatically when construction is complete but only once all elements including asset component values – which require appropriate information from the contractor in a timely manner – are ready, as the City does not capitalise these as a single asset but as multiple components to facilitate appropriate depreciation at the component level. The City considers it appropriate to gather this information as fully as possible to support accurate component-level capitalisation and subsequent depreciation.*

*The possible depreciation shortfall noted in the finding is not material and has no impact on the reported values of infrastructure and property, plant & equipment of \$1.4 billion or the reported annual depreciation expense of \$30 million in the City's annual financial report for the year ended 30 June 2023.*

**Responsible Person: Manager Financial Services****Completion Date: Completed**

**ATTACHMENT****CITY OF JOONDALUP****PERIOD OF AUDIT: 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****3. Lack of documented valuation methodologies****Finding**

During FY23, management completed a formal internal valuation of Parks and Reserves, as required by Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996. These assets are valued using the cost approach which reflects the amount that would be currently required to replace the service capacity of an asset (often referred to as current replacement cost), adjusted for asset obsolescence.

We noted that the City did not have formally documented valuation methodologies for those asset classes that are valued by management. Based on our review of the underlying valuation calculations, we noted that the data used for calculation of the unit rates was not always appropriate. For example:

- the unit rates of most Parks and Reserves asset sub-classes were based on the average cost of the assets purchased/constructed over multiple years rather than the cost of the most recent asset acquisitions or projects.
- the unit rates of the Turf asset sub-class was based on the average cost of both capital works and internal maintenance projects, irrespective of the size of the projects.

We acknowledge that the impact of these inconsistencies in valuation methodology did not result in a material misstatement of the Parks and Reserve assets balance at 30 June 2023.

**Rating: Moderate  
Implication**

In the absence of documented valuation methodologies that have been reviewed for compliance with the requirements of AASB 13 *Fair Value Measurements* and preferably peer-reviewed or reviewed by a professional valuer, there is a risk that the methodology may not be consistently applied across years or may not comply with the accounting standards.

**Recommendation**

We recommend that the valuation methodologies used by management for the internal valuation of specific asset classes should be well documented, reviewed for compliance with the requirements of AASB 13 *Fair Value Measurements* and professional valuation standards, and consistently applied.

**Management Comment:**

*The City adheres to established international infrastructure asset management standards, subject to annual peer reviews for compliance since 2017. However, the City communicated to the OAG that the peer review for the year 2023 did not take place due to resource constraints, though the previously reviewed methodology remained in use, which was peer reviewed and endorsed. As this methodology has remained fundamentally the same, the City considers that a peer review, if it had been undertaken, would not have been likely to find inconsistencies in the City's approach.*

*The City does not agree with the OAG's understanding of renewal projects and how these are identified, and rates assessed for the purpose of determining appropriate unit costs to determine asset replacement costs during a revaluation exercise. The City has previously clarified to the OAG that designated "internal maintenance projects" involve asset replacements, occurring at various scales and subject to annual variations and are reasonable for consideration in assessment of asset replacement costs. That inclusion of these projects in*

**ATTACHMENT**

**CITY OF JOONDALUP**

**PERIOD OF AUDIT: 30 JUNE 2023**

**FINDINGS IDENTIFIED DURING THE FINAL AUDIT**

*such consideration does not result in material misstatement of asset values, as observed in the finding, would suggest that the City's approach is not fundamentally misconceived.*

*It is acknowledged that clearer documentation on the methodology and process is appropriate, and the City is progressing this.*

**Responsible Person: Manager Asset Management**

**Completion Date: December 2024**

## ATTACHMENT

## CITY OF JOONDALUP

PERIOD OF AUDIT: 30 JUNE 2023

## FINDINGS IDENTIFIED DURING THE FINAL AUDIT

**4. Inadequate condition assessment and review of valuation inputs for Parks and Reserves****Finding**

Management completed a formal internal valuation of its Parks and Reserves assets at 30 June 2023. However, a comprehensive stocktake and condition assessment of individual assets within this asset class was not completed in accordance with the City's general practice. In addition, the key valuation inputs used in the valuation were not peer reviewed by an independent valuer, to assess whether they were reasonable and represented the fair value of the assets at reporting date.

