

# Business Papers

## **Risk Management & Audit Committee Meeting**

Friday, 30 October  
2015 9:00am



# Notice of Meeting

---

To the Lord Mayor and Aldermen

You are invited to attend a Risk Management & Audit Committee Meeting to be held in Meeting Room 1, Level 1, Civic Centre, Harry Chan Avenue, Darwin, on Friday, 30 October 2015, commencing at 9.00 am.

A handwritten signature in black ink, appearing to read 'B P Dowd', is written in a cursive style.

**B P DOWD**  
**CHIEF EXECUTIVE OFFICER**

Office Use Only

Placed on Public Notice Board: \_\_\_\_\_

Removed from Public Notice Board: \_\_\_\_\_

# OPEN SECTION

RMAC10

## CITY OF DARWIN

### RISK MANAGEMENT & AUDIT COMMITTEE

**FRIDAY, 30 OCTOBER 2015**

MEMBERS: Mr Iain Summers (Chairman); Member G J Haslett; Member S J Niblock; Mr Craig Spencer.

OFFICERS: Chief Executive Officer, Mr Brendan Dowd; General Manager Corporate Services, Dr Diana Leeder; Team Coordinator Risk Audit & Safety, Mr Tony Simons; Finance Manager, Mr Miles Craighead; Executive Assistant Corporate Services, Ms Misha Peck.

GUESTS: Representatives from Merit Partners will be in attendance between 10.00 - 11.00 am.

**Enquiries and/or Apologies: Misha Peck**  
**E-mail [m.peck@darwin.nt.gov.au](mailto:m.peck@darwin.nt.gov.au) - PH: 89300 539**  
**OR Phone Committee Room 1, for Late Apologies - PH: 89300 519**

---

---

### ***Committee's Responsibilities***

*THAT, pursuant to Local Government Act Part 5.2, and Part 4, section 10(2) (b) of the Local Government (Accounting) Regulations, Council delegate to the Risk Management & Audit Committee the powers to make decisions relating to :*

- the follow up of issues arising from internal and external audits;*
- the management of outstanding and completed audit issues registers; and*
- the receipt and acceptance of strategic and operational risk assessments.*

---

---

### **\*\*\* INDEX \*\*\***

### **PAGE**

<b>1.</b>	<b>MEETING DECLARED OPEN .....</b>	<b>5</b>
<b>2.</b>	<b>APOLOGIES AND LEAVE OF ABSENCE .....</b>	<b>5</b>
<b>3.</b>	<b>ELECTRONIC MEETING ATTENDANCE .....</b>	<b>5</b>

# OPEN SECTION

RMAC10

<b>4.</b>	<b>DECLARATION OF INTEREST OF MEMBERS AND STAFF .....</b>	<b>5</b>
<b>5.</b>	<b>CONFIDENTIAL ITEMS .....</b>	<b>5</b>
<b>6.</b>	<b>WITHDRAWAL OF ITEMS FOR DISCUSSION .....</b>	<b>6</b>
<b>7.</b>	<b>CONFIRMATION OF MINUTES PERTAINING TO THE PREVIOUS RISK MANAGEMENT &amp; AUDIT COMMITTEE MEETING</b>	
	• Friday, 28 August 2015 .....	6
<b>8.</b>	<b>BUSINESS ARISING FROM THE MINUTES PERTAINING TO THE PREVIOUS RISK MANAGEMENT &amp; AUDIT COMMITTEE MEETING</b>	
8.1	Business Arising .....	6
<b>9.</b>	<b>OFFICERS REPORTS</b>	
9.1	Internal Audit Program.....	7
9.2	Draft City of Darwin Annual Report 2014/15.....	13
9.3	Audited Financial Statements for the Year Ended 30 June 2015 .....	17
<b>10.</b>	<b>INFORMATION ITEMS</b>	
10.1	Review of Outstanding Audit Issues Register.....	112
10.2	Presentation to Council - 10 November 2015 .....	117
<b>11.</b>	<b>GENERAL BUSINESS</b>	
11.1	Meeting Dates for 2016 .....	119
11.2	Merit Partners.....	119
<b>12.</b>	<b>CLOSURE OF MEETING.....</b>	<b>119</b>

# OPEN SECTION

RMAC10

## Risk Management & Audit Committee Meeting – Friday, 30 October 2015

### 1. MEETING DECLARED OPEN

### 2. APOLOGIES AND LEAVE OF ABSENCE

Common No. 2695036

#### 2.1 Apologies

#### 2.2 Leave of Absence Granted

Nil

### 3. ELECTRONIC MEETING ATTENDANCE

Common No. 2221528

Nil

### 4. DECLARATION OF INTEREST OF MEMBERS AND STAFF

Common No. 2752228

#### 4.1 Declaration of Interest by Members

#### 4.2 Declaration of Interest by Staff

### 5. CONFIDENTIAL ITEMS

Nil

# OPEN SECTION

RMAC10

## Risk Management & Audit Committee Meeting – Friday, 30 October 2015

### **6. WITHDRAWAL OF ITEMS FOR DISCUSSION**

THAT the Committee resolve under delegated authority that all Information Items and Officers Reports to the Risk Management & Audit Committee Meeting held on Friday, 30 October 2015 be received and considered individually.

### **7. CONFIRMATION OF MINUTES PERTAINING TO THE PREVIOUS RISK MANAGEMENT & AUDIT COMMITTEE MEETING**

THAT the Committee resolve that the minutes of the previous Risk Management & Audit Committee Meeting held on Friday, 28 August 2015, tabled by the Chairman, be received and confirmed as a true and correct record of the proceedings of that meeting.

### **8. BUSINESS ARISING FROM THE MINUTES PERTAINING TO THE PREVIOUS RISK MANAGEMENT & AUDIT COMMITTEE MEETING**

#### **8.1 Business Arising**

<b>ENCL:</b>	<b>RISK MANAGEMENT &amp; AUDIT</b>	<b>AGENDA ITEM:</b>	<b>9.1</b>
<b>YES</b>	<b>COMMITTEE/OPEN</b>		
<b>INTERNAL AUDIT PROGRAM</b>			
<b>REPORT No.:</b>	<b>15A0127 TS:mp</b>	<b>COMMON No.:</b>	<b>1536877</b>
		<b>DATE:</b>	<b>30/10/2015</b>

**Presenter:** Team Coordinator Risk, Audit & Safety, Tony Simons

**Approved:** General Manager Corporate Services, Diana Leeder

### **PURPOSE**

The purpose of this report is to present to the Risk Management & Audit Committee (RMAC) the 2015/16 Internal Audit Plan with linkages to the risks and control as set out in the operational risk assessments.

### **LINK TO STRATEGIC PLAN**

The issues addressed in this Report are in accordance with the following Goals/Strategies of the City of Darwin 2012 – 2016 as outlined in the 'Evolving Darwin Towards 2020 Strategic Plan':-

#### **Goal**

5 Effective and Responsible Governance

#### **Outcome**

5.3 Good governance

#### **Key Strategies**

5.3.3 Understand and manage Council's risk exposure

### **KEY ISSUES**

- At the RMAC meeting on 28<sup>th</sup> August 2015 the Team Coordinator Risk Audit & Safety presented the internal audit plan as approved by the Chief Officers' Group.
- The Chair of RMAC requested that the plan be presented to the October RMAC meeting showing the standard table of risks and controls from the risk assessments that apply to each audit.

### **RECOMMENDATIONS**

THAT the Committee resolve under delegated authority:-

THAT Report Number 15A0105 TS:mp entitled Internal Audit Program, be received and noted.

PAGE: 2  
 REPORT NUMBER: 15A0127 TS:mp  
 SUBJECT: INTERNAL AUDIT PROGRAM

---

## **DISCUSSION**

The Team Coordinator Risk Audit & Safety reported at the August 2015 RMAC meeting that the internal audit plan had been prepared for 2015/16.

In response to questions from the Chairman, the Team Coordinator reported that the table of risks and controls for each audit was in the process of being prepared and would be tabled at the October meeting.

The table of risk and control applicable to each audit is now presented for the Committee's at **Attachment A**.

## **CONSULTATION PROCESS**

This report was considered by the Chief Officer's Group on 19 October 2015 and now referred to the Risk Management & Audit Committee for consideration.

## **POLICY IMPLICATIONS**

Nil

## **BUDGET AND RESOURCE IMPLICATIONS**

Nil

## **RISK/LEGAL/LEGISLATIVE IMPLICATIONS**

Understand and manage Council's risk exposure.

## **ENVIRONMENTAL IMPLICATIONS**

Nil

## **COUNCIL OFFICER CONFLICT OF INTEREST DECLARATION**

We the Author and Approving Officers declare that we do not have a Conflict of Interest in relation to this matter.

**TONY SIMONS**  
**TEAM COORDINATOR RISK,**  
**AUDIT & SAFETY**

**DIANA LEEDER**  
**GENERAL MANAGER**  
**CORPORATE SERVICES**

For enquiries, please contact Tony Simons on 8930 0573 or email:  
 t.simons@darwin.nt.gov.au.

**Attachment A:** Table of internal audit subjects with risk and controls and risk rankings



AUDIT TITLE & OBJECTIVES	SCHEDULE	TERMS OF REFERENCE	STRATEGIC RISKS		OPERATIONAL RISKS	
<p><b>INVESTMENT MANAGEMENT</b></p> <ul style="list-style-type: none"> <li>- Examine council’s investment policy and operational investment management procedures to ensure the following :-               <ul style="list-style-type: none"> <li>o compliance all conditions as set out in the policy</li> <li>o compliance with approved investment procedures</li> <li>o compliance with applicable legislative frameworks</li> </ul> </li> <li>- offer opinion on the strengths of existing policy and procedures and note any omission from policy and procedures that may present a risk to Council</li> </ul>	<p><b>Q1 2015/16</b></p>	<ul style="list-style-type: none"> <li>- Review and comment on measures in place to address strategic and operational risks identified in City of Darwin SRA and ORA</li> <li>- Test for effectiveness and compliance with specific internal controls               <ul style="list-style-type: none"> <li>- Council has an endorsed Investment Policy and procedures</li> <li>- Policy and procedures sets out investment limits and thresholds</li> <li>- Monthly investment report is provided to COG and Council to ensure that investment limits and thresholds are not exceeded</li> <li>- Three interest rate quotes are obtained for the required term</li> <li>- The Management Accountant or Financial Accountant signs the Statement of Investment of Surplus Funds to authorise acceptance of the quoted interest rate and term</li> <li>- Ability to place or roll over an investment is restricted to authorised officers, placement of the investment is approved by the Finance Manager, the Management Accountant, or Financial Accountant</li> <li>- Redemption of investments must be approved by the Management Accountant, Financial Accountant or Finance Manager.</li> <li>- After being redeemed the investment register is marked ‘redeemed’ and placed in a separate file.</li> <li>- A check is performed that the investment is debited in the bank account</li> <li>- The investment spreadsheet is reconciled to the General Ledger on a monthly basis.</li> <li>- Both the investment principle and investment interest are reconciled and the reconciliations are approved by the Management Accountant</li> <li>- Control self-assessment in place</li> </ul> </li> <li>- provide comment on the impact of audit recommendations on the residual risk rating identified in the SRA and ORAs as applicable</li> </ul>	<p><b>E</b></p>	<p><b>M</b></p>	<p><b>H</b></p>	<p><b>M</b></p>
<p><b>REPORTING ON COUNCIL’S PERFORMANCE</b></p> <ul style="list-style-type: none"> <li>- Follow up audit to Strategic Performance conducted 2013/14</li> <li>- Consider the robustness of systems and processes for capturing, assessing and reporting on Council’s performance (non-financial)</li> </ul>	<p><b>Q2 2015/16</b></p>	<ul style="list-style-type: none"> <li>- provide an independent perspective of the robustness of the City of Darwin’s processes and systems for capturing and reporting data, for Council’s different reporting obligations</li> <li>- provide insight into possible future systems strategies, including software options to suit needs as relevant</li> <li>- provide comment on the impact of audit recommendations on the residual risk rating identified in the SRA and ORAs as applicable</li> </ul>	<p><b>H</b></p>	<p><b>M</b></p>	<p><b>H</b></p>	<p><b>M</b></p>
<p><b>FINES &amp; INFRINGEMENTS</b></p> <ul style="list-style-type: none"> <li>- accounting for and recording of infringements, cancellation/written off infringements, reporting processes, FRU interaction, MVR interaction</li> <li>- compliance with legislation, by-laws and documented procedures</li> </ul>	<p><b>Q2 2015/16</b></p>	<ul style="list-style-type: none"> <li>- Review and comment on processes used to record infringement notices issued to the public and the management of disputed infringements and any resulting cancellation</li> <li>- test for effectiveness and compliance with specific internal controls               <ul style="list-style-type: none"> <li>- External training in investigatory processes undertaken through ICETS (Investigation Compliance and Enforcement Training Systems)</li> <li>- Internal procedures and KPIs documented</li> <li>- Officers notes reviewed by supervisors before enforcement procedures commence</li> <li>- Procedures for enforcement are documented in accordance with legislation and by-laws</li> <li>- Internal procedures drafted which include timeframes for processing of data collected during investigations</li> <li>- ECM file structure designed to ensure ease of retrieval of information</li> <li>- Separate hard copies kept of investigatory records</li> <li>- Disputed infringements managed separately from complaints handling</li> </ul> </li> <li>- provide comment on the impact of audit recommendations on the residual risk rating identified in the SRA and ORAs as applicable</li> </ul>	<p><b>E</b></p>	<p><b>H</b></p>	<p><b>H</b></p>	<p><b>M</b></p>

ATTACHMENT A

AUDIT TITLE & OBJECTIVES	SCHEDULE	TERMS OF REFERENCE	STRATEGIC RISKS		OPERATIONAL RISKS	
<p><b>ELECTRONIC TENDERING PROCESSES</b></p> <ul style="list-style-type: none"> <li>- Review the performance of the electronic tendering processes, and test the strength of controlling policies, procedures and controls</li> </ul>	<p>Q3 2015/6</p>	<ul style="list-style-type: none"> <li>- Review and comment on processes in place to manage the public tender process for council works and the electronic tender registration and assessment systems</li> <li>- Test for effectiveness and compliance with specific internal controls</li> <li>- provide comment on the impact of audit recommendations on the residual risk rating identified in the SRA and ORAs as applicable</li> </ul>	H	L	H	L
<p><b>IT PHYSICAL &amp; LOGICAL SECURITY</b></p> <ul style="list-style-type: none"> <li>- Examine the physical and logical controls over access to City of Darwin IT systems, including network drives, internet, intranet and VPN access, back-up procedures and continuity/recovery planning</li> </ul>	<p>Q4 2015/16</p>	<ul style="list-style-type: none"> <li>- Review and comment on processes in place to manage the public tender process for council works and the electronic tender registration and assessment systems</li> <li>- Test for effectiveness and compliance with specific internal controls                             <ul style="list-style-type: none"> <li>- Council has developed and implemented an IT Digital Strategy</li> <li>- City of Darwin has convened the IT Strategic Leadership Group with cross-departmental representation which has specified roles set out in its Terms of Reference</li> <li>- Budget and development planning is managed by Manager Information Technology and GM Corp Services</li> <li>- Physical access to key technology resources is restricted and secure</li> <li>- Reporting is available for access attempts to secure area</li> <li>- Cabinets housing server equipment are locked</li> <li>- Off-site storage of back-up tapes implemented 11/2011</li> <li>- IT specific back-up generator and UPS installed May 2013</li> <li>- Civic Centre back-up generator installed 2015</li> <li>- Internet filter software in place to control access to inappropriate sites</li> <li>- Internet usage monitored for volume of downloaded material and access time</li> <li>- City of Darwin ICT policies developed for use of ICT facilities, use of internet and email, downloading of software, disclosure of City of Darwin information and use of intellectual property</li> <li>- City of Darwin ICT policy prohibits the loading of unauthorised software to the system</li> <li>- All staff are required to read and sign the ICT policy</li> <li>- Random audits of PCs are undertaken by ICT Services</li> <li>- Virus software installed and updated daily</li> <li>- Full weekly back-ups undertaken for all business drives</li> <li>- Incremental daily data back-ups run for all business drives</li> <li>- Full monthly back-up undertaken</li> <li>- Daily back-ups held in off-site storage</li> <li>- Separation of network servers – virtual access barriers in place</li> <li>- Localised redundancy inbuilt – one server off line load is picked up by other servers</li> <li>- Access to business drives is determined by employee’s manager based on job requirements</li> <li>- Recommended access is verified by ICT Services to ensure access is not granted to sensitive information</li> <li>- Separation of roles and duties in place – access is based on needs of roles being undertaken – variations require managerial approval and IT intervention</li> <li>- Termination of user accounts is managed through formal separation process (checklist)</li> <li>- Employee Relations advises ICT Services in relation to employees who retire or are discharged</li> <li>- Systematic review and clearing of old users undertaken by ICT Services</li> <li>- Control self-assessment in place</li> <li>- Control self-assessment in place</li> </ul> </li> <li>- provide comment on the impact of audit recommendations on the residual risk rating identified in the SRA and ORAs as applicable</li> </ul>	H	L	E	M
			<p>City of Darwin does not implement processes to identify and implement contemporary best practise business systems</p> <ul style="list-style-type: none"> <li>- Inefficiency and ineffectiveness of operations</li> <li>- Ratepayers and stakeholder dissatisfaction with performance levels</li> <li>- Diminishing levels of ratepayer and stakeholder confidence</li> <li>- Negative reputation impact</li> </ul>	<ul style="list-style-type: none"> <li>- Failure to ensure tendering is managed under an approved policy and in accordance with the Local Government Act</li> <li>- Failure to ensure all staff are trained and supported in a manner that promotes consistency of procurement practices and adherence to procurement policy</li> </ul>		
			<p>City of Darwin does not implement processes to identify and implement contemporary best practise business systems</p> <ul style="list-style-type: none"> <li>- Inefficiency and ineffectiveness of operations</li> <li>- Ratepayers and stakeholder dissatisfaction with performance levels</li> <li>- Diminishing levels of ratepayer and stakeholder confidence</li> <li>- Negative reputation impact</li> </ul>	<ul style="list-style-type: none"> <li>- Failure to ensure ICT infrastructure is managed and controlled through a representative and responsible body</li> <li>- Failure to ensure underlying system architecture supports the existing business needs and is flexible enough to meet changing organisational needs</li> <li>- Failure to ensure ICT architecture documentation is both current and complete</li> <li>- Server room infrastructure compromised</li> <li>- Physical damage to server</li> <li>- Air-conditioning failure</li> <li>- Corruption or loss of data</li> <li>- Unplanned loss of power</li> <li>- Potential for 21 day outage if servers lost</li> <li>- 1 hour window to maintain servers under load without aircon</li> <li>- 2 hour minimum to manage orderly shutdown process</li> <li>- Unauthorised access to ICT equipment &amp; applications</li> <li>- Failure of key individual business systems / applications</li> <li>- Failure to develop, maintain and test data backup, comprehensive business and IT specific disaster recovery plans</li> <li>- Failure to develop and manage ICT policies and user guides</li> <li>- Loading unauthorised or unlicensed software</li> <li>- Failure to correctly manage user accounts</li> <li>- Failure to terminate user accounts in a timely manner</li> </ul>		