**Rating: Moderate****Implication**

A comprehensive stock-take and condition assessment of all assets that are subject to a formal valuation is essential to ensure that impaired or non-existent assets are identified and that the asset records used for the valuations are updated accordingly. In addition, without an independent review of the key valuation inputs used by management, there is a risk that the asset balances reported in the financial statements may be materially misstated.

**Recommendation**

We recommend that when non-financial asset classes are subject to a formal valuation as required by Regulation 17A of the Local Government (Financial Management) Regulations 1996, a comprehensive stocktake and condition assessment of these assets should also be undertaken to ensure that asset impairments and updated asset useful lives are considered in the asset valuations.

In addition, where formal valuations are performed internally by management, an independent review of the valuation methodology and key valuation inputs is recommended to ensure that the methodology complies with the requirements of AASB 13 *Fair Value Measurements* and that the key valuation inputs represent the fair value of the assets at reporting date.

**Management Comment:**

*In accordance with the signed memo 2021 Revaluation Schedule for Infrastructure Asset Classes, the City strategically plans inventory audits and condition assessments (IA&CA) to coincide with the cyclic valuation of each infrastructure asset class. Asset Management Services allocates annual budgets to fund these operational works.*

*Advice was provided to the OAG previously that the IA&CA for every Park & POS asset did not occur in 2023 due to resource constraints, exacerbated by the challenges of the current labour market. However, the City prioritised IA&CAs for all high-impact operational assets, such as playspaces, marine & estuarine, and irrigation assets. IA & CAs for remaining assets are in progress; however, as communicated to the OAG, assessments of condition are not only undertaken at the time of asset revaluation but monitored on a continual basis from ongoing feedback from maintenance and other similar activities.*

**Responsible Person: Manager Asset Management****Completion Date: December 2024**

## ATTACHMENT

## CITY OF JOONDALUP

PERIOD OF AUDIT: 30 JUNE 2023

## FINDINGS IDENTIFIED DURING THE FINAL AUDIT

**5. Stale cheques in Municipal and Trust bank reconciliations****Finding**

Both the municipal and trust bank reconciliations included outstanding cheques dating back to 2021 and 2018 respectively. There was a total of 86 stale cheques found on the municipal bank reconciliation with a total value of \$27,086. The trust bank reconciliation had 96 stale cheques with a total value of \$11,380.

**Rating: Minor**

Whilst not material in dollar terms, stale cheques may result in the City's cash balance not being an accurate reflection of the actual cash position at a point in time. In addition, the City may be in breach of the Unclaimed Money Act 1990.

**Recommendation**

To help ensure the City's cash position is accurately reflected, stale cheques should be either followed up or written-off accordingly. If unclaimed monies have been held for 6 years or more and the City has been unable to contact the relevant beneficiaries, the City should utilise the unclaimed monies facility offered by the WA Department of Treasury to ensure that the monies are treated correctly.

**Management Comment:**

*It has been the City's consistent practice to write off – in the City's books – most outstanding that are older than 2 years. This was undertaken in the 2022-23 year as well during May 2023, when the City wrote off stale Municipal cheques as at 30 April 2023. Unpresented cheques dated 2021 will be addressed during the 2023-24 financial year, consistent with this practice.*

*This practice has not currently been applied to unpresented Trust cheques but the City has not considered these values material and determined it appropriate to retain these for longer.*

*The Cheques Act 1986, while defining what a "stale cheque" as one that is more than 15 months old, also does not mandate a bank to refuse a 'stale cheque' presented to it. Banks are at liberty to accept cheques presented for clearance even they are 'stale'. The City has had this experience more than once when the City's bank has honoured cheques well over 2 years old that the City had written off, as has already been communicated to the OAG.*

*The City is currently engaging its bank on the feasibility of not accepting cheques presented after a specific timeframe. Should this reach a successful conclusion, the City will run no further risk of stale cheques being presented.*

*The City questions the applicability of the Unclaimed Money Act 1990, and requests further clarification. It is the City's understanding that section 6 of the Act identifies unclaimed money as being money "...which represents a liquidated sum liable to be paid by a holder for 6 years after the date on which - (a) the money became payable by the holder; or (b) payment might have been demanded or enforced.*

**ATTACHMENT**

**CITY OF JOONDALUP**

**PERIOD OF AUDIT: 30 JUNE 2023**

**FINDINGS IDENTIFIED DURING THE FINAL AUDIT**

*The City considers that payment of a claim, or money owed to another party, discharges the City's liability in respect of such a claim. This includes payment by cheque issued to the address designated by a payee. The non-presentation of a cheque, in the City's view, does not constitute unclaimed money as envisaged in the Act.*

**Responsible Person: Manager Financial Services**

**Completion Date: Completed**

Office of the Auditor General  
Western Australia

# Annual Financial Audit Exit Brief

City of Joondalup

Year ended 30 June 2023

28 November 2023



## 1. Introduction

Our audit was designed to enable the Auditor General to provide an opinion to Parliament on the financial statements of your City for the year ended 30 June 2023. The audit team have completed our audit and we intend to recommend to the Auditor General to issue an unqualified audit opinion.

The purpose of this brief is to advise management of the results of our audit and provide the opportunity to discuss the key issues prior to the issuing of the audit opinion.

We note that your financial statements were provided on 29<sup>th</sup> September 2023 and were ready for audit at that time. This information will be included in our Local Government results report to be tabled in Parliament.

## 2. Audit Coverage of Key Controls

As indicated in our Planning Summary presented at the entrance meeting, we obtained an understanding of the internal control environment to enable us to plan our audit and determine the nature, timing and extent of the testing required to be performed. Our understanding of the City's internal controls enabled us to sufficiently identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error.

As indicated in our Planning Summary presented at the entrance meeting, we tested the operating effectiveness of controls in detail within the Revenue and General Journals cycles.

The controls for the following business cycles were reconfirmed, as there had been no significant changes since they were last tested:

- Expenditure
- Property, plant & Equipment
- Infrastructure
- Payroll
- Cash and Financing
- Inventory

In addition, key areas of information systems controls were audited.

### 3. Issues Identified During the Audit

The following is a summary of the key issues identified during the audit. Detailed audit findings and recommendations for improvement have been discussed with your management.

FINDINGS	RATING			Prior year finding
	Significant	Moderate	Minor	
<b>Reporting and Financial Control Issues</b>				
1. Fair value assessment of infrastructure assets		✓		✓
2. Condition assessment and independent review of valuation inputs		✓		
3. Lack of documented valuation methodologies		✓		
4. Delay in capitalisation of completed projects		✓		
<b>Information System Control Issue</b>				
5. Cloud Vendor Assurance		✓		
6. Privileged Access Management		✓		
7. Classification of Information		✓		✓
8. Contracted Employee Management		✓		✓
9. Database Security		✓		✓
10. Data Loss Prevention		✓		✓
11. Management of Technical Vulnerabilities		✓		✓
12. Network Segregation		✓		✓
13. Business Continuity Plan		✓		✓
14. Human Resources - Onboarding Process			✓	✓
15. Remote Access Controls			✓	
16. Unsupported Systems			✓	✓
17. Network Device Management			✓	✓
18. Cyber Security Incident Management			✓	✓
19. Service Desk Categorisation			✓	✓
20. Risk Management			✓	✓
21. Reviews of Policies and Frameworks for Information Systems			✓	✓

## 4. Audit Outcomes Relating to Risks Identified During our Audit Planning

During the planning phase of the audit we identified the following issues and key areas of audit risk. The audit outcomes for these matters are listed below:

Details of Risk / Issue	Audit Outcomes
<p>Key changes to auditing standards that impact your entity for the first time this year:</p> <ul style="list-style-type: none"> <li>• <i>ASA 315 Identifying and Assessing the Risks of Material Misstatement</i></li> </ul> <p>ASA 315 has been significantly enhanced to require a more robust risk assessment process and to promote consistency in application. The requirements also include obtaining understanding of the Information Technology (IT) environment and system of controls at the application level that support the preparation of the financial report.</p>	<p>Our IS audit team reviewed information such as policies and procedures related to the City's IT environment and system of controls, and interviewed IT staff to identify risks arising from the use of IT.</p>
<p>Audit findings reported in the previous audit:</p> <ul style="list-style-type: none"> <li>• 1 Significant Financial Audit issue</li> <li>• 24 IS Audit issues (13 Moderate, 11 Minor)</li> </ul>	<p>We have reviewed actions taken by management to resolve the prior year findings. 14 IS findings were re-raised as they remained unresolved.</p>
<p>Local Government Reform changes that may impact for the first time this year:</p> <p>A second tranche of regulatory amendments to underpin the Model Financial Statements is underway which is expected to be introduced to the local government sector and available for use for FY23.</p>	<p>We are satisfied that the financial report complies with the new requirements.</p>
<p>Valuation of property, plant &amp; equipment and infrastructure assets:</p> <ul style="list-style-type: none"> <li>• Artworks and</li> <li>• Parks and reserves</li> </ul>	<p>We assessed the competence, capabilities and objectivity of the expert who undertook the valuation of the City's artwork.</p> <p>We also reviewed the valuation methodology and key valuation inputs used by management for the valuation of Parks &amp; Reserves as well as the independent valuation of Artwork. We are satisfied that the valuation methodologies comply with the requirements of the relevant accounting standards.</p> <p>The overall result of the assessment was satisfactory.</p>

Details of Risk / Issue	Audit Outcomes
<p>Management's annual fair value assessment of assets in the intervening period between formal valuations</p>	<p>We reviewed management's annual fair value assessment of asset classes that had not been revalued this financial year, to assess whether the carrying value of the assets approximates their fair value.</p> <p>We have reported on the inadequacy of the fair value assessment for 2022-23, which did not include an assessment of most infrastructure assets, as required by AASB 13 <i>Fair Value Measurement</i>, and Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996.</p> <p>We however acknowledge that following the amendments to the Local Government (Financial Management) Regulations 1996 on 1 August 2023, set timeframes have now been prescribed on when a revaluation of applicable non-financial assets is to be performed by local government entities, thereby alleviating the need for revaluations in the intervening years. These changes are effective for the 2024 financial reporting period.</p>
<p>Restricted Reserve Accounts</p>	<p>We have reviewed transfers to the restricted reserve accounts and are satisfied that they were approved by Council. We have verified that the reserves were used in accordance with the intended purpose of the respective reserves.</p>
<p>The following financial statement items are derived from accounting estimates and hence will receive specific audit attention:</p> <ul style="list-style-type: none"> <li>• Provision for annual and long service leave</li> <li>• Useful lives of assets</li> <li>• Depreciation of property, plant and equipment</li> <li>• Fair value of assets</li> <li>• Impairment of assets</li> </ul>	<p>We confirmed the method and underlying data that management and where applicable, third parties used when determining critical accounting estimates were reasonable. This included considering the reasonableness of assumptions and corroborating representations.</p> <p>We have also reviewed management's annual assessment of asset impairment, useful lives and fair value at the end of the reporting period.</p>