AUDIT TITLE & OBJECTIVES	SCHEDULE	TERMS OF REFERENCE	STRATEGIC RISKS		OPERATIONAL RISKS	
<p><b>FINANCIAL SUSTAINABILITY</b></p> <ul style="list-style-type: none"> <li>- Examination of Council's planning processes and budget development to endure long term financial sustainability</li> </ul>	<p><b>Q1 2016/17</b></p>	<ul style="list-style-type: none"> <li>- <b>TO BE DETERMINED AFTER WORKSHOP AND DISCUSSIONS WITH CEO AND COG</b></li> </ul>	<b>E</b>	<b>M</b>	<b>H</b>	<b>L</b>
<ul style="list-style-type: none"> <li>- City of Darwin does not implement and manage an effective corporate governance framework</li> <li>- City of Darwin does not develop, implement and manage long term strategic and operational plans</li> <li>- failure to develop and implement a corporate asset management strategy</li> <li>- inability to meet the demands of ratepayers and the public for infrastructure &amp; service</li> <li>- Lack of clearly enunciated future directions for Council</li> <li>- Strategic goals unrealistic or unachievable</li> <li>- lack of effective and independent committee structures and systems to manage council's business activity</li> </ul>			<ul style="list-style-type: none"> <li>- <b>THIS IS A PURELY STRATEGIC ISSUE AND HAS NOT BEEN ASSESSED FROM AN OPERATIONAL PERSPECTIVE</b></li> <li>- <b>ANY ISSUES AND RECOMMENDATION ARISING FROM THE AUDIT THAT PERTAIN TO OPERATIONAL RISKS WILL BE INCORPORATED INTO THE APPROPRIATE SECTIONS OF THE CORPORATE SERVICES RISK ASSESSMENT</b></li> </ul>			
<p><b>OHS MANAGEMENT SYSTEM</b></p> <ul style="list-style-type: none"> <li>- Examination of Council's workplace health and safety management systems in line with the principles set out in Australian Standards AS 4801 &amp; 4804 and compliance with NT WHS Legislation</li> </ul>	<p><b>Q3 2016/17</b></p>	<ul style="list-style-type: none"> <li>- Review and comment on               <ul style="list-style-type: none"> <li>- Measures that Council has set in place to address OHS risks identified in Operational Risk Assessment</li> <li>- the structure and quality of Council's OHS MS systems and documentation to ensure the principles set out in Australian Standards AS 4801 and 4804 are being addressed, and that NT Legislative requirements are being met</li> <li>- the structure and performance of the OHS Committee and its degree of compliance with legislative requirements</li> <li>- the quality of OHS policies and procedures and the extent to which they address Council operations</li> <li>- the structure and quality of OHS audit and reporting processes</li> <li>- the structure and quality of OHS training and communication regimes</li> </ul> </li> <li>- test for effectiveness and compliance with specific internal controls               <ul style="list-style-type: none"> <li>- OHS Management system developed including policies, standards &amp; operating procedures</li> <li>- OHS specific website established on the intranet with all OHSMS documentation, reports and WHS committee information</li> <li>- OHS training is part of employee induction and managed by OHS Committee and Employee Relations                   <ul style="list-style-type: none"> <li>- Refresher training undertaken regularly</li> <li>- Role specific training provided at the worksite</li> <li>- Certificates are required to perform designated works</li> <li>- Licenses required to operate designated plant and equipment</li> </ul> </li> <li>- OHS audit and inspection program in place</li> <li>- OHS incident data base developed and used for tracking problem areas</li> <li>- OHS outcomes reported in the Annual Report</li> <li>- OHS bulletins published regularly</li> <li>- External parties provided with OHS induction</li> <li>- Major third party operators have discrete OHS policies and systems</li> <li>- DCC and major operators exchange OHS Policies</li> <li>- incident tracking data base is in place and reported to the OHS Committee and COG</li> </ul> </li> <li>- provide comment on the impact of audit recommendations on the residual risk rating identified in the SRA and ORAs as applicable</li> </ul>	<b>H</b>	<b>M</b>	<b>E</b>	<b>H</b>
<ul style="list-style-type: none"> <li>- DCC does not implement and manage effective corporate governance and risk management frameworks</li> </ul>			<ul style="list-style-type: none"> <li>- Failure to embed an OHS awareness culture across the organisation</li> <li>- Legislative requirements not met</li> <li>- Deficiencies in OHS Management System procedures</li> <li>- Failure to ensure that contractors and third parties operating within Council environs are aware of and manage their OHS responsibilities</li> <li>- Failure to record and report OHS incidents and non-conformances</li> </ul>			

AUDIT TITLE & OBJECTIVES	SCHEDULE	TERMS OF REFERENCE	STRATEGIC RISKS		OPERATIONAL RISKS	
<p><b>PROJECT MANAGEMENT</b></p> <ul style="list-style-type: none"> <li>- Project governance, communication processes, project management systems, training, risk assessment, tender assessment processes</li> </ul>	<p><b>Q2 2016/17</b></p>	<ul style="list-style-type: none"> <li>- Review and comment on processes used to plan, develop, approve, fund and manage Council projects</li> <li>- test for effectiveness and compliance with specific internal controls                             <ul style="list-style-type: none"> <li>- long term budgeting and capital works programs are developed and approved by Council</li> <li>- Officers trained in tender development and assessment</li> <li>- Reviews undertaken with external consultants where necessary</li> <li>- staff trained in project management practises</li> <li>- financial delegations included in Authority</li> <li>- multiple levels of review and approval are applied</li> <li>- project management plans are developed</li> <li>- risk management plans are integrated in project management</li> <li>- community consultation is undertaken in relation to major projects</li> <li>- contractor management plans are developed</li> <li>- programme sign off and payment schedules developed and approved</li> </ul> </li> <li>- provide comment on the impact of audit recommendations on the residual risk rating identified in the SRA and ORAs as applicable</li> </ul>	<p><b>E</b></p>	<p><b>M</b></p>	<p><b>H</b></p>	<p><b>M</b></p>
<p><b>BUDGET DEVELOPMENT &amp; LONG TERM FINANCIAL PLANNING</b></p> <ul style="list-style-type: none"> <li>- Examine the processes used by Council to develop its annual operational budget, including allocation of dedicated budget lines and justification of budget bids</li> <li>- Infrastructure capital and financial capital is able to be maintained over the long-term</li> </ul>	<p><b>Q4 2016/17</b></p>	<ul style="list-style-type: none"> <li>- Review and comment on processes in place to manage long term financial planning and budget development</li> <li>- Test for effectiveness and compliance with specific internal controls</li> <li>- provide comment on the impact of audit recommendations on the residual risk rating identified in the SRA and ORAs as applicable</li> </ul>	<p><b>H</b></p>	<p><b>M</b></p>	<p><b>H</b></p>	<p><b>M</b></p>

**ENCL: RISK MANAGEMENT & AUDIT  
YES COMMITTEE/OPEN**

**AGENDA ITEM: 9.2**

**DRAFT CITY OF DARWIN ANNUAL REPORT 2014/15**

**REPORT No.: 15TC0077 SJ:mb COMMON No.: 3141841**

**DATE: 30/10/2015**

**Presenter: Manager Strategy and Outcomes, Sheree Jeeves**

**Approved: Executive Manager, Mark Blackburn**

**PURPOSE**

The purpose of this report is to present the Draft City of Darwin Annual Report 2014/15 (excluding Financial Statements).

**LINK TO STRATEGIC PLAN**

The issues addressed in this Report are in accordance with the following Goals/Strategies of the City of Darwin 2012 – 2016 as outlined in the 'Evolving Darwin Towards 2020 Strategic Plan':-

**Goal**

5 Effective and Responsible Governance

**Outcome**

5.3 Good governance

**Key Strategies**

5.3.5 Increase community awareness of the role and achievements of Council

**KEY ISSUES**

- In accordance with the Local Government Act, Council must, on or before 15 November each year, report to the Minister on its work during the financial year ending on the preceding 30 June.
- The report must include a copy of the Council's audited financial statement for the relevant financial year. The 2014/15 financial statements will be included in the Annual Report following consideration by the Risk Management and Audit Committee at this same meeting.
- The Annual Report must also contain an assessment of the Council's performance against the objectives stated in the relevant municipal or shire plan (applying indicators of performance set in the plan).
- The Annual Report will be presented to the Council meeting on the 10 November 2015.

PAGE: 2  
 REPORT NUMBER: 15TC0077 SJ:mb  
 SUBJECT: DRAFT CITY OF DARWIN ANNUAL REPORT 2014/15

---

## **RECOMMENDATIONS**

THAT the Committee resolve under delegated authority:-

THAT Report Number 15TC0077 SJ:mb entitled Draft City of Darwin Annual Report 2014/15, be received and noted.

## **BACKGROUND**

Section 199 of the Local Government Act contains the following provisions:

### **Part 14.1 Annual reports**

#### **199 Annual reports**

- (1) A Council must, on or before 15 November in each year, report to the Minister on its work during the financial year ending on the preceding 30 June.
- (2) The report must include a copy of the Council's audited financial statement for the relevant financial year.
- (3) The report must also contain an assessment of the Council's performance against the objectives stated in the relevant municipal or shire plan (applying indicators of performance set in the plan).
- (4) As soon as practicable after the report has been delivered to the Minister, the council must:
  - (a) publish the report on the Council's website; and
  - (b) publish a notice in a newspaper circulating generally in the area informing the public that copies of the report may be downloaded from the Council's website or obtained from the Council's public office.

## **DISCUSSION**

A responsibility of the Risk Management and Audit Committee is to ensure that the City of Darwin Annual Report 2014/15 contains an accurate assessment of performance against the goals, outcomes and strategies outlined in the Evolving Darwin Towards 2020 Strategic Plan and 2014/15 Municipal Plan.

The Strategic Plan provides a key set of 25 indicators that Council utilises each year to assess and monitor progress in implementing the plan. Results against the 25 indicators are provided at the commencement of reporting on each Strategic Plan Goal in the Draft Annual Report.

The 2014/15 Municipal Plan outlines Key Performance Indicators for each Program Profile to measure success of the yearly program. The Key Performance Indicator results are provided under each Program Profile in the Draft Annual Report. The Draft Annual Report utilises a 'traffic light' colour coding system for the Key

PAGE: 3  
 REPORT NUMBER: 15TC0077 SJ:mb  
 SUBJECT: DRAFT CITY OF DARWIN ANNUAL REPORT 2014/15

---

Performance Indicator results. Green represents being on track or better (i.e. >90%), orange represents a marginal variance of between 70% - 90% of the target achieved and a red icon highlights that actual performance was less than 70%. An explanation is provided for each Key Performance Indicator which did not achieve an on track result (i.e. less than 90% - orange and red traffic lights).

At the Risk Management and Audit Committee held on 22 August 2014 the committee requested consideration of the accuracy of the performance measures in the Annual Report. It was decided this was to be further clarified through the 2014/15 Annual Report process.

Through the development of the 2014/15 Annual Report it has been identified that the source data is available for all of the results of the 25 strategic plan indicators. The following has been found for the Municipal Plan Key Performance Indicators:

- Source data is available for 85 Indicators
- Source data is not available for 7 Indicators
- There were 10 Indicators based on the results of the Corporate Services Internal Customer Satisfaction Survey. This survey has not been carried out since the commencement of the Organisational Development Program, therefore these Indicators were not included in the Draft Annual Report.

These findings will inform the development of the 2016/17 Municipal Plan to remove the KPIs which are no longer relevant and the KPIs which do not have source data available.

KPMG have recently undertaken a review of City of Darwin's planning and performance reporting. The purpose of this review was to determine the future direction for planning and reporting to ensure transparency, accuracy, relevance and organisational engagement around our planning and reporting processes. The recommendations from this review will inform future planning and reporting development.

The complete Annual Report 2014/15 will be presented to Council at the 1st Ordinary Meeting scheduled to be held on Tuesday 10 November 2015 for adoption.

### **CONSULTATION PROCESS**

In preparing this report, the following City of Darwin officers were consulted:

- Elected Members
- Executive Leadership Team
- Middle Managers

### **POLICY IMPLICATIONS**

Nil

PAGE: 4  
REPORT NUMBER: 15TC0077 SJ:mb  
SUBJECT: DRAFT CITY OF DARWIN ANNUAL REPORT 2014/15

---

### **BUDGET AND RESOURCE IMPLICATIONS**

Funding was budgeted for within the approved 2015/16 Municipal Plan for the cost of an external provider to design, format and produce the 2014/15 Annual Report.

### **RISK/LEGAL/LEGISLATIVE IMPLICATIONS**

The Council must prepare the Annual Report by 15 November 2015 and as soon as practicable after delivery to the Minister, publish the report on the Council's website and publish a notice in a newspaper circulating generally within the area informing the public that the report is available.

### **ENVIRONMENTAL IMPLICATIONS**

In order to reduce Council's footprint, only a limited number of hard copy reports will be produced (50). Customers will be referred to Council's website if they wish to read the report. The (50) hard copy reports have been printed on 100% recycled paper.

### **COUNCIL OFFICER CONFLICT OF INTEREST DECLARATION**

We the Author and Approving Officers declare that we do not have a Conflict of Interest in relation to this matter.

**SHEREE JEEVES**  
**MANAGER STRATEGY AND**  
**OUTCOMES**

**MARK BLACKBURN**  
**EXECUTIVE MANAGER**

For enquiries, please contact Mark Blackburn on 89300516 or email:  
m.blackburn@darwin.nt.gov.au.

#### **Attachments:**

**Attachment A:** Draft City of Darwin Annual Report 2014/15  
*Submitted under separate cover.*



ENCL: RISK MANAGEMENT & AUDIT  
 YES COMMITTEE/OPEN

AGENDA ITEM: 9.3

**AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

REPORT No.: 15A0138 MC:ph

COMMON No.: 2251082

DATE: 30/10/2015

**Presenter: Manager Finance, Miles Craighead**

**Approved: General Manager Corporate Services, Diana Leeder**

**PURPOSE**

The purpose of this report is to consider:

- The suitability for certification by the Chief Executive Officer of the Annual Financial Statements (for inclusion in the Annual Report and presentation to Council before lodgement with the Minister and the Northern Territory Grants Commission in accordance with the statutory requirement).
- The draft Audit Reports.

**LINK TO STRATEGIC PLAN**

The issues addressed in this Report are in accordance with the following Goals/Strategies of the City of Darwin 2012 – 2016 as outlined in the 'Evolving Darwin Towards 2020 Strategic Plan':-

**Goal**

5 Effective and Responsible Governance

**Outcome**

5.5 Responsible financial and asset management

**Key Strategies**

5.5.1 Manage Council's business based on a sustainable financial and asset management strategy

**KEY ISSUES**

- Final drafts of the Council's Financial Statements, Audit Reports, and Management Summary and the Audit Closing Report for the year ended 30 June 2015 are provided for consideration and a recommendation to Council;
- The draft audit reports indicate that Council has achieved an unqualified audit;
- The Committee has the opportunity to discuss the Statements and Audit Reports with Council's Auditors in attendance.

PAGE: 2  
 REPORT NUMBER: 15A0138 MC:ph  
 SUBJECT: AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

---

## **RECOMMENDATIONS**

THAT the Committee resolve under delegated authority:-

- A. THAT Report Number 15A0138 MC:ph entitled Audited Financial Statements For The Year Ended 30 June 2015, be received and noted.
- B. THAT the draft Financial Statements are suitable for certification by the Chief Executive Officer for inclusion in the Annual Report and presentation to Council.
- C. THAT the draft Management Summary on the Financial Statements be endorsed for inclusion in the Annual Report.
- D. THAT the final management responses to audit observations be tabled at the March 2016 Risk Management and Audit Committee meeting.

## **BACKGROUND**

Nil

## **DISCUSSION**

The draft Audit Reports, Management Summary and audited Financial Statements have been prepared for the year ended 30 June 2015, (refer to **Attachments A, B and C**).

Last year the Audit Committee indicated a preference to look at abbreviating the "Management Analysis and Discussion" on the Financial Statements and to consider an abridged version or Executive Summary. This has resulted in the draft at Attachment B "Finance Matters" (Management Summary) for consideration. Merit Partners have been asked to provide comment on the adequacy of this report in addition to the audit opinion on the financial statements. This aspect of the audit will be taking place in the days immediately prior to this meeting.

Council's auditors, Merit Partners, will attend the Committee meeting at 10:00 a.m.

## **CONSULTATION PROCESS**

In preparing this report, the following City of Darwin officers were consulted:

- General Manager Corporate Services
- Management Accountant

In preparing this report, the following External Parties were consulted:

- Merit Partners

PAGE: 3  
REPORT NUMBER: 15A0138 MC:ph  
SUBJECT: AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE  
2015

---

### **POLICY IMPLICATIONS**

Preparation of the statements has been based on past practices and policies in line with the previous years with the main exception of the early adoption of AASB10 which removes the requirement to consolidate the Darwin Entertainment Centre into the financial statements. This is on the basis that the Council does not have the necessary control under the new standard.

The accounting policies contained within the audited Financial Statements for the year ended 30 June 2015, once presented to Council become the operative and official policies that year in accordance with City of Darwin Policy No. 022 - Statement of Significant Accounting Policies.

### **BUDGET AND RESOURCE IMPLICATIONS**

The statements are indicative of fiscal responsibility and accountability.

### **RISK/LEGAL/LEGISLATIVE IMPLICATIONS**

Council is required to submit audited financial statements to the Department of Local Government by no later than 15 November each year under *Part 10.7 (132) (b) of the Local Government Act*. Council is also required to submit its audited Financial Statements to the Northern Territory Grants Commission under *Regulation 17 (1) (a) of the Local Government (Accounting) Regulations*.

### **ENVIRONMENTAL IMPLICATIONS**

Nil

### **COUNCIL OFFICER CONFLICT OF INTEREST DECLARATION**

We the Author and Approving Officers declare that we do not have a Conflict of Interest in relation to this matter.

**MILES CRAIGHEAD**  
**MANAGER FINANCE**

**DIANA LEEDER**  
**GENERAL MANAGER**  
**CORPORATE SERVICES**

For enquiries, please contact Miles Craighead on 89300523 or email:  
m.craighead@darwin.nt.gov.au.

PAGE: 4  
REPORT NUMBER: 15A0138 MC:ph  
SUBJECT: AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE  
2015

---

**Attachments:**

**Attachment A:** Draft Audit Reports and Audit Closing Report for the year ended 30 June 2015

**Attachment B:** "Finance Matters" (Management Summary)

**Attachment C:** Financial Statements for the year ended 2015

# ATTACHMENT A

DRAFT

Closing Report to the Council  
for the Year ended 30 June 2015

City of Darwin

23 October 2015

*Private and confidential*

The Council  
City of Darwin  
GPO Box 84  
**DARWIN NT 0801**

Dear Council Members

We have completed our audit of the City of Darwin (the Council) for the year ended 30 June 2015.

We confirm that we are prepared to issue an unqualified audit opinion on the financial statements in the form that appears in Appendix A, provided management, you or the Risk Management and Audit Committee make no further changes to the financial statements before signing.

This report is intended solely for the use of the Council, the Risk Management and Audit Committee, other members of the Executive Committee and senior management, and should not be used for any other purpose nor given to any other party without our prior written consent.

We would like to thank your staff for the assistance provided to us during the engagement.

I look forward to the opportunity of discussing with you any aspects of this report or any others issues arising from our work.

Yours faithfully

MunLi Chee  
Partner

cc Mr Iain Summers, Chairman, Risk Management and Audit Committee

## Contents

1.	Significant areas of audit focus .....	3
2.	Audit Adjustments.....	6
3.	Assessment of Management Discussion and Analysis.....	7
4.	Assessment of control environment .....	7
5.	Other required Risk Management and Audit Committee communications .....	8
6.	Independence .....	9
7.	Outstanding Items .....	9
8.	A Commitment to the Future .....	9
Appendix A	Draft Audit Report .....	10
Appendix B	Draft Management Representation Letter .....	12
Appendix C	Understanding the Financial Statements.....	17
Appendix D	Audit observations .....	20
Appendix E	Changes in regulatory reporting.....	22

## 1. Significant areas of audit focus

As communicated to you in our audit plan on 10 August 2015, we identified areas of audit focus for the 2014–15 financial statements audit. We have completed our planned audit procedures and outline below the results of our audit:

Areas of audit focus	Audit procedures performed	Current Status
Follow up of prior year audit issues – Preparation of Monthly BAS	Based on discussion with management the impact of this is considered inconsequential to the Council. Further, there have been no issues raised by the ATO in the past regarding this matter.	We suggest that management monitors the transactions not captured by the current BAS reconciliation process and adjust when they are considered significant.
Follow up of prior year audit issues – Annual Leave Calculation	We reviewed the calculations of the annual leave provision as at 30 June 2015 in accordance with applicable Accounting Standards.	No issues were noted.
Carbon Tax Treatment	We reviewed the Council's accounting treatment, policy, supporting documents and disclosures within the financial statements for compliance with applicable Accounting Standards and other applicable laws and regulations.	The Australian Government has abolished the carbon tax, with effect from 1 July 2014. The liability recorded as at 30 June 2014 amounting to \$7.1 million has been appropriately derecognised with a corresponding gain recognised in profit or loss amounting to \$6.9 million as at 30 June 2015. The difference of \$0.2 million relates to payment of carbon units.
Revenue Recognition - Revenue Received in Advance	We obtained and reviewed the Council's position in relation to the recognition of Revenue Received in Advance, in particular, Rates Revenue, to determine suitable application in line with the requirements of the Accounting Standards.	The Council has deemed that monies received in excess of rates were due to be an overpayment of rates and are classified as a liability at year end.
Fixed Assets Valuation and Ownership	<p>We obtained and reviewed the movements and calculations in the Council's fixed assets register.</p> <p>A sample of additions and disposals were checked against relevant supporting documents (e.g. invoices, contracts).</p> <p>Repairs and maintenance have been reviewed to ensure that relevant transactions of a capital nature have not been omitted from being capitalised.</p> <p>Fixed asset useful lives and depreciation rates, depreciation and amortisation accounts have been tested to ascertain their reasonableness.</p> <p>We have also reviewed the Council and RMAC minutes and correspondence from the Chief Officer's Group for any reference to indicators of impairment.</p>	No issues were noted.



Areas of audit focus	Audit procedures performed	Current Status
Street Lighting fees, maintenance and ownership	We reviewed the Council's position in relation to street lighting issues and potential impacts on the Council's budget.	<p>The Council accrued streetlight maintenance charges from Power and Water Corporation (PWC) for the three months ended 30 June 2015 amounting to \$0.6 million.</p> <p>The matter in relation to the ownership of these assets is still being negotiated by the Council and PWC.</p>
Restrictions on Cash	We obtained and reviewed the Council's support over restricted cash and reserve accounts. We reviewed and tested the accuracy of the information within the accounts to relevant support. Additional review of budgets and funding agreements to ensure that balances are complete at reporting date.	No issues were noted
Compliance with legislation and government policies	We considered the requirements of applicable legislation and government policy by review of relevant Acts, Regulations and agreements. We have also performed sufficient audit procedures over key financial requirements imposed on the Council.	No issues were noted
Compliance with Australian Accounting Standards	We performed audit procedures over year end reconciliations and reviewed the financial statements in accordance with Australian Accounting Standards and Local Government Act and Regulations.	Other than the matters mentioned above, no other significant issues were noted

We have also outlined below our observations arising from the audit that we believe are significant and relevant to you, including our view in relation to the accounting practices of the Council.

Elements of accounting practices	Observations
Accounting policies	<p>As at 30 June 2015, the Council has chosen to early adopt AASB 10 – <i>Consolidated Financial Statements</i>. As a result, the Council has deemed they no longer have control over the Darwin Entertainment Centre (by definition of the Accounting Standards) and as a result has discontinued the consolidation of this entity. These changes have been adopted retrospectively.</p> <p>Other new standards, revised standards, interpretations, amending standards issued applicable to the current reporting period did not have a material financial impact on the Council nor are these expected to have future material financial impact.</p>
Accounting estimates	<p>The estimates and associated assumptions made by management in the preparation of the financial statements appear reasonable.</p> <p>No other accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.</p>
Financial statements disclosures	<p>Financial Statements disclosures appear reasonable. Adjustments or changes to the draft financial statement disclosures proposed by us have been made by management.</p>
Segregation of duties	<p>There was no segregation of duties issues noted. Review and approval by delegated authorities are in place.</p>
Other matters	<p>Weaknesses in internal control environment have been detailed at Appendix D</p>

## 2. Audit Adjustments

### 2.1 Summary of unadjusted differences

The following differences have been identified during the course of our audit and have not been considered material by management or by us for adjustment:

Account	(Under)/Over Statement Of net assets	(Under) / Over Statement of Profit
	30 June 2015 AU\$	30 June 2015 AU\$
Accrued Expenses	83,227	
Other – Recreation Facilities & Infrastructure		83,227
<i>To record Vrahos invoices for work done in 2015.</i>		
Accrued Salaries and Wages	85,537	
Salaries and Wages		85,537
<i>To accrue on-costs and super for salaries that relate to 2015.</i>		
Provision for Contingencies	100,000	
Claim for Damages – Perry Park		100,000
<i>To record estimated amount of settlement for Perry Park damages claim.</i>		

### 3. Assessment of Management Discussion and Analysis

In addition to the audit of the financial statements and as requested by the Council, we have reviewed the Management Discussion and Analysis report. [to be completed]

Feedback was provided to Council for any inconsistencies and irregularities identified in the report prior to it being finalised. Generally the information contained and presented in the report was found to be in agreement with the figures presented in the financial statements and in line with our understanding of the operations during the year.

### 4. Assessment of control environment

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

Our audit procedures do not address all internal control and accounting procedures and are based on selective tests of accounting records and supporting data and have not been designed for the purposes of making detailed recommendations. As a result our procedures would not necessarily disclose all weaknesses in the Council's internal control environment, and you should not assume that there are no additional matters that you should be aware of in meeting your responsibilities.

The matters reported in below and detailed in Appendix D are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

The following table summarises the key issues and their risk ranking.

City of Darwin	High Needs significant improvement	Moderate Needs substantial improvement	Low Needs some improvement
Trust account clean-up			✓

## 5. Other required Risk Management and Audit Committee communications

We are required by law to report to you certain matters that are not otherwise detailed in this report.

Matter	How matter was addressed
Material uncertainties and going concern	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about the Council's ability to continue as a going concern for 12 months from the date of our report.
Disagreements with management	We received full cooperation from management and had no unresolved disagreements over the application of accounting principles, the scope of our audit or disclosures to be included in the financial statements.
Compliance with laws and regulations	We have not identified any instances of non-compliance with laws and regulations.
Fraud and illegal acts	<p>We have made enquires of management and identified discussion in our review of Council and RMAC meetings regarding:</p> <ul style="list-style-type: none"> <li>▶ Knowledge of any fraud or suspected fraud affecting the entity involving management, employees who have significant roles in internal control; or others where fraud could have a material effect on the financial report</li> <li>▶ Knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial information.</li> </ul> <p>We did not become aware of any fraud or illegal acts during our audit.</p>
Expected modifications to audit report	We anticipate issuing an unqualified audit report on the financial statements of the Council. Draft copies of our reports have been included at Appendix A.

## 6. Independence

We confirm that in our professional judgment, the engagement team and the Firm are independent.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you and the Committee consider the facts of which you are aware and come to a view. Should you have any specific matters that you wish to discuss, please contact us.

## 7. Outstanding Items

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Representation Letter	▶ Receipt of signed management representation letter	▶ Management
Signed Financial Statements	▶ Receipt of signed financial statements	▶ Chief Executive Officer

## 8. A Commitment to the Future

**Our value proposition to the market is simple:**

- ▶ A commitment to providing our clients with the right team of people with the right blend of commercial and technical experience.
- ▶ A commitment to deliver a tailored service and practical solutions relevant to our clients' industry sectors.
- ▶ A commitment to 'keep it simple' through dynamic, relevant and proactive continuous communication.
- ▶ A commitment to developing and maintaining collaborative relationships to appropriately assess your expectations and business needs.
- ▶ A commitment to effective and responsive technical consultation.
- ▶ A commitment, through frequent communication with executive management, to provide fair and transparent fees based on: a thorough understanding of audit scope, continuous measuring and monitoring of the audit process and understanding client service requirements.

## Appendix A Draft Audit Report

### **Independent auditor's report to the Lord Mayor and Aldermen of the City of Darwin**

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

#### *Chief Executive Officer's Responsibility for the Financial Report*

The Chief Executive Officer of the Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the Northern Territory of Australia Local Government Act and Regulations and for such internal controls as the Chief Executive Officer determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Council's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer, as well as evaluating the overall presentation of the financial report.

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

*Independence*

In conducting our audit we have complied with the independence requirements of the Australian professional accounting bodies.

*Opinion*

In our opinion, the financial report of the City of Darwin is in accordance with the Northern Territory Local Government Act, including:

- a) giving a true and fair view of the Council's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- b) complying with the Australian Accounting Standards.

Merit Partners

MunLi Chee  
Director  
Darwin

Date:

DRAFT



## Appendix B Draft Management Representation Letter

**23 October 2015**

MunLi Chee  
Director  
Merit Partners  
GPO Box 3470  
DARWIN NT 0801

Dear MunLi

### ***City of Darwin***

This representation letter is provided in connection with your audit of the financial report of the City of Darwin ("the Council") for the year ended 30 June 2015. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial report gives a true and fair view of the financial position of the City of Darwin as of 30 June 2015 and of its financial performance for the year then ended in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia and the Local Government Act and Regulations.

We understand the purpose of your audit is to express an opinion on our financial report in accordance with Australian Auditing Standards. We understand the audit involved an examination of the accounting system, internal control and related data, to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

#### **A. Financial Statements and Financial Records**

1. We acknowledge our responsibility for the fair presentation of the financial report. We believe the financial report referred to above gives a true and fair view of the financial position and financial performance of the Council in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia and the Local Government Act and Regulations is free of material misstatements, including omissions. We have approved the financial report.
2. The significant accounting policies adopted in the preparation of the financial report are appropriately described in the financial report.
3. Each element of the financial report is properly classified, described and disclosed in

accordance with Accounting Standards and other mandatory financial reporting requirements in Australia and the Local Government Act and Regulations.

4. We also believe that the Council has a system of internal controls adequate to permit the preparation of an accurate financial report in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia and the Local Government Act and Regulations.
5. The financial records of the Council have been kept so as to be sufficient to enable a financial report to be prepared and audited, and other records and registers required by the Local Government Act and Regulations have been properly kept and are up-to-date.

**B. Fraud and Error**

1. We acknowledge we are responsible for the design and implementation of internal controls to prevent and detect fraud and error.
2. We have disclosed to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial report. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial report or otherwise affect the financial reporting of the Council.
4. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial report taken as a whole. Also, we confirm that none of the unadjusted audit differences were deliberate.

**C. Compliance with Laws and Regulations**

1. We have disclosed to you all known actual or possible noncompliance with laws and regulations whose effects should be considered when preparing the financial report.
2. There has been no noncompliance with requirements of regulatory authorities that could have a material effect on the financial report in the event of noncompliance.

**D. Completeness of Information**

1. We have made available to you all financial records and related data and all minutes of the meetings of Council held through the year to the most recent meeting.
2. There are no material transactions that have not been properly recorded in the accounting records underlying the financial report.
3. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you all information required to meet the disclosure requirements of AASB 124 – *Related Party Disclosures*, in particular information relating to personally related entities for both specified directors and specified executives.

**E. Recognition, Measurement and Disclosure**

1. We believe that the significant assumptions underlying the fair value measurements and disclosures used in the preparation of the financial report are reasonable and appropriate in the circumstances. These assumptions reflect our intent and ability to carry out on behalf of the Council.
2. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial report.
3. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial report in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

**F. Ownership and Carrying Value of Assets**

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the statement of financial position, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the statement of financial position.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial report.
3. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no line of credit arrangements or other arrangements involving restrictions on cash balances.
4. We have considered the requirements of AASB 136 – *Impairment of Assets* when assessing the carrying values of non-current assets and in ensuring that no non-current assets are stated in excess of their recoverable amount.
5. Adequate provision has been made for adjustments and losses in collection of receivables.
6. Allowances for depreciation have been adjusted for items of property, plant and equipment that have been abandoned or are otherwise unusable.

**G. Liabilities and Contingencies**

1. All material liabilities and contingencies, including those associated with guarantees and those arising under derivative financial instruments, whether written or oral, have been disclosed to you and are appropriately reflected in the financial report.
2. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel.
3. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.

**H. Purchase and Sales Commitments and Sales Terms**

1. At the year end, the Council had no unusual commitments or contractual obligations of any sort which were not in the ordinary course of business and which might have an adverse effect upon the Council (e.g., contracts or purchase agreements above market price; repurchase or other agreements not in the ordinary course of business; material commitments for the purchase of property, plant and equipment; significant foreign exchange commitments; open balances on letters of credit; purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices; losses from fulfilment of, or inability to fulfil, sales commitments, etc.).
2. All material commitments for construction or acquisition of property, plant and equipment or to acquire other non-current assets, such as investments or intangibles have been disclosed in the financial report.
3. All material commitments for construction or acquisition of property, plant and equipment or to acquire other non-current assets, such as investments or intangibles have been disclosed in the financial report.

**I. Independence**

1. We are not aware of any act or omission on the part of the Council that does or may impact on your ability to comply with your independence obligations as auditor of the Council. We have brought to your attention any items which we consider may affect your ability to remain independent of the Council and we will continue to work with you to maintain the independence of the audit relationship.

**J. Subsequent Events**

1. All significant events subsequent to period end which require adjustment of or disclosure are reflected in the financial report or notes thereto.