Details of Risk / Issue	Audit Outcomes
<p>Professional standards require us to consider two standard risks for all organisations:</p> <ul style="list-style-type: none"> <li>• Management override of controls</li> <li>• Fraudulent revenue recognition</li> </ul>	<p>We confirm that the procedures undertaken by the audit team have addressed these standard risks that are required to be considered for all audits.</p> <p>Our procedures did not identify any instances of management override of controls or fraudulent revenue recognition.</p>
<p>Certifications:</p> <ul style="list-style-type: none"> <li>• Roads to Recovery (RTR)</li> <li>• Local Roads and Community Infrastructure Program (LRCIP)</li> <li>• Pensioner Deferments</li> </ul>	<p>We have completed the Pensioner Deferments certification.</p> <p>For FY23, the Commonwealth Department of Infrastructure, Transport, Regional Development, Communications and the Arts, has agreed to allow entities to engage OAG accredited audit firms to undertake the LRCIP and RTR certifications, without the need for the OAG's involvement. Accordingly, we have not completed these certifications for FY23.</p>
<p>New financial management systems that impact for the first time this year</p>	<p>There were no new financial management systems this year.</p>
<p>Important changes in management or the control environment</p>	<p>There were no significant changes in management or the control environment that impacted the audit this year.</p>

## 5. Information Systems – Maturity Model

As part of our information systems audit, we also completed a Capability Maturity Assessment of your Agency. A capability maturity model is a way of assessing how well developed and capable the established IT controls are and how well developed or capable they should be. A rating scale was used to evaluate your agency's capability and maturity levels in each of the audit focus areas. The scale ranges from 0 (non-existent) to 5 (optimized). The results agreed with your IT management are as follows:

Focus Area	2023 Rating	2022 Rating
Manage IT Risk	3	3
Information Security Framework	2	3
Human Resource Security	3	2
Manage Access	2	2
Endpoint Security	2	2
Network Security	2	2
Physical Security	3	3
Manage Change	2	2
Manage IT Operations	3	3
Manage Continuity	2	3

The above capability maturity ratings have been discussed with management. The number of categories in the CMM have changed compared to the previous year, to better enable the City to identify specific measures that can be taken to improve the IT environment.

## 6. Unadjusted Errors in the Financial Statements

The following errors and misstatements were identified in the financial statements during our audit but have not been adjusted. They have been included in the management representation letter as required by Auditing Standard ASA 320 "Materiality and audit adjustments".

Account	Reported balance \$	Actual balance \$	Variance \$
GST receivable	984,941	1,224,509	239,568
Accrued expenses	4,066,351	4,305,919	239,568
Accrued expenses incorrectly accounted exclusive of GST			

Account	Reported balance \$	Actual balance \$	Variance \$
Depreciation	30,205,721	30,849,475	643,754
Property, plant & equipment - WIP	40,376,471	15,424,249	(24,952,222)
Property, plant & equipment - Buildings	207,349,654	231,989,973	24,640,319
Infrastructure - WIP	38,537,752	27,698,289	(10,839,463)
Infrastructure - various asset classes	988,422,660	998,930,272	10,507,612
Late capitalisation of Property, Plant & Equipment (PP&E) and Infrastructure Work in Progress (WIP) resulting in: <ul style="list-style-type: none"> <li>• overstatement of PP&amp;E and Infrastructure WIP</li> <li>• understatement of Buildings and various Infrastructure asset carrying values</li> <li>• estimated understatement of depreciation</li> </ul>			
Inventories - Tamala Park land held for sale - current	526,689	2,796,813	2,270,124
Inventories - Tamala Park land held for sale - non current	2,699,325	429,201	(2,270,124)
Tamala Park land under construction incorrectly classified as non-current inventories due to differing expectations on whether the land will be sold in the next 12 months			
Materials and contracts	53,628,849	53,816,469	187,620
Retained surplus	562,368,848	562,556,468	187,620
Impact of uncorrected misstatement in FY22 on current year results			

## 8. Variations to the Indicative Audit Fee

We are pleased to advise that there will be no variation to the indicative audit fee.

## 9. Actions or Issues for Next Year's Audit

- Follow up of the financial and information systems audit findings