**K. Taxation**

1. Adequate amounts have been accrued for all local and foreign taxes including amounts applicable to prior periods not finally settled and paid.

**L. Funding Agreements**

The Council has complied with funding agreements entered into with the Australian Government, Northern Territory Government and other funding bodies.

**M. Electronic Presentation of the Financial Report**

1. With respect to publication of the financial report on our website, we acknowledge that:
  - a) we are responsible for the electronic presentation of the financial report;
  - b) we will ensure that the electronic version of the audited financial report and the auditor's report on the website will be identical to the final signed hard copy version;
  - c) we will clearly differentiate between audited and unaudited information in the construction of the entity's web site as we understand the potential risk of misrepresentation;

- d) we have assessed the controls over the security and integrity of the data on the web site and that adequate procedures are in place to ensure the integrity of the information published; and
- e) we will not present the auditor's report on the full financial report with extracts only of the full financial report.

**N. Rates Received in Advance**

1. The Council has neither control nor control of a right to rates overpaid since they are voluntarily made and that persons and/or entities paying have legal right to demand payment of the amounts overpaid.
2. The amount of rates received in advance recognised by the Council are \$1.58million and \$1.01 million for the year ended 30 June 2015 and 2014, respectively.

Yours faithfully

\_\_\_\_\_  
 (Name of signing officer)\*  
 (Title)

\_\_\_\_\_  
 DATE:

\_\_\_\_\_  
 (Name of signing officer)\*  
 (Title)

\_\_\_\_\_  
 DATE:

- \* Ordinarily signed by the members of management who have primary responsibility for the Council and its financial aspects (ordinarily the senior executive officer and the senior financial officer).

## Appendix C Understanding the Financial Statements

### City of Darwin

Statement of Financial Position	2015 \$'000	2014 \$'000	Movement
<b>Current Assets</b>			
Cash & Cash Equivalents	3,995	2,366	1,629
Investments	70,190	67,278	2,912
Trade & Other Receivables	7,110	7,187	(77)
Inventories	116	121	(5)
Assets held for sale	-	340	(340)
<b>Total current assets</b>	<b>81,411</b>	<b>77,292</b>	<b>4,119</b>
<b>Non-current Assets</b>			
Property, plant & equipment	1,146,998	1,144,231	2,767
<b>Total non-current assets</b>	<b>1,146,998</b>	<b>1,144,231</b>	<b>2,767</b>
<b>Total assets</b>	<b>1,228,409</b>	<b>1,221,523</b>	<b>6,886</b>
<b>Current Liabilities</b>			
Trade and Other Payables	12,514	10,386	2,128
Borrowings	211	199	12
Provisions	6,506	6,345	161
Other	-	7,138	(7,138)
<b>Total current liabilities</b>	<b>19,231</b>	<b>24,068</b>	<b>(4,837)</b>
<b>Non-current Liabilities</b>			
Borrowings	3,513	3,724	(211)
Provisions	676	528	148
<b>Total non-current liabilities</b>	<b>4,189</b>	<b>4,252</b>	<b>(63)</b>
<b>Total liabilities</b>	<b>23,420</b>	<b>28,320</b>	<b>(4,900)</b>
<b>Net Community Assets</b>	<b>1,204,989</b>	<b>1,193,203</b>	<b>11,786</b>

Improved cash from operating activities by \$1.7million.

Movement relates to acquisition of short-term deposits during the year.

These assets were sold during the year resulting in a loss of \$0.1 million.

Key movement in 2015 was due to additions of \$26.4 million (WIP \$4.0 million and Roads and Pathways \$8.7 million), Depreciation of \$22.6 million, Disposals of \$1.3 million and transfers from assets held for sale classification of \$0.3 million.

Increased accruals in 2015 mainly due to PWC street lighting charges

Derecognition of carbon tax liability as a result of carbon tax repeal legislation effective from 1 July 2014.

## Appendix C Understanding the Financial Statements

### City of Darwin

Statement of Financial Position	2015 \$'000	2014 \$'000	Movement
<b>Community Equity</b>			
Asset Revaluation Reserve	823,978	823,978	-
Retained Surplus/(Deficiency)	320,058	320,045	13
Reserves	60,953	49,180	11,773
<b>Total Community equity</b>	<b>1,204,989</b>	<b>1,193,203</b>	<b>11,786</b>

Transfer of current year surplus for future project funding.

DRAFT

## Appendix C Understanding the Financial Statements

### City of Darwin

Statement of Comprehensive	2015	2014	
Income	\$'000	\$'000	Movement
Rates, Levies and Charges	62,294	59,293	3,001
Fees and Charges	20,994	20,957	37
Rental Income	1,261	1,213	48
Interest & Investment Revenue	2,955	2,921	34
Other Income	1,080	902	178
Grants, Subsidies, Contributions & Donations	6,225	4,887	1,338
<b>Total Recurrent Revenue</b>	<b>94,809</b>	<b>90,173</b>	<b>4,636</b>
Capital Grants, Subsidies, Contributions & Donations	7,880	10,954	(3,074)
Gains or Losses on Disposal of Assets	710	-	710
Gain on Carbon Tax Liability Repeal	6,938	-	6,938
<b>Total Income</b>	<b>110,337</b>	<b>101,127</b>	<b>9,210</b>
Employee Benefits	27,252	26,749	503
Materials and Services	48,398	48,215	183
Finance Costs	255	268	(13)
Depreciation and Amortisation	22,646	16,446	6,200
<b>Total Recurrent Expenditure</b>	<b>98,551</b>	<b>91,678</b>	<b>6,873</b>
Loss on Disposal of Asset	-	621	(621)
<b>Total Expenses</b>	<b>98,551</b>	<b>92,299</b>	<b>6,252</b>
<b>Net Operating Results</b>	<b>11,786</b>	<b>8,828</b>	<b>2,958</b>
Gain on Revaluation of PPE	-	192,399	(192,399)
<b>Total Comprehensive Income</b>	<b>11,786</b>	<b>201,227</b>	<b>(189,441)</b>

Natural growth coupled with a 4% increase in rates.

The Council recognised income of \$1.8 million for a Financial Assistance Grant in FY 2012-13 that was due for receipt in 2014 resulting in a lower grant income figure in the prior year.

The Council received 2 land contributions in 2015 amounting to \$3.0 million compared to 5 lots in 2014 amounting to \$5.0 million.

The Council also received \$5.0 million cash contributions for the development of Lee Point Road. No similar significant cash contribution was received this year.

Decrease offset by car parking shortfall from Paspaley in 2015 amounting to \$2.7 million.

Asset disposals resulted in significant gain this year due to sale of land under Roads: Salonika and Stuart Highway.

Gain resulting from de-recognition of carbon tax liability as a result of carbon tax repeal legislation effective from 1 July 2014.

\$0.2million difference from liability in prior year relates to payment of carbon units.

Increased depreciation due to revaluation conducted in 2014. Also, there were more depreciable asset additions in 2015.

Amount relates to revaluation increment for Roads, Pathways, Stormwater Drainage and Other Infrastructure Assets in 2014. No independent valuation has been performed this year.



## Appendix D      Audit observations

### Overview of Risk Ranking System

Though we have rated each finding individually on a stand alone basis, you should also assess the collective impact of these matters, together with other findings from within your organisation.

<b>High</b> Needs significant improvement	<b>Immediate corrective action is required.</b> These recommendations relate to a serious weakness which exposes the organisation to a material extent in terms of achievement of corporate objectives, financial results or otherwise impair the Councils reputation.
<b>Moderate</b> Needs substantial improvement	<b>Corrective action is required,</b> generally within 6 months. A control weakness, which can undermine the system of internal control and/or operational efficiency and should therefore be addressed.
<b>Low</b> Needs some improvement	<b>Corrective action is required, generally within 6 to 12 months.</b> A weakness which does not seriously detract from the system of internal control and/or operational effectiveness/efficiency but which should nevertheless be addressed by management.

### Disclaimer

Issues identified are only those found within the course of the audit for year ended 30 June 2015. Recommendation issues are intended solely for the use of Association's management. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Council or for any purpose other than that for which it was prepared.

DRAFT

## City of Darwin

Observation	Effect	Risk category	Recommendation	Draft Management Response
<p><i>Trust account clean-up</i></p> <p>The Council maintains a trust account for contractor deposits. The trust account is not recognised in the financial statements. As at 30 June 2015 the balance of the trust account was \$615,830.</p> <p>At 30 June 2015 there were over 230 transactions totalling almost \$250,000 dating over 10 years since the initial deposit. In some instances the organisation that initially made the deposit no longer exists.</p>	<p>The Council has a fiduciary responsibility to ensure the adequate maintenance of the trust account. There are potentially monies that the Council has received that have not been returned in a timely manner.</p>	<p><b>Low</b></p>	<p>The Council investigate the long-outstanding balances in the trust account and refund amounts to individuals and/or entities where deemed appropriate.</p> <p>The Council should also ensure that policies and procedures regarding the trust account are up to date and followed accordingly.</p>	

## Appendix E Changes in regulatory reporting

### INTRODUCTION

This appendix contains disclosure information on changes in accounting policy on adoption of new and amended Accounting Standards and Interpretations and Accounting Standards and Interpretations issued but not yet effective. This appendix lists all applicable Accounting Standards and Interpretations issued as of 30 June 2015 and applicable for 30 June 2015 year ends.

This appendix has two parts:

### **PART A - Changes in accounting policy**

This table lists all the applicable accounting standards which would have been adopted for the first time for entities with a 30 June 2015 year end.

### **PART B - Accounting standards issued but not yet effective**

This table lists all applicable standards/interpretations issued but not yet effective for 30 June 2015 year ends and assumes that the entity has elected not to "early adopt" any of these standards/interpretations.

DRAFT

## PART A – Changes in accounting policy

The following standard and interpretation would have been applied for the first time for entities with year ended 30 June 2015 (unless early adopted):

Reference	Title	Application date of standard*	Application date for Group*
AASB 2012-3	<p><b>Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities</b></p> <p>AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.</p>	1 January 2014	1 July 2014
Interpretation 21	<p><b>Levies</b></p> <p>This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.</p>	1 January 2014	1 July 2014
AASB 2013-3	<p><b>Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets</b></p> <p>AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.</p>	1 January 2014	1 July 2014
AASB 2013-5	<p><b>Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 &amp; AASB 139]</b></p> <p>These amendments define an investment entity and require that, with limited exceptions, an investment entity does not consolidate its subsidiaries or apply AASB 3 Business Combinations when it obtains control of another entity.</p> <p>These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.</p> <p>These amendments also introduce new disclosure requirements for investment entities to AASB 12 and AASB 127.</p>	1 January 2014	1 July 2014
AASB 1031	<p><b>Materiality</b></p> <p>The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality.</p> <p>AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.</p> <p>AASB 2014-1 Part C issued in June 2014 makes amendments to eight Australian Accounting Standards to delete their references to AASB 1031. The amendments are effective from 1 July 2014.</p>	1 January 2014	1 July 2014
AASB 1055 AASB 2013-1	<p><b>Budgetary Reporting</b></p> <p>This standard specifies budgetary disclosure requirements for the whole of government, General Government Sector (GGS) and not-for-profit entities within the GGS of each government.</p> <p>AASB 2013-1 removes the requirements relating to the disclosure of budgetary information from AASB 1049 <i>Whole of Government and General Government Sector Financial Reporting</i> (without substantive amendment). All budgetary reporting requirements applicable to public sector entities are now located in AASB 1055.</p>	1 July 2014	1 July 2014

## PART A – Changes in accounting policy

Reference	Title	Application date of standard*	Application date for Group*
AASB 2014-1 Part A –Annual Improvements 2010–2012 Cycle	<p><b>AASB 2014-1 Part A:</b> This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle.</p> <p>Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items:</p> <ul style="list-style-type: none"> <li>▶ AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.</li> <li>▶ AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137.</li> <li>▶ AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segment assets to the entity's total assets.</li> <li>▶ AASB 116 &amp; AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.</li> <li>▶ AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 Related Party Disclosures for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.</li> </ul>	1 July 2014	1 July 2014
AASB 2014-1 Part A –Annual Improvements 2011–2013 Cycle	<p><b>Annual Improvements to IFRSs 2011–2013 Cycle addresses the following items:</b></p> <ul style="list-style-type: none"> <li>▶ AASB 13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132.</li> <li>▶ AASB 140 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.</li> </ul>	1 July 2014	1 July 2014
Amendments to Australian Accounting Standards - Part B  Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)	<p>AASB 2014-Part B makes amendments in relation to the requirements for contributions from employees or third parties that are set out in the formal terms of the benefit plan and linked to service.</p> <p>The amendments clarify that if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service.</p>	1 July 2014	1 July 2014

## PART B - Accounting standards issued but not yet effective

The following standards and interpretations have been issued by the AASB but are not yet effective for the period ended 30 June 2015.

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 9	Financial Instruments	<p>AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning on or after 1 January 2018.</p> <p>However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.</p> <p>Classification and measurement</p> <p>AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities</p>	1 January 2018	1 July 2018
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	<p>AASB 116 <i>Property Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.</p> <p>The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.</p> <p>The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.</p>	1 January 2016	1 July 2016
AASB 15	Revenue from Contracts with Customers.	<p>In May 2014, the IASB issued IFRS 15 <i>Revenue from Contracts with Customers</i>, which replaces IAS 11 <i>Construction Contracts</i>, IAS 18 <i>Revenue</i> and related Interpretations (IFRIC 13 <i>Customer Loyalty Programmes</i>, IFRIC 15 <i>Agreements for the Construction of Real Estate</i>, IFRIC 18 <i>Transfers of Assets from Customers</i> and SIC-31 <i>Revenue—Barter Transactions Involving Advertising Services</i>).</p> <p>The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core</p> <p>The AASB issued the Australian equivalent of IFRS 15, being AASB 15, in December 2014.</p> <p>Currently, these standards are effective for annual reporting periods commencing on or after 1 January 2017. Early application is permitted. (Note A)</p> <p>AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.</p>	1 January 2017 Note A	1 July 2017 Note B
AASB 2015-2	Amendments to Australian	The Standard makes amendments to AASB 101 <i>Presentation of Financial</i>	1 January 2016	1 July 2016

## PART B - Accounting standards issued but not yet effective

Reference	Title	Summary	Application date of standard*	Application date for Group*
	Accounting Standards – Disclosure Initiative: Amendments to AASB 101	<i>Statements</i> arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures		
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 <i>Materiality</i>	The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	1 July 2015	1 July 2015
AASB 2015-6	Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]	This Standard makes amendments to AASB 124 <i>Related Party Disclosures</i> to extend the scope of that Standard to include not-for-profit public sector entities.	1 July 2016	1 July 2016

DRAFT

## Finance Matters

Council's Financial Statements were completed within the statutory timeframe and the audit report was unqualified.

During the 2014/15 year the Council managed a total income of over \$100 million to provide a wide range of services and facilities to the community.

The following information presents a summary of financial results for 2014/15. (Full details of Council's Financial Statements are available within this Annual report.)

### 2014/15 Budget Results

**Budget: \$1.7 million surplus**  
**Result: \$11.8 million surplus**

(Net income after capital revenue)

The improved result can be attributed to:

- Carbon tax repeal \$6.9M
- Developer contributed assets (non cash)
- Other revenue and expense variations

*The carbon tax repeal resulted in moneys previously held to meet tax liabilities vesting in the Council as net income of \$6.9 million.*

*Refunds of the carbon tax on domestic waste charges are being made in 2015/16.*

*The balance will be utilised for the Shoal Bay Waste facility and works projects with environmental outcomes.*

### How does the result compare with previous years?

#### *Net result (after capital revenue)*

<u>2014/15</u>	<u>2013/14</u>	<u>2012/13</u>	<u>2011/12</u>
*\$11.8M	\$8.8M	\$9.5M	\$6.5M

\*Includes de-recognition of carbon tax liability \$6.9 million.

### Looking ahead

- Utilising surplus to sustainably meet obligations to current and future generations.
- Improving financial and asset management planning processes.
- Ongoing savings and efficiency gains where possible.
- Lost revenue if Commonwealth does not CPI adjust annual financial assistance
- Additional NTG capital charges for street lighting may increase rates by 6%

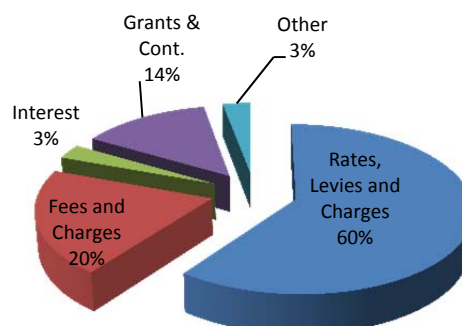


### Income

**Budget: \$97.6 million**  
**Result: \$110.3 million**

The result was \$12.7 million higher due to:

- Developer contributions-assets
- Developer contributions-cash
- Grants
- Interest revenue
- Gain on sale of assets
- De-recognition of carbon tax liability



### Income - 4 year trend

<u>2014/15</u>	<u>2013/14</u>	<u>2012/13</u>	<u>2011/12</u>
\$110.3M	\$101.1M	\$94.8M	\$87.3M

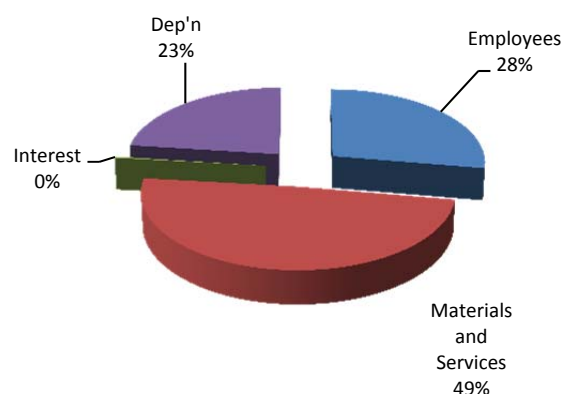
### Expenses

**Budget: \$95.9 million**  
**Result: \$98.6 million**

The result was \$2.7 million higher:

Depreciation (non cash) was higher than budget due to infrastructural assets revaluation.

Other expenses were within budget overall.



### Expenses - 4 year trend

<u>2014/15</u>	<u>2013/14</u>	<u>2012/13</u>	<u>2011/12</u>
\$98.6M	\$92.3M	\$85.2M	\$80.7M

## Financial sustainability indicators

*Each year the Council tracks its performance against 9 key financial sustainability performance measures over a five year period. As outlined below the Council has met or exceeded targets in all but 2 indicators.*

### FINANCIAL SUSTAINABILITY INDICATORS

#### Council Indicators

<b>1</b>	<b>% of Rate Debtors Outstanding</b>	<b>Target</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>
<b>Percentage of Rate Debtors Outstanding</b>	<b>Indicator</b>	<b>&lt;5%</b>	<b>2.2%</b>	<b>1.9%</b>	<b>2.2%</b>	<b>2.5%</b>	<b>2.4%</b>
	This indicator is designed to measure Council's effectiveness in recovering debts legally owed to it.						
<b>2</b>	<b>Debt Servicing Ratio</b>	<b>Target</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>
<b>Debt Servicing Ratio</b>	<b>Indicator</b>	<b>&lt;5%</b>	<b>0.5%</b>	<b>0.5%</b>	<b>0.5%</b>	<b>0.6%</b>	<b>0.6%</b>
	This indicator is designed to show what proportion of revenue is required as a commitment to fund Council's long term capacity to repay loans.						
<b>3</b>	<b>Liquidity Ratio</b>	<b>Target</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>
<b>Liquidity Ratio</b>	<b>Indicator</b>	<b>&gt;1.00:1</b>	<b>1.01:1</b>	<b>1.06:1</b>	<b>1.05:1</b>	<b>1.06:1</b>	<b>1.01:1</b>
	This indicator is designed to measure whether Council has the ability to pay its debts as they fall due and is expressed as a factor of one.						
<b>4</b>	<b>Rates Ratio</b>	<b>Target</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>
<b>Rates Ratio</b>	<b>Indicator</b>	<b>60%-70%</b>	<b>63.2%</b>	<b>64.2%</b>	<b>65.3%</b>	<b>64.3%</b>	<b>63.6%</b>
	This indicator is designed to measure Council's ability to cover its day to day expenses through its own tax/rates revenue.						
<b>5</b>	<b>Operating Surplus</b>	<b>Target</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>
<b>Operating Surplus</b>	<b>Operating Surplus/(Deficit)</b>	<b>Break-even</b>	<b>(\$3.7M)</b>	<b>(\$2.1M)</b>	<b>\$2.1M</b>	<b>(\$0.6M)</b>	<b>(\$5.2M)</b>
	This indicator is designed to provide information on the result of ordinary operations and does not include capital income. Trend analysis may enable Council to determine if the current level of services can be sustained into the future.						
<b>6</b>	<b>Operating Surplus before Depreciation</b>	<b>Target</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>
<b>Operating Surplus before Depreciation</b>	<b>Operating Surplus/(Deficit)</b>	<b>&gt; Break-even</b>	<b>\$18.9M</b>	<b>\$14.3M</b>	<b>\$16.8M</b>	<b>\$13.9M</b>	<b>\$7.4M</b>
	This indicator is designed to provide information on the result of ordinary operations before depreciation, which is a non cash expense. Excluding depreciation gives the amount of operating income over and above operating expenses that is available to fund capital expenditure.						
<b>7</b>	<b>Asset Sustainability Ratio</b>	<b>Target</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>
<b>Asset Sustainability Ratio</b>	<b>Indicator</b>	<b>&gt;50%</b>	<b>31.0%</b>	<b>32.2%</b>	<b>70.2%</b>	<b>36.6%</b>	<b>115.5%</b>
	This indicator is designed to indicate the extent to which Council is renewing its assets. A ratio of 100% or more indicates that Council spends at least the amount of depreciation each year on renewing assets.						
<b>9</b>	<b>% of Annual Expenditure within Budget</b>	<b>Target</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>
<b>% Annual Expenditure within Budget</b>	<b>Indicator</b>	<b>95%-105%</b>	<b>102.8%</b>	<b>103.8%</b>	<b>98.1%</b>	<b>90.8%</b>	<b>104.1%</b>
	This indicator is designed to measure how effective Council's budgeting practices are by measuring how close actual expenditures incurred were to budget.						

## Service results

The following table presents, for each program, actual results (statement of income) against original Municipal budgets:

Services (\$'000) for the year ended 30 June 2015	Actual	Actual	Actual	Budget	\$ Variance	% Variance	Var
	Income	Expenses	Net Result	Net Result	Fav (-Unfav)	Fav (-Unfav)	Note
<b>Chief Executive Officer Section</b>	<b>82</b>	<b>3,816</b>	<b>-3,733</b>	<b>-3,760</b>	<b>26</b>	<b>1%</b>	
Office of the Chief Executive	0	777	-777	-733	-44	-6%	
Climate Change	62	542	-480	-496	16	3%	
Communications & Engagement	0	735	-735	-731	-4	-1%	
Governance	0	1,364	-1,364	-1,463	99	7%	
Strategy & Outcomes	20	398	-377	-336	-41	-12%	
<b>Community &amp; Cultural Serv</b>	<b>2,630</b>	<b>9,432</b>	<b>-6,802</b>	<b>-6,493</b>	<b>-309</b>	<b>-5%</b>	
General Manager Community	22	515	-493	-542	49	9%	
Community Development	27	969	-942	-931	-11	-1%	
Customer Services	47	595	-548	-503	-45	-9%	
Darwin Safer City	0	397	-397	-24	-373	-1532%	1
Family & Children	190	401	-210	-213	3	1%	
Libraries	1,642	3,544	-1,902	-1,901	-1	0%	
Major Community Events	35	501	-466	-515	49	10%	
Recreation & Leisure	638	1,838	-1,201	-1,172	-29	-2%	
Sister Cities	21	175	-154	-175	21	12%	
Youth Services	8	497	-490	-516	27	5%	
<b>Corporate services</b>	<b>71,632</b>	<b>17,672</b>	<b>53,960</b>	<b>52,572</b>	<b>1,388</b>	<b>-3%</b>	
General Manager Corporate	4	491	-488	-490	2	0%	
Business Services	0	249	-249	-253	5	2%	
Contract Administration	0	243	-243	-259	16	6%	
Darwin Entertainment Centre	580	1,413	-833	-876	44	5%	
Employee Overheads (net)	36	-206	242	-211	453	214%	2
Employee Relations	165	1,522	-1,357	-1,597	240	15%	
Finance Management	61,270	3,056	58,213	57,248	965	-2%	
Fleet Management (net of internal charges/hire)	52	-1,844	1,896	1,825	71	-4%	
Information Technology	61	2,669	-2,609	-2,718	109	4%	
On & Off Street Parking	5,061	4,394	667	986	-320	32%	3
Property Management	1,398	42	1,356	1,325	31	-2%	
Records & Information Management	0	572	-572	-615	43	7%	
Regulatory & Animal Management	3,005	4,083	-1,078	-688	-390	-57%	4
Risk Management	0	987	-987	-1,106	119	11%	5
<b>Infrastructure</b>	<b>20,465</b>	<b>49,767</b>	<b>-29,301</b>	<b>-30,514</b>	<b>1,212</b>	<b>4%</b>	
General Manager Infrastructure	0	566	-566	-554	-12	-2%	
Asset Management	0	421	-421	-511	90	18%	6
Design, Planning & Projects	57	1,822	-1,765	-1,861	96	5%	
Operations	101	798	-698	-837	139	17%	7
Building Services	0	4,156	-4,156	-4,172	16	0%	
Mosquito Control	138	93	45	-54	100	184%	8
Parks & Reserves	236	14,690	-14,453	-14,495	42	0%	
Pathways	0	897	-897	-876	-21	-2%	
Roads Maintenance	1,847	6,717	-4,869	-6,246	1,376	22%	9
Stormwater Drainage	0	650	-650	-611	-40	-7%	
Street Cleaning	0	3,011	-3,011	-2,809	-203	-7%	
Waste Management	17,412	15,523	1,889	2,309	-420	18%	10
Development	675	424	251	202	49	-24%	
<b>Corporate overheads charged to other accounts</b>	<b>0</b>	<b>-4,781</b>	<b>4,781</b>	<b>4,781</b>	<b>0</b>	<b>0%</b>	
<b>Other</b>	<b>15,528</b>	<b>22,647</b>	<b>-7,119</b>	<b>-14,867</b>	<b>7,748</b>	<b>52%</b>	
Grants & Contributions for Capital Purposes	7,880	0	7,880	1,945	5,935	-305%	11
De-recognition of Carbon Tax Liability	6,938	0	6,938	0	6,938	1000%	
Gain on sale assets	710	0	710	0	710	1000%	12
Depreciation	0	22,647	-22,647	-16,812	-5,835	-35%	13
<b>Net Operating Result</b>	<b>110,337</b>	<b>98,551</b>	<b>11,786</b>	<b>1,720</b>			

## Service results (continued)

### Notes on variances (where exceed +/-10% and \$50,000)

1 Darwin Safer City	Additional costs result from Council decision to carry over funds from previous year (2013/14)
2 Employee Overheads (net)	Savings on sick leave, workers compensation, FBT and superannuation expenses.
3 On & Off Street Parking	Revenue achieved was significantly less than budget.
4 Regulatory & Animal Management	Revenue achieved from infringements was significant lower than budget.
5 Risk Management	Savings on insurance premiums and other Risk Management expenses.
6 Asset Management	Employee costs were less than budget
7 Operations Centre	Additional funding from monsoonal trough grant received.
8 Mosquito Control	Favorable variance was due to unspent grants to be expended in following year/s.
9 Roads Maintenance	Trending to savings, recent years.
10 Waste Management	Additional contractor & consultancy expenses at Shoal Bay Waste Disposal.
11 Grants & Contributions for Capital Purposes	Additional capital revenue from developer contributed cash and assets not budgeted.
12 Gain on sale assets	Gain on sale of assets including land/road reserves was not budgeted.
13 Depreciation	Additional depreciation expense following revaluation/review of infrastructure assets.

<p><b><u>Capital expenditure</u></b></p> <p><b>Budget: \$19.9 million</b> <b>Result: \$23.1 million</b></p> <p>(excludes developer contributed assets of 3.3 million)</p> <p>While some original projects are still progressing, overall \$3.2 million more than original budget was spent due to:</p> <ul style="list-style-type: none"> <li>- Expenditure on completing projects from previous year (carry forwards).</li> <li>- Additional expenditure on projects resulting from Council decisions during the year such as Shoal Bay Waste Disposal upgrade costs.</li> </ul>	<p><b><i>Notable projects completed during the year include:</i></b></p> <ul style="list-style-type: none"> <li>- <b><i>Lee Point Road upgrade</i></b></li> <li>- <b><i>Stormwater drainage Tiwi/Manbullo</i></b></li> <li>- <b><i>Nightcliff Pool backwash &amp; pump</i></b></li> <li>- <b><i>Jingili Water Gardens Skate Park upgrade</i></b></li> <li>- <b><i>Malak Oval Training Lights</i></b></li> <li>- <b><i>Park furniture refurbishment</i></b></li> <li>- <b><i>Irrigation and water efficiency</i></b></li> <li>- <b><i>Refurbishment of playgrounds</i></b></li> </ul>		
<b><i>Capital expenditure - 4 year trend</i></b>			
<u>2014/15</u>	<u>2013/14</u>	<u>2012/13</u>	<u>2011/12</u>
\$22.5M	\$16.6M	\$19.7M	\$8.1M

<p><b><u>Reserves</u></b></p> <p><b>Legally restricted: \$23.4M</b></p> <p>These reserves are subject to legal restrictions in relation to their use and include developer contributions, car parking shortfall rate, unexpended specific purpose grants and waste charges etc.</p> <p><b>Other Reserves: \$37.6M</b></p> <p>Other reserves support the long term financial plan and asset management. They include funds for Asset Replacement &amp; Refurbishment, Disaster Contingency, Fleet Replacement, On &amp; Off Street Car Parking Strategy and Carbon Tax etc</p>		<p><b><i>Increase on Other Reserves:</i></b></p> <p><b><i>A notable factor in this was the carbon tax repeal resulting in moneys previously held to meet tax liabilities vesting in Council as net income of \$6.9 million.</i></b></p> <p><b><i>This has been transferred to a specific reserve pending utilisation on; refunding carbon tax on domestic waste charges, Shoal Bay Waste facility and works projects with environmental outcomes.</i></b></p>
---	--	---

# ATTACHMENT C

## City of Darwin

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2015

---



## City of Darwin

### General Purpose Financial Statements for the year ended 30 June 2015

<b>Contents</b>	<b>Page</b>
<b>1. Understanding Council's Financial Statements</b>	2
<b>2. Chief Executive Officers Statement</b>	3
<b>3. Primary Financial Statements:</b>	
- Statement of Comprehensive Income	4
- Statement of Financial Position	5
- Statement of Changes in Equity	6
- Statement of Cash Flows	7
<b>4. Notes to the Financial Statements</b>	8
<b>5. Independent Auditor's Report</b>	57

---

#### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for City of Darwin.
- (ii) All figures presented in these financial statements are presented in Australian Currency.
- (iii) These financial statements were authorised for issue by the Council on 10/11/15.

## City of Darwin

### General Purpose Financial Statements for the year ended 30 June 2015

## Understanding Council's Financial Statements

---

### Introduction

Each year, individual Local Governments across the Northern Territory are required to present a set of audited Financial Statements.

### What you will find in the Statements

The Financial Statements and notes to the accounts set out the financial performance, financial position & cash flows of the City of Darwin (Council) for the financial year ended 30 June 2015.

The format of the Financial Statements complies with both the accounting & reporting requirements of Australian Accounting Standards.

### About the Management Certificate

The Financial Statements must be certified by the Chief Executive Officer as "presenting fairly" the Council's financial results for the year, and are required to be adopted by Council - ensuring both responsibility for and ownership of the Financial Statements.

### About the Primary Financial Statements

#### Statement of Comprehensive Income

A summary of Council's financial performance for the year listing all income & expenses.

Other Comprehensive Income records items such as changes in the fair values of Council's Infrastructure, Property, Plant and Equipment.

#### Statement of Financial Position

A snapshot of Council's Financial Position including the Assets and Liabilities as at 30 June.

#### Statement of Changes in Equity

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

#### A Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

### About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the Primary Financial Statements.

### About the Auditor's Reports

Council's Financial Statements are required to be audited under Australian Accounting and Auditing Standards.

The Auditor provides an audit report which gives an opinion on whether the Financial Statements present fairly the Council's financial performance and position.

### Who uses the Financial Statements?

The Financial Statements are publicly available documents and must be presented at a Council meeting after the date of the Audit Report.

In accordance with S17 of the Local Government Regulations the Financial Statements must be presented to the NT Grants Commission and under S199 of the Local Government Act they must be included in Council's Annual Report to be presented to the Minister for Local Government.

### More information...

Management discussion and analysis for the financial year ended 30 June 2015 is provided separately within the City of Darwin Annual Report 2014/15.



## City of Darwin

### General Purpose Financial Statements for the year ended 30 June 2015

### Chief Executive Officer's Statement for the year ended 30 June 2015

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

- (i) The *Local Government Act*, and
- (ii) The Local Government (Accounting) Regulations, and
- (iii) The Australian Accounting Standards and professional pronouncements.

**To the best of my knowledge, information and belief, these Financial Statements**

- (i) Are in accord with Council's accounting and other records, and
- (ii) Have been properly drawn up in accordance with the applicable Accounting Standards, the Act and the Regulations so as to present fairly the financial position of the Council and the results for the financial year

---

Brendan Dowd

**CHIEF EXECUTIVE OFFICER  
30-October-2015**

## City of Darwin

## Statement of Comprehensive Income

for the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
<b>Income from Continuing Operations</b>			
<b>Revenue</b>			
<b>Recurrent Revenue</b>			
Rates, Levies and Charges	3a	62,294	59,293
Fees and Charges	3b	20,994	20,957
Rental Income	3c	1,261	1,213
Interest and Investment Revenue	3d	2,955	2,921
Other Income	3e	1,080	902
Grants, Subsidies, Contributions and Donations	4a	6,225	4,887
<b>Total Recurrent Revenue</b>		<b>94,809</b>	<b>90,173</b>
<b>Capital Revenue</b>			
Grants, Subsidies, Contributions and Donations	4b	7,880	10,954
<b>Total Revenue</b>		<b>102,689</b>	<b>101,127</b>
Gain on Disposal of Assets	5	710	-
Gain on Carbon Tax Liability Repeal	34	6,938	-
<b>Total Income (Continuing Operations)</b>		<b>110,337</b>	<b>101,127</b>
<b>Expenses from Continuing Operations</b>			
<b>Recurrent Expenses</b>			
Employee Benefits	6	27,252	26,749
Materials and Services	7	48,398	48,215
Finance Costs	8	255	268
Depreciation and Amortisation	9	22,646	16,446
<b>Total Recurrent Expenses</b>		<b>98,551</b>	<b>91,678</b>
Loss on Disposal of Assets	5	-	621
<b>Total Expenses (Continuing Operations)</b>		<b>98,551</b>	<b>92,299</b>
<b>Operating Result (Continuing Operations)</b>		<b>11,786</b>	<b>8,828</b>
<b>Net Operating Result</b>		<b>11,786</b>	<b>8,828</b>
<b>Other Comprehensive Income</b>			
<b>Amounts which will not be reclassified subsequently to the Net Result</b>			
Gain/(Loss) on Revaluation & Impairment of PP&E	20	-	192,399
<b>Total Other Comprehensive Income</b>		<b>-</b>	<b>192,399</b>
<b>Total Comprehensive Income</b>		<b>11,786</b>	<b>201,227</b>

## City of Darwin

## Statement of Financial Position

as at 30 June 2015

	Notes	2015 \$'000	2014 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	10	3,995	2,366
Investments	10	70,190	67,278
Trade and Other Receivables	11	7,110	7,187
Inventories	12	116	121
Assets Held for Sale	13	-	340
<b>Total Current Assets</b>		<b>81,411</b>	<b>77,292</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	14	1,146,998	1,144,231
<b>Total Non-Current Assets</b>		<b>1,146,998</b>	<b>1,144,231</b>
<b>TOTAL ASSETS</b>		<b>1,228,409</b>	<b>1,221,523</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	16	12,514	10,386
Borrowings	17	211	199
Provisions	18	6,506	6,345
Other Liabilities	19	-	7,138
<b>Total Current Liabilities</b>		<b>19,231</b>	<b>24,068</b>
<b>Non-Current Liabilities</b>			
Borrowings	17	3,513	3,724
Provisions	18	676	528
<b>Total Non-Current Liabilities</b>		<b>4,189</b>	<b>4,252</b>
<b>TOTAL LIABILITIES</b>		<b>23,420</b>	<b>28,320</b>
<b>Net Community Assets</b>		<b>1,204,989</b>	<b>1,193,203</b>
<b>COMMUNITY EQUITY</b>			
Asset Revaluation Reserve	20	823,978	823,978
Retained Surplus/(Deficiency)	21	320,058	320,045
Reserves	23	60,953	49,180
<b>Total Community Equity</b>		<b>1,204,989</b>	<b>1,193,203</b>

## City of Darwin

Statement of Changes in Equity  
for the year ended 30 June 2015

	Asset			
	Revaluation	Retained	Other	Total
Notes	Reserve	Surplus	Reserves	Equity
	\$'000	\$'000	\$'000	\$'000
<b>2015</b>				
<b>Opening Balance (as per Last Year's Audited Accounts)</b>	<b>823,978</b>	<b>320,045</b>	<b>49,180</b>	<b>1,193,203</b>
<b>a. Net Operating Surplus for the Year</b>	-	11,786	-	11,786
<b>Total Comprehensive Income</b>	<b>-</b>	<b>11,786</b>	<b>-</b>	<b>11,786</b>
<b>b. Transfers between Equity</b>	-	(11,773)	11,773	-
<b>Equity Balance as at 30 June, 2015</b>	<b>823,978</b>	<b>320,058</b>	<b>60,953</b>	<b>1,204,989</b>
<b>2014</b>				
<b>Opening Balance (as per Last Year's Audited Accounts)</b>	<b>631,579</b>	<b>314,730</b>	<b>45,667</b>	<b>991,976</b>
<b>a. Net Operating Surplus for the Year</b>	-	8,828	-	8,828
<b>b. Other Comprehensive Income</b>				
- Revaluations : Property, Plant and Equip. Asset Revaluation Rsve	20 192,399	-	-	192,399
<b>Total Comprehensive Income</b>	<b>192,399</b>	<b>8,828</b>	<b>-</b>	<b>201,227</b>
<b>c. Transfers between Equity</b>	-	(3,513)	3,513	-
<b>Equity Balance as at 30 June, 2014</b>	<b>823,978</b>	<b>320,045</b>	<b>49,180</b>	<b>1,193,203</b>

## City of Darwin

## Statement of Cash Flows

for the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
<b>Cash Flows from Operating Activities</b>			
Receipts from Customers		85,537	85,834
Payments to Suppliers and Employees		<u>(79,708)</u>	<u>(80,578)</u>
		5,829	5,256
<b>Receipts:</b>			
Investment and Interest Revenue Received		3,017	2,950
Rental Income		1,387	1,317
Grants and Contributions		10,984	11,404
Other		4,868	3,455
<b>Payments:</b>			
Borrowing Costs		(256)	(269)
Other		(42)	(26)
<b>Net Cash - Operating Activities</b>	29	<u>25,787</u>	<u>24,087</u>
<b>Cash Flows from Investing Activities</b>			
<b>Receipts:</b>			
Sale of Property, Plant and Equipment		1,609	635
<b>Payments:</b>			
Purchase of Investment Securities		(2,912)	(13,432)
Purchase of Property, Plant and Equipment		(22,656)	(16,607)
<b>Net Cash - Investing Activities</b>		<u>(23,959)</u>	<u>(29,404)</u>
<b>Cash Flows from Financing Activities</b>			
<b>Receipts:</b>			
Nil			
<b>Payments:</b>			
Repayment of Borrowings and Advances		(199)	(187)
<b>Net Cash Flow - Financing Activities</b>		<u>(199)</u>	<u>(187)</u>
<b>Net Increase/(Decrease) for the year</b>		<u>1,629</u>	<u>(5,504)</u>
plus: <b>Cash and Cash Equivalents - beginning</b>		2,366	7,870
<b>Cash and Cash Equivalents - closing</b>	10	<u>3,995</u>	<u>2,366</u>
Additional Information:			
plus: <b>Investments on hand - end of year</b>	10	70,190	67,278
<b>Total Cash, Cash Equivalents and Investments</b>		<u>74,185</u>	<u>69,644</u>

## City of Darwin

## Notes to the Financial Statements

for the year ended 30 June 2015

## Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	9
2(a)	Council Functions - Component Descriptions	22
2(b)	Council Functions - Analysis of Results by Function	23
3	Revenue Analysis	24
4	Grants, Subsidies, Contributions and Donations	25
5	Gain/(Loss) on Disposal of Assets	27
6	Employee Benefits	28
7	Materials and Services	29
8	Finance Costs	30
9	Depreciation and Amortisation	30
10	Cash, Cash Equivalents and Investments	31
11	Trade and Other Receivables	33
12	Inventories	33
13	Non-Current Assets Classified as "Held for Sale"	34
14	Property, Plant & Equipment	35
15	Fair Value Measurements	38
16	Trade and Other Payables	40
17	Borrowings	40
18	Provisions	41
19	Other Liabilities	42
20	Asset Revaluation Reserve	42
21	Retained Surplus	43
22	Adjustments to Opening Balance of Retained Earnings	43 n/a
23	Reserves	44
24	Commitments for Expenditure	45
25	Contingent Liabilities	46
26	Superannuation	47
27	Operating Lease Income	47
28	Trust Funds	48
29	Reconciliation of Net Operating Surplus for the year to Net Cash Inflow (Outflow) from Operating Activities	49
30	Correction of Error	49 n/a
31	Changes in Accounting Policy	49 n/a
32	Events Occurring After Balance Sheet Date	49
33	Financial Instruments	50
34	Gain Carbon Tax Liability Repeal	55
 <b>Additional Disclosures</b>		
35	Council Information and Contact Details	56

n/a - not applicable

## City of Darwin

### Notes to the Financial Statements

for the year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by the City of Darwin (Council) in the preparation of these financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity.

##### (1.a) Basis of preparation

These general purpose financial statements for the period 1 July 2014 to 30 June 2015 have been prepared in accordance with Australian Accounting Standards. They also comply with the requirements of the Local Government Act and Regulations.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain non-current assets.

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

##### (1.b) Constitution

The Council is a body corporate of the Northern Territory, Australia, being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act of the Northern Territory.

##### (1.c) Date of Authorisation

The financial statements were authorised for issue on the date they were laid before Council.

##### (1.d) Currency

The Council uses the Australian dollar as its functional currency and its presentation currency.

##### (1.e) Critical accounting judgements and key sources of estimation uncertainty

In the application of Council's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and

other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and ongoing assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Judgements, estimates and assumptions that have a potential significant effect are outlined in the following financial statement notes:

- Valuation and depreciation of Property, Plant & Equipment - Note (1.n), Note 14 and Note 15
- Impairment of Non-current Assets – Note (1.o)
- Provisions - Note (1.s) and (1.u) and Note 18
- Contingencies - Note 25.

##### (1.f) Revenue

###### Rates and levies

Rates are recognised at the commencement of rating period. Rates overpaid at the end of reporting period are classified as current liability.

###### Grants and subsidies

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them. An equivalent amount is placed in a reserve until the funds are expended.

Where grants are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled.

###### Non-cash contributions

Non-cash contributions with a value in excess of the recognition thresholds as stated in Note (1.n) are recognised as revenue and as non-current assets. Non-cash contributions below the thresholds are recorded as revenue and expenses.

Physical assets contributed to Council by developers in the form of road works, stormwater and park equipment are recognised as revenue when the development becomes "on maintenance" (i.e. the Council obtains control of the assets and becomes

## City of Darwin

### Notes to the Financial Statements

for the year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies (continued)

liable for any ongoing maintenance) and there is sufficient data in the form of drawings and plans to determine the approximate specifications and values of such assets. All non-cash contributions are recognised at the fair value of the contribution received on the date of acquisition

##### Cash contributions

Developers also pay infrastructure charges for the construction of assets, such as roads and stormwater drainage. These infrastructure charges are not within the scope of AASB Interpretation 18 because there is no performance obligation associated with them. Consequently, the infrastructure charges are recognised as income when received.

##### Rental income

Rental revenue from investment and other property is recognised as income on a periodic straight line basis over the lease term.

##### Interest and dividends

Interest received from term deposits is accrued over the term of the investment. No dividends were received during the reporting period.

##### Sales revenue

Sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, generally when the customer has taken undisputed delivery of the goods.

##### Fees and Charges

Fees and charges are recognised upon unconditional entitlement to the funds. Generally this is upon lodgement of the relevant applications or documents, issuing of the infringement notice or when the service is provided.

#### **(1.g) Financial assets and financial liabilities**

Council recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, Council becomes a party to the contractual provisions of the instrument.

Council has categorised and measured the financial assets and financial liabilities held at balance date as follows:

##### Financial assets

- Cash and cash equivalents (Note 1.h)
- Receivables - measured at amortised cost (Note 1.j)

##### Financial liabilities

- Payables - measured at amortised cost (Note 1.r)
- Borrowings - measured at amortised cost (Note 1.t)

Financial assets and financial liabilities are presented separately from each other and offsetting has not been applied.

The fair value of financial instruments is determined as follows:

The fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximate their carrying amounts and are not disclosed separately.

The fair value of borrowings, as disclosed in Note 17 to the accounts, is determined by reference to published price quotations in an active market and/or by reference to pricing models and valuation techniques. It reflects the value of the debt if the Council repaid it in full at balance date. As it is the intention of the Council to hold its borrowings for their full term, no adjustment provision is made in these accounts.

The fair value of trade receivables approximates the amortised cost less any impairment.

The fair value of payables approximates the amortised cost.

All other disclosures relating to the measurement and financial risk management of financial instruments are included in Note 33.

#### **(1.h) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial



## City of Darwin

### Notes to the Financial Statements

for the year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies (continued)

institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

##### (1.i) Investments and Other Financial Assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- **financial assets at fair value through profit or loss,**
- **loans and receivables,**
- **held-to-maturity investments,** and
- **available-for-sale financial assets.**

Each classification depends on the purpose/intention for which the investment was acquired & at the time it was acquired.

Management determines each Investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

##### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are "held for trading".

A financial asset is classified in the "held for trading" category if it is acquired principally for the purpose of selling in the short term.

Assets in this category are primarily classified as current assets as they are primarily held for trading and are expected to be realised within 12 months of the balance sheet date.

##### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

##### (iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

In contrast to the "Loans & Receivables" classification, these investments are generally quoted in an active market.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

##### (iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Accordingly, this classification can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

##### Financial Assets – Reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a

## City of Darwin

### Notes to the Financial Statements

for the year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies (continued)

single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

#### General Accounting & Measurement of Financial Instruments:

##### (i) Initial Recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at "fair value through profit or loss", directly attributable transactions costs.

Purchases and sales of investments are recognised on trade-date - the date on which the Council commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

##### (ii) Subsequent Measurement

**Available-for-sale financial assets** and **financial assets at fair value through profit and loss** are subsequently carried at fair value.

**Loans and receivables** and **held-to-maturity investments** are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets

classified as "**fair value through profit or loss**" category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as "**available-for-sale**" are recognised in equity in the available-for-sale investments revaluation reserve.

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

#### Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

If there is evidence of impairment for any of Council's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the income statement.

#### (1.j) Receivables

Trade receivables are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase price / contract price. Settlement of these amounts is required within 30 days from invoice date.

The collectability of receivables is assessed periodically and if there is objective evidence that Council will not be able to collect all amounts due, the carrying amount is reduced for impairment. The loss is recognised in finance costs. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the effective interest rate.

All known bad debts are written-off and expensed by 30 June. If an amount is recovered in a subsequent period it is recognised as revenue.

Council is empowered under the provisions of the *Local Government Act* to sell an owner's property to recover outstanding rate debts.

## City of Darwin

### Notes to the Financial Statements

for the year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies (continued)

Loans and advances are recognised in the same way as other receivables.

##### (1.k) Inventories

Stores and raw materials are valued at the lower of cost and net realisable value and include, where applicable, direct material, direct labour and an appropriate portion of variable and fixed overheads. Costs are assigned on the basis of weighted average cost.

Inventories held for distribution are:

- goods to be supplied at no or nominal, charge, and
- goods to be used for the provision of services at no or nominal charge.

These goods are valued at cost, adjusted, when applicable, for any loss of service potential.

Land acquired by Council with the intention of reselling it (with or without further development) is classified as inventory. This land is valued at the lower of cost and net realisable value. As an inventory item, this land held for resale is treated as a current asset. Proceeds from the sale of this land will be recognised as sales revenue on the signing of a valid unconditional contract of sale. There is no such land held by Council at balance date.

##### (1.l) Other Financial Assets

Other financial assets are recognised at cost.

##### (1.m) Non-Current Assets held for Sale

Items of property, plant and equipment are reclassified as non-current assets held for sale when the carrying amount of these assets will be recovered principally through a sales transaction rather than continuing use. Non-current assets classified as held for sale are available for immediate sale in their present condition and management believe the sale is highly probable. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell. On the eventual sale of these assets a gain or loss is recognised.

##### (1.n) Property, Plant & Equipment

Each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated

impairment loss. Items of infrastructure, property plant and equipment with a total value of less than \$5,000, are treated as an expense in the year of acquisition. All other items of infrastructure, property, plant and equipment are capitalised.

The classes and useful lives of property, plant and equipment recognised by the Council are:

##### Plant & Equipment

- Plant & Machinery	2 to 20 years
- Other Equipment	5 to 50 years
- Computer Equipment	2 to 15 years

##### Other Assets

- Street & Park Furniture/Equipment	5 to 50 years
- Other Structures	3 to 100 years
- Office Furniture	5 to 20 years

##### Buildings

- Buildings : Car Park Facilities	50 years
- Buildings : Other	15 to 60 years
- Other Structures\Swimming Pools	50 to 75 years

##### Stormwater Drainage

- Pipes & Pits	80 years
- Open Lined Drains	60 years
- Subsoil Drainage	80 years

##### Roads & Pathways

- Sealed Roads - Formation	Infinite
- Sealed Roads - Pavement	86 years
- Sealed Roads - Surface	15 to 25 years
- Kerb & Channels	80 years
- Roundabouts	50 years
- Driveways	15 to 50 years
- Pathways	20 to 50 years

##### Other Infrastructure Assets

- Traffic Signals	35 years
- Car Parks - Formation	120 years
- Car Parks - Pavement	86 years
- Car Parks - Surface	18 to 50 years
- Shoal Bay Waste Facility	30 years

##### Acquisition of assets

Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including freight in, architect's fees and

## City of Darwin

### Notes to the Financial Statements

for the year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies (continued)

engineering design fees and all other establishment costs.

Property, plant and equipment received in the form of contributions, are recognised as assets and revenues at fair value by Council's valuation where that value exceeds the recognition thresholds for the respective asset class. Fair value is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

##### Capital and operating expenditure

Wage and materials expenditure incurred for the acquisition or construction of assets are treated as capital expenditure. Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity of the non-current asset is expensed as incurred, while expenditure that relates to replacement of a major component of an asset to maintain its service potential is capitalised.

##### Valuation

Land and improvements, land under roads, buildings, major plant and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB 116 Property, Plant & Equipment. Other plant and equipment and work in progress are measured at cost.

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 3 years. An exception is the valuation of land under roads which is carried out internally.

Any revaluation increment arising on the revaluation of an asset is credited to the appropriate class of the asset revaluation reserve, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense to the extent it exceeds the balance, if any, in the revaluation reserve of that asset class.

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying

amount of the asset and any change in the estimate of remaining useful life.

Separately identified components of assets are measured on the same basis as the assets to which they relate.

Details of valuers and methods of valuations are disclosed in Note 14.

##### Capital work in progress

The cost of property, plant and equipment being constructed by the Council includes the cost of purchased services, materials, direct labour and an appropriate proportion of labour overheads.

##### Depreciation

Land is not depreciated as it has an unlimited useful life. Depreciation on other property, plant and equipment assets is calculated on a straight-line basis so as to write-off the net cost or revalued amount of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the Council. Management believe that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and commissioned ready for use.

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate. Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to the Council.

Major spares purchased specifically for particular assets that are above the asset recognition threshold are capitalised and depreciated on the same basis as the asset to which they relate.

The depreciable amount of improvements to or on leasehold land is allocated progressively over the estimated useful lives of the improvements to the Council or the unexpired period of the lease, whichever is the shorter.

## City of Darwin

### Notes to the Financial Statements

for the year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies (continued)

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. The condition assessments performed as part of the annual valuation process for assets measured at depreciated current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown in Note 1.n.

##### Land under roads

Initially all land under roads/road reserves is recognised at cost and subsequently at fair value.

#### **(1.o) Impairment of Non-Current Assets**

Each non-current physical and intangible asset and group of assets is assessed for indicators of impairment annually. If an indicator of possible impairment exists, the Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

An impairment loss is recognised as an expense in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation surplus increase.

#### **(1.p) Leases**

Leases of plant and equipment under which the Council as lessee/lessor assumes/transfers substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are classified as finance leases. Other leases, where substantially all the risks and benefits remain with the lessor, are classified as operating leases.

##### Operating leases

Payments made under operating leases are expensed in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

#### **(1.q) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations**

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either **(i)** their carrying amount and **(ii)** fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as Non-Current Assets "held for sale", an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets classified as "held for sale" are presented separately from the other assets in the balance sheet.

A Discontinued Operation is a component of the entity that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

## City of Darwin

### Notes to the Financial Statements

for the year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies (continued)

The results of discontinued operations are presented separately on the face of the income statement.

##### **(1.r) Payables**

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price net of applicable discounts other than contingent discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

##### **(1.s) Liabilities - Employee Benefits**

Liabilities are recognised for employee benefits such as wages and salaries, annual leave and long service leave in respect of services provided by the employees up to the reporting date. Liabilities for employee benefits are assessed at each reporting date.

##### Annual Leave and Long Service Leave

Where employees have an unconditional entitlement the liability is treated as a current liability. Otherwise the liability is treated as non-current and reliable estimates of probabilities of it becoming unconditional are applied.

They are measured at the amounts expected to be paid when the liabilities are settled, including related on-costs. Employee benefits expected to be settled later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Non-current amounts are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values.

The interest rates attaching to Commonwealth Government guaranteed securities at the reporting dates are used to discount the estimated future cash outflows to their present value.

##### Salaries and wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is reported in Note 16 as a payable.

##### Sick leave

Liabilities for non vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no liability has been recognised in these reports.

##### Superannuation

The superannuation expense for the reporting period is the amount of the contribution the Council makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 26.

##### **(1.t) Borrowings and Borrowing Costs**

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at amortised cost.

All borrowing costs are expensed in the period in which they are incurred. No borrowing costs are capitalised on qualifying assets.

##### **(1.u) Provisions**

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure

## City of Darwin

### Notes to the Financial Statements

for the year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies (continued)

required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

#### (1.v) Asset Revaluation Reserve

The asset revaluation surplus comprises adjustments relating to changes in value of property, plant and equipment that do not result from the use of those assets. Net incremental changes in the carrying value of classes of non-current assets since their initial recognition are accumulated in the asset revaluation reserve.

Increases and decreases on revaluation are offset within a class of assets.

Where a class of assets is decreased on revaluation, that decrease is offset first against the amount remaining in the asset revaluation reserve in respect of that class. Any excess is treated as an expense.

When an asset is disposed of, the amount reported in the asset revaluation reserve in respect of that asset is retained in the asset revaluation reserve and not transferred to retained surplus.

#### (1.w) Retained Surplus

This represents the amount of Council's net funds not set aside in reserves to meet specific future needs.

#### (1.x) Reserves

##### Restricted Reserves

Restricted reserves are identified under legislation and/or other legal agreements. The use of these reserves must comply with legal requirements.

##### Car Parking Shortfall – Developer Contributions

These reserves hold contributions from property developers to be used to fund future car parking infrastructure in line with the developer contribution plan.

##### Car Parking Shortfall – Rate Levy Income

This reserve holds income generated from parking special rates to be used for the provision, operation and maintenance of land, facilities and improvements for or in connection with the parking of vehicles in the central business district.

##### Darwin Entertainment Centre Air Conditioning Replacement

This reserve holds funds to be used for the future replacement or upgrade of the air conditioning system.

##### Highway/Commercial Carparking Shortfall

These reserves hold contributions from developers to be used to fund car parking spaces in defined areas outside the central business district.

##### Other Carparking Shortfall

These reserves hold contributions from developers to be used to fund car parking spaces.

##### Market Site Development

This reserve holds lease income from Mindil, Nightcliff and Parap markets to provide for future upgrades of market sites.

##### Developer Contributions

These reserves hold contributions from developers to be used to fund future road and stormwater drainage construction.

##### Waste Management

This reserve holds funds to be used for the future development and rehabilitation of the Shoal Bay Waste Disposal site or alternative waste disposal methods.

##### Special Purpose Unexpended Grants

This reserve holds unspent grants and contributions received subject to specific expenditure requirements. The funds are held in reserve until expended in accordance with the grant or contribution conditions.

##### **All Other Reserves**

All other reserves are generally identified by Council resolution or operational requirements for funds set aside for the future replacement or renewal of major assets or for unanticipated major expenditure such as a natural disaster. These reserves are not subject to external legal restrictions and if required, can be utilised by the Council for other purposes.

## City of Darwin

### Notes to the Financial Statements

for the year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies (continued)

##### Asset Replacement & Refurbishment

This reserve holds funds for the future rehabilitation of major assets and the allocation and utilisation of surplus funds in accordance with Council policy no. 66.

##### Carbon Tax

This reserve holds funds collected prior to the repeal of the carbon tax and are no longer required to meet tax liabilities. The funds are held in reserve until expended in accordance with Council Decision 21\3566; details of the Decision are in Note 32.

##### Carry Forward Works

This reserve holds funds relating to projects that have not been completed in the current financial year but have been identified to be completed in a future period.

##### Coastal Foreshore Management

This reserve holds funds to be used for projects relating to coastal foreshore management.

##### Darwin General Cemetery

This reserve holds funds to be used for projects relating to the cemetery.

##### Darwin Entertainment Centre Asset Replacement & Refurbishment

This reserve holds funds to pay for the future replacement or upgrade of assets at the centre.

##### Disaster Contingency

This reserve holds funds to provide for possible insurance and other expenses associated with responding to a natural disaster as well as designated disaster response and recovery projects.

##### Election Expense

This reserve holds funds to provide for the costs associated with holding the next Council election.

##### Environmental

This reserve holds funds for future environmental projects relating to Council's Environmental Management Plan and other associated plans.

##### IT Strategy

This reserve has been created for staged computer replacements and upgrades and other associated IT strategic programs.

##### Nightcliff Community Hall

This reserve holds lease income from Nightcliff Community Hall to provide for future upgrades of the facility.

##### Off & On Street Parking

This reserve holds funds from on and off street car parking operations to provide for future development of car parking.

##### Plant & Vehicle Replacement

This reserve holds funds to meet the cost of replacement of plant and vehicles.

##### Public Art

This reserve holds funds to provide for future public art projects.

##### Purchase of Land

This reserve holds funds to fund planned projects.

##### Sale of Land

This reserve holds funds from the sale of road reserve and will be used to fund planned projects.

##### Street Lighting

This reserve has been created to transition the expected introduction of a street lighting capital/depreciation charge by NT Government.

##### Watering

This reserve holds funds to provide for future costs associated with irrigating Council's parks and gardens and water efficiency projects.

#### **(1.y) Carbon Tax Liability**

A provision for carbon tax relating to Council's land fill/waste services was recognised at the 30 June 2014. The carbon tax repeal legislation came into effect on the 1 July 2014. As a result no new carbon tax liability was incurred from 1 July 2014 and Council derecognised the provision in the Balance Sheet reported in Note 19.

The net gain of the de-recognition at 30 June 2015 is \$6.9M – detailed in Note 34 and itemised in the Statement of Comprehensive Income as a Net Gain after Operating Result.

The funds were transferred to the specific purpose Carbon Tax reserve to be used in accordance with Australian Government guidelines and Council decision. On the 28 July 2015 Council resolved to utilise the funds as disclosed in Note 32.



## City of Darwin

### Notes to the Financial Statements

for the year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (1.z) Rounding and Comparatives

Amounts included in the financial statements have been rounded to the nearest \$1,000 unless otherwise indicated.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

##### (1.aa) Trust funds held for outside parties

Funds held in the trust account on behalf of outside parties can include funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies (e.g. wages) paid into the trust account by the Council. The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements.

The monies are disclosed in the notes to the financial statements for information purposes only in Note 28.

##### (1.ab) Taxation

Income of local authorities and public authorities is exempt from Commonwealth taxation except for Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). The net amount of GST recoverable from the ATO or payable to the ATO is shown as an asset or liability respectively.

##### (1.ac) Adoption of New and Revised Accounting Standards

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new suite of consolidation standards resulted in some material changes to Council's accounting policies. These standards comprised AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 127 (revised 2011) Separate Financial Statements and AASB 128 (revised 2011)

Investments in Associates and Joint Ventures. The impact of these standards is summarised below:

AASB 11 Joint Arrangements replaced AASB 131 Interests in Joint Ventures for the 2014-15 financial year. AASB 11 specifies how a joint arrangement, where two or more parties have control, should be accounted for. Under AASB 11 joint arrangements are classified as either joint operations or joint ventures and this, in turn, determines the accounting treatment. This classification is based on the rights and obligations of the parties and, when relevant, other facts and circumstances. Previously, AASB 131 classified joint arrangements based primarily on legal form. Under that standard there were three types of joint arrangements - jointly controlled entities, jointly controlled operations and jointly controlled assets.

The Council does not have any joint arrangements.

Previous financial statements have consolidated the assets and liabilities of the Darwin Entertainment Centre at cost to form the economic entity referred to as the consolidated entity.

In these financial statements Council has elected to adopt the new AASB 10 early, eliminating the requirement for consolidation (as the Council does not have exposure, or rights to variable returns from its involvement with the Darwin Entertainment Centre it is not considered to have control under the new AASB 10).

AASB 12 is a new disclosure standard applicable to interests in subsidiaries, joint ventures, associates and unconsolidated structured entities. In general applying this standard has resulted in greater disclosure.

Excluding AASB 10, Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective. Council applies standards and interpretations in accordance with their respective commencement dates.

AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, is effective for reporting periods beginning on or after 1 January 2018 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four current categories of

## City of Darwin

### Notes to the Financial Statements

for the year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies (continued)

financial assets stipulated in AASB 139 will be replaced with two measurement categories: fair value and amortised cost and financial assets will only be able to be measured at amortised cost where very specific conditions are met.

As a result, Council is required to measure its financial assets, at fair value. There will be no material financial impact on the financial statements.

Due to its recent release, Council is still reviewing the way that revenue is measured and recognised to identify whether AASB 15 Revenue from Contracts with Customers will have a material impact. To date no impact has been identified.

From 1 July 2016 AASB 124 Related Party Disclosures will apply to Council. This means that Council will disclose more information about related parties and transactions with those related parties. Council is currently preparing for this change by identifying related parties. Related parties will include the Mayor, councillors and some council staff. In addition the close family members of those people and any organisations that they control or are associated with will be classified as related parties.

The amended Australian Accounting Standards and Interpretations which were issued at the date of authorisation of the financial report, but have future commencement dates are not likely to have a material impact on the financial statements.

##### Effective for periods commencing 1 January 2015:

- AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* [Operative dates: Part A Conceptual Framework – 20 Dec 2013; Part B Materiality – 1 Jan 2014; Part C Financial Instruments – 1 Jan 2015]
- AASB 2014-8 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2014). Application of AASB 9 (December 2009) and AASB 9 (December 2010).

##### Effective for periods commencing 1 July 2015:

- AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*

##### Effective for periods commencing 1 January 2016:

- AASB 2014-1 *Amendments to Australian Accounting Standards*
- AASB 2014-3 *Amendments to Australian Accounting Standards-Accounting for Acquisitions of Interests in Joint Operations*
- AASB 2014-4 *Amendments to Australian Accounting Standards-Clarification of Acceptable Methods of Depreciation and Amortisation*
- AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements* [AASB 1, 127 & 128]
- AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [AASB 10 & AASB 128]
- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle* [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* [AASB 7, AASB 101, AASB 134 & AASB 1049]
- AASB 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception* [AASB 10, AASB 12 & AASB 128]

##### Effective for periods commencing 1 July 2016:

- AASB 124 *Related Parties*

##### Effective for periods commencing 1 January 2017:

- AASB 15 *Revenue from Contracts with Customers*
- AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*

##### Effective for periods commencing 1 January 2018:

- AASB 9 *Financial Instruments* (December 2009)

## City of Darwin

### Notes to the Financial Statements

for the year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies (continued)

---

- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010).
- AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2014).

## City of Darwin

### Notes to the Financial Statements

for the year ended 30 June 2015

#### Note 2(a). Council Functions - Component Descriptions

---

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

##### **GOVERNANCE**

Costs relating to the Council's role as a component of democratic government, including elections, members fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance, together with related administration costs.

##### **ADMINISTRATION**

Costs not otherwise attributed to other functions / activities.

##### **PUBLIC ORDER AND SAFETY**

Animal control, enforcement of local government regulations and emergency services.

##### **HEALTH**

Administration and inspection, food control, insect/vermin control, noxious plants other.

##### **ENVIRONMENT**

Programs and activities that promote and advocate for the preservation and best practice management of the natural environment.

##### **COMMUNITY SERVICES AND EDUCATION**

Administration, family day care, child care, youth services, other family and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

##### **HOUSING AND COMMUNITY AMENITIES**

Housing, town planning, domestic waste management services, other waste management services, street cleaning, other sanitation and garbage, urban stormwater drainage, environmental protection, public cemeteries, public conveniences, other community amenities.

##### **RECREATION AND CULTURE**

Public libraries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

##### **TRANSPORT AND COMMUNICATOIN**

Urban roads, bridges, footpaths, parking areas, street lighting, other.

##### **ECONOMIC AFFAIRS**

Tourism and area promotion, industrial development promotion, other business undertakings.

## City of Darwin

Notes to the Financial Statements  
for the year ended 30 June 2015

## Note 2(b). Analysis of Results by Function

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(a).												
	Income from Continuing Operations \$000's			Expenses from Continuing Operations \$000's			Operating Result from Continuing Operations \$000's			Grants included in Income from Continuing Operations \$000's		Total Assets held (Current & Non-current) \$000's	
	Budget 2015	Actual 2015	Actual 2014	Budget 2015	Actual 2015	Actual 2014	Budget 2015	Actual 2015	Actual 2014	Actual 2015	Actual 2014	Actual 2015	Actual 2014
	Governance	15	20	12	2,202	2,194	2,273	(2,187)	(2,174)	(2,261)	-	-	-
Administration	463	1,394	532	11,720	11,267	11,834	(11,257)	(9,873)	(11,302)	33	31	543,282	535,414
Public Order & Safety	3,370	3,106	3,447	4,086	4,206	4,257	(716)	(1,100)	(810)	101	215	819	853
Health	219	219	228	193	93	116	26	126	112	219	228	-	-
Environment	50	62	52	546	542	467	(496)	(480)	(415)	12	1	-	-
Community Services & Education	53	112	133	2,033	2,423	2,276	(1,980)	(2,311)	(2,143)	110	128	-	-
Housing & Community Amenities	20,042	25,323	18,864	25,943	24,574	26,635	(5,901)	749	(7,771)	242	92	176,183	172,262
Recreation & Culture	3,237	3,254	3,586	25,695	26,306	23,318	(22,458)	(23,052)	(19,732)	2,204	2,457	30,157	28,421
Transport & Communication	11,010	16,522	18,453	22,861	26,385	20,615	(11,851)	(9,863)	(2,162)	9,424	11,833	477,968	484,573
Economic Affairs	1,484	1,455	1,411	636	561	509	848	894	902	-	-	-	-
<b>Total Functions &amp; Activities</b>	<b>39,943</b>	<b>51,467</b>	<b>46,718</b>	<b>95,915</b>	<b>98,551</b>	<b>92,300</b>	<b>(55,972)</b>	<b>(47,084)</b>	<b>(45,582)</b>	<b>12,345</b>	<b>14,985</b>	<b>1,228,409</b>	<b>1,221,523</b>
General Purpose Income <sup>1</sup>	57,692	58,870	54,409	-	-	-	57,692	58,870	54,409	1,760	856	-	-
<b>Operating Result from Continuing Operations</b>	<b>97,635</b>	<b>110,337</b>	<b>101,127</b>	<b>95,915</b>	<b>98,551</b>	<b>92,300</b>	<b>1,720</b>	<b>11,786</b>	<b>8,827</b>	<b>14,105</b>	<b>15,841</b>	<b>1,228,409</b>	<b>1,221,523</b>

1. Includes: Rates & Annual Charges (incl. Ex-Gratia), Untied General Purpose Grants & Unrestricted Interest & Investment Income.

2. Includes: Capital income and contributions

## City of Darwin

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 3. Revenue Analysis

	Notes	2015 \$'000	2014 \$'000
<b>(a). Rates, Levies and Charges</b>			
Residential Rates		43,503	40,802
Business Rates		11,593	10,815
Domestic Waste Management		6,188	6,706
Parking - Special Rates		1,010	970
<b>Total rates and utility charge revenue</b>		<b>62,294</b>	<b>59,293</b>
<b><u>TOTAL RATES, LEVIES AND CHARGES</u></b>		<b><u>62,294</u></b>	<b><u>59,293</u></b>
<b>(b). Fees and Charges</b>			
Planning and Building Regulation		169	2
Animal Registration Fees and Fines		650	428
Fines and Penalties - Other		152	183
Licence and Permit Fees		723	708
Parking Fees		5,078	4,756
Parking Fines		2,090	2,470
Cemeteries		53	85
Darwin Entertainment Centre		-	-
Private Works		64	66
Sundry Sales		133	143
Swimming Pool Fees		567	611
Waste Disposal Tipping Fees		11,155	11,373
Other Fees and Charges		160	132
<b><u>TOTAL FEES AND CHARGES</u></b>		<b><u>20,994</u></b>	<b><u>20,957</u></b>
<b>(c). Rental Income</b>			
Property Rental		1,261	1,213
<b><u>TOTAL RENTAL INCOME</u></b>		<b><u>1,261</u></b>	<b><u>1,213</u></b>

## City of Darwin

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 3. Revenue Analysis (continued)

Notes	2015 \$'000	2014 \$'000
<b>(d). Interest and Investment Revenue</b>		
Interest Received from Investments	2,646	2,640
Interest from Overdue Rates and Charges	309	281
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>	<b><u>2,955</u></b>	<b><u>2,921</u></b>

**(e). Other Income**

Insurance and Other Recoupments	159	146
Legal Fees Recovery-Rates and Charges	284	248
Sundry	637	508
<b><u>TOTAL OTHER INCOME</u></b>	<b><u>1,080</u></b>	<b><u>902</u></b>

## Note 4. Grants, Subsidies, Contributions and Donations

**(a) Recurrent**

General Purpose Grants	3,607	1,675
Environmental Protection	12	3
Library	1,549	1,495
Recreation and Culture	-	136
Mosquito Control	138	142
Darwin Entertainment Centre	580	580
NDRRA (National Disaster Recovery)	101	215
Planning	40	447
Other	198	194
<b><u>TOTAL RECURRENT GRANTS, SUBSIDIES, CONTRIBUTIONS AND DONATIONS</u></b>	<b><u>6,225</u></b>	<b><u>4,887</u></b>

**(i) Recurrent Funding Source**

Northern Territory Government Grant Funding	6,083	4,436
Commonwealth Government Grant Funding	118	442
Other Source Grant Funding	24	9
	<b><u>6,225</u></b>	<b><u>4,887</u></b>

## City of Darwin

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 4. Grants, Subsidies, Contributions and Donations (continued)

Notes	2015 \$'000	2014 \$'000
<b>(b) Capital</b>		
Developer Contributions - Other	1,092	5,105
Developer Contributions - Car Parking Shortfall	2,741	2
Developer Contributions - Stormwater	156	109
Heritage & Cultural	20	20
Transport (Other Roads & Bridges Funding)	374	217
Mosquito Control	81	77
Developer Contributed Assets - Infrastructure	301	127
Developer Contributed Assets - Land	3,015	5,025
Recreation Facilities & Other Infrastructure	100	272
<b><u>TOTAL CAPITAL GRANTS, SUBSIDIES, CONTRIBUTIONS AND DONATIONS</u></b>	<b><u>7,880</u></b>	<b><u>10,954</u></b>

**(ii) Capital Funding Source**

Northern Territory Government Grant Funding	574	5,581
Commonwealth Government Grant Funding	1,092	105
Other Source Grant Funding	6,214	5,268
	<b><u>7,880</u></b>	<b><u>10,954</u></b>

**Conditions over Contributions**

Contributions recognised as income during the reporting period and which were obtained on the condition that they be expended in a manner specified by the contributor but had not been expended at the reporting date:

Developer Contributions for Infrastructure	2,898	1,666
Specific Purpose Unexpended Grants	464	408
	<b><u>3,362</u></b>	<b><u>2,074</u></b>

Contributions recognised as income during a previous reporting period that have been spent in the current reporting period:

Developer Contributions Expended on Infrastructure	1,025	2,366
Specific Purpose Grants	741	635
	<b><u>1,766</u></b>	<b><u>3,001</u></b>



## City of Darwin

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 5. Gain/(Loss) on Disposal of Assets

	Notes	2015 \$'000	2014 \$'000
<b>(a) Gain/ (Loss) on disposal of non-current assets</b>			
Proceeds from the Disposal of PP&E		612	421
Less: Book Value of PP&E Disposed	14	<u>(665)</u>	<u>(1,041)</u>
		(53)	(620)
Proceeds from Disposal of Land and Improvements		1,137	-
Less: Book Value of Land Disposed	14	<u>(30)</u>	<u>-</u>
		1,107	-
Proceeds from Other Assets		4	-
Less: Book Value of Other Assets Disposed	14	<u>(209)</u>	<u>-</u>
		(205)	-
Proceeds from Road and Pathways		-	-
Less: Book Value of Roads and Pathways Disposed	14	<u>(41)</u>	<u>-</u>
		(41)	-
<b>Gain/(Loss) on disposal of non-current assets</b>		<u>808</u>	<u>(620)</u>
<b>(b) Assets Held for Sale</b>			
Proceeds from the Disposal		242	214
Less: Book Value of Assets Disposed		<u>(340)</u>	<u>(215)</u>
	13	(98)	(1)
<b><u>TOTAL GAIN/(LOSS) DISPOSAL OF ASSETS</u></b>		<u>710</u>	<u>(621)</u>

## City of Darwin

Notes to the Financial Statements  
for the year ended 30 June 2015

## Note 6. Employee Benefits

	Notes	2015 \$'000	2014 \$'000
Wages and Salaries		24,411	23,963
Superannuation	26	2,355	2,296
Workers Compensation Insurance		516	508
Fringe Benefits Tax (FBT)		177	217
		<u>27,459</u>	<u>26,984</u>
Other Employee Related Expenses		79	47
		<u>27,538</u>	<u>27,031</u>
Less: Capitalised Employee Expenses		(286)	(282)
<b><u>TOTAL EMPLOYEE BENEFITS</u></b>		<u><u>27,252</u></u>	<u><u>26,749</u></u>

**Additional information:**

Total Employees at year end:

Administration Staff	206	187
Depot and Outdoors Staff	111	108
<b>Total full time equivalent employees</b>	<u>317</u>	<u>295</u>
<b>Total Elected members</b>	<u>13</u>	<u>13</u>

## City of Darwin

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 7. Materials and Services

	Notes	2015 \$'000	2014 \$'000
Advertising and Marketing		276	300
Audit Services - Financial Statements		46	73
Audit Services - Other		56	82
Bad and Doubtful Debts		830	497
Bank Charges		295	293
Carbon Tax		-	3,745
Contractor and Consultancy Costs		22,605	21,506
Councillor Expenses - Elected Members' Allowances		627	622
Darwin Entertainment Centre		1,221	1,160
Donations, Contributions and Assistance		734	484
Fuel and Registration		608	705
Insurance		773	786
Legal Expenses		513	428
Postage		102	87
Power		2,471	2,531
Printing and Stationery		379	471
Professional Services		1,303	2,178
Raw Materials and Consumables		10,480	8,184
Operating Leases		86	79
Subscriptions and Registrations		200	202
Telephone and Communications		594	648
Travel and Training		502	306
Water and Effluent		3,525	2,658
Other Materials & Services		172	190
<b><u>TOTAL MATERIALS AND SERVICES</u></b>		<b><u>48,398</u></b>	<b><u>48,215</u></b>

## City of Darwin

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 8. Finance Costs

	Notes	2015 \$'000	2014 \$'000
Interest on Loans		255	268
<b><u>TOTAL FINANCE COSTS</u></b>		<b><u>255</u></b>	<b><u>268</u></b>

## Note 9. Depreciation and Amortisation

## Depreciation/Amortisation of Non Current Assets

Buildings		2,363	2,314
Plant and Equipment		1,792	1,657
Roads & Pathways		10,122	6,690
Stormwater Drainage		4,037	3,943
Other Infrastructure Assets		704	216
Other		3,628	1,626
<b><u>Total Depreciation of Non Current Assets</u></b>	14	<b><u>22,646</u></b>	<b><u>16,446</u></b>
<b><u>TOTAL DEPRECIATION AND AMORTISATION</u></b>		<b><u>22,646</u></b>	<b><u>16,446</u></b>

## City of Darwin

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 10. Cash, Cash Equivalents and Investments

Notes	2015 \$'000	2014 \$'000
<b>Cash and Cash Equivalents</b>		
Cash at Bank and on Hand	3,995	2,366
<b>Total Cash and Cash Equivalents</b>	<b>3,995</b>	<b>2,366</b>
For the purpose of the Statement of Cash Flows, Cash and Cash Equivalents comprise the following:		
<b>Investment Securities - Current</b>		
Term Deposits <sup>1</sup>	70,190	67,278
<b>Total Current Investment Securities</b>	<b>70,190</b>	<b>67,278</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>74,185</b>	<b>69,644</b>

<sup>1</sup> Those Investments where time to maturity (from date of purchase) is > 3 mths.

**Restricted Cash, Cash Equivalents and Investments**

Council's Cash and Cash Equivalents are subject to a number of Internal and External Restrictions that limit amounts available for discretionary of future use. These include:

Externally imposed Expenditure Restrictions at the reporting date relate to the following cash assets:

Unspent Government Grants and Subsidies	922	1,200
Unspent Developer Contributions	12,774	10,903
Other Cash Backed Reserves	47,257	37,077
<b>Total External Restrictions</b>	<b>60,953</b>	<b>49,180</b>
<b>Total Unspent Restricted Cash, Cash Equivalents and Investments</b>	<b>60,953</b>	<b>49,180</b>

Cash at bank is held in the Commonwealth Bank in normal business cheque accounts. The bank currently has a short term credit rating of A1+ and long term rating of AA-.

## City of Darwin

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 10. Cash, Cash Equivalents and Investments (continued)

	Notes	2015 \$'000	2014 \$'000
<b>Cash, Cash Equivalents and Investments were classified at year end in accordance with AASB 139 as follows:</b>			
<b>Cash and Cash Equivalents</b>			
a. "Cash & Cash Equivalents"		3,995	2,366
<b>Investments</b>			
b. "Held to Maturity"		70,190	67,278
<b>Note 10(i)</b>			
<b>Reconciliation of Investments classified as "Held to Maturity"</b>			
Balance at the Beginning of the Year		67,278	53,846
Net Additions		2,912	13,432
<b>Balance at End of Year</b>		<b>70,190</b>	<b>67,278</b>
<b>Comprising:</b>			
- Term Deposits		70,190	67,278
<b>Total</b>		<b>70,190</b>	<b>67,278</b>

## City of Darwin

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 11. Trade and Other Receivables

	Notes	2015 \$'000	2014 \$'000
<b>Current</b>			
Rateable Revenue and Charges		1,650	1,177
Interest and Extra Charges		401	335
User Charges and Fees		4,616	4,898
GST Recoverable		813	586
Interest on Investments		664	792
Govt. Grants, Subsidies, Contributions and Donations		74	43
Prepayments		140	269
<b>Total</b>		<u>8,358</u>	<u>8,100</u>
<b>less: Provision for Impairment</b>			
Rateable Revenue and Charges		(231)	(198)
User Charges and Fees		(1,017)	(715)
<b>Total Provision for Impairment - Receivables</b>		<u>(1,248)</u>	<u>(913)</u>
<b><u>TOTAL CURRENT TRADE AND OTHER RECEIVABLES</u></b>		<u><u>7,110</u></u>	<u><u>7,187</u></u>

Interest is charged on outstanding rates at a rate of 18% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and charges, fees and other debtors receivable.

## Note 12. Inventories

	Notes	2015 \$'000	2014 \$'000
<b>Inventories held for distribution</b>			
Stores and Materials		116	121
<b><u>TOTAL CURRENT INVENTORIES</u></b>		<u><u>116</u></u>	<u><u>121</u></u>

## City of Darwin

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 13. Non-current assets classified as "Held for Sale"

	Notes	2015 \$'000	2014 \$'000
<b>(i) Non Current Assets and Disposal Group Assets</b>			
<b>Current</b>			
<b>Non Current Assets "Held for Sale"</b>			
Plant - Trade Ins		-	340
<b>Total Non Current Assets "Held for Sale" - Classified as Current</b>		-	<b>340</b>
<b>TOTAL NON-CURRENT ASSETS CLASSIFIED AS "HELD FOR SALE"</b>		-	<b>340</b>
<b>(ii) Reconciliation of Non Current Assets "Held for Sale" and Disposal Groups - i.e. Discontinued Operations</b>			
<b>Assets "Held for Sale"</b>			
<b>Opening Balance</b>		340	215
<b>less: Carrying Value of Assets/Operations Sold</b>	5	(340)	(215)
<b>Balance still unsold after 12 months:</b>		-	-
<b>less: Assets no longer classified as "Held for Sale"</b>		-	-
<b>plus New Transfer in:</b>			
Assets "Held for Sale" from Property, Plant and Equipment	14	-	-
<b>less: Carrying Value of Assets/Operations Sold that were re-classified this reporting period</b>		-	-
<b>Closing Balance of "Held for Sale" Non-Current Assets and Operations</b>		-	<b>340</b>



## City of Darwin

Notes to the Financial Statements  
for the year ended 30 June 2015

## Note 14. Property, Plant and Equipment

Council - 30 June 2015	as at 30/6/2014				Asset Movements during the Reporting Period				as at 30/6/2015				
	At Cost	At Fair Value	Accumulated Deprec.	Carrying Value	Asset Additions - New	Depreciation Expense (Note 9)	Asset Disposals - WDV Note 5(a)	Revaluation Increments to Equity (ARR) WDV (Note 20)	At Cost	At Fair Value	Accumulated		Carrying Value
											Deprec.	Impairment	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Capital Work in Progress	11,764	-	-	11,764	4,048	-	-	-	15,812	-	-	-	15,812
Land and Improvements	5,025	386,364	-	391,389	3,015	-	-	-	-	394,404	-	-	394,404
Buildings	425	88,188	24,191	64,422	560	(2,363)	-	-	-	88,535	25,916	-	62,619
Plant and Equipment	18,060	-	9,546	8,514	3,094	(1,792)	(664)	-	15,920	-	6,768	-	9,152
Roads & Pathways	-	521,112	121,936	399,176	8,655	(10,122)	(41)	-	-	529,696	132,028	-	397,668
Stormwater Drainage	-	320,821	151,997	168,824	2,444	(4,037)	-	-	-	323,264	156,033	-	167,231
Other Infrastructure Assets	-	28,638	9,412	19,226	2,495	(704)	-	-	-	31,133	10,116	-	21,017
Land Under Roads	51,497	-	-	51,497	-	-	(30)	-	-	51,467	-	-	51,467
Other	41,584	-	12,165	29,419	2,047	(3,628)	(209)	-	43,145	-	15,517	-	27,628
<b>Total Council Property, Plant and Equipment</b>	<b>128,355</b>	<b>1,345,123</b>	<b>329,247</b>	<b>1,144,231</b>	<b>26,358</b>	<b>(22,646)</b>	<b>(944)</b>	<b>-</b>	<b>74,877</b>	<b>1,418,499</b>	<b>346,378</b>	<b>-</b>	<b>1,146,998</b>

Council - 30 June 2014	as at 30/6/2013				Asset Movements during the Reporting Period				as at 30/6/2014				
	At Cost	At Fair Value	Accumulated Deprec.	Carrying Value	Asset Additions - New	Depreciation Expense (Note 9)	Asset Disposals - WDV Note 5(a)	Revaluation Increments to Equity (ARR) WDV (Note 20)	At Cost	At Fair Value	Accumulated		Carrying Value
											Deprec.	Impairment	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Capital Work in Progress	2,742	-	-	2,742	9,022	-	-	-	11,764	-	-	-	11,764
Land and Improvements	-	386,364	-	386,364	5,025	-	-	-	5,025	386,364	-	-	391,389
Buildings	-	88,188	21,877	66,311	425	(2,314)	-	-	425	88,188	24,191	-	64,422
Plant and Equipment	16,715	-	7,889	8,826	2,235	(1,657)	(890)	-	18,060	-	9,546	-	8,514
Roads & Pathways	8,613	405,585	186,314	227,884	2,876	(6,690)	-	175,106	-	521,112	121,936	-	399,176
Stormwater Drainage	775	308,614	145,421	163,968	140	(3,943)	-	8,659	-	320,821	151,997	-	168,824
Other Infrastructure Assets	149	13,725	3,076	10,798	10	(216)	-	8,634	-	28,638	9,412	-	19,226
Land Under Roads	51,497	-	-	51,497	-	-	-	-	51,497	-	-	-	51,497
Other	40,049	-	10,539	29,510	2,025	(1,626)	(490)	-	41,584	-	12,165	-	29,419
<b>Total Council Property, Plant and Equipment</b>	<b>120,540</b>	<b>1,202,476</b>	<b>375,116</b>	<b>947,900</b>	<b>21,758</b>	<b>(16,446)</b>	<b>(1,380)</b>	<b>192,399</b>	<b>128,355</b>	<b>1,345,123</b>	<b>329,247</b>	<b>-</b>	<b>1,144,231</b>

## City of Darwin

### Notes to the Financial Statements

for the year ended 30 June 2015

#### Note 14. Property, Plant and Equipment (continued)

Valuations - defined by reference to:

##### Capital Work in Progress

Capital Work in Progress is measure at original cost.

##### Land, Land Improvements and Buildings

The City of Darwin Land & Building Assets (excluding land under roads/road reserves) were independently valued as at 30 June 2013 by Certified Practising Valuers (AAPI), representing Integrated Valuation Services. The basis of the valuations and critical assumptions adopted include:

The valuation of the land assets was based on the current market value of the land were it to be acquired on the open market for the current use, giving consideration to the existing zoning. This involved the analysis of all known relevant land sales, including englobo land sales, and extrapolating those derived values throughout the City of Darwin, making appropriate adjustments for increased values due to size, zoning, location and amenity. During this process every effort was made to ensure the relativities of the rates per square metre adopted between the different uses and locations were sound.

The valuation of the buildings assets were based upon two methodologies, being the Depreciated Replacement Cost model and the Active Liquid Market model. The only four building assets deemed to have an active liquid market was the administration building, Westlane Carpark, Chinatown Carpark and Time Out Gym. The valuation of these buildings was based on an income approach whereby fair market rental was capitalised at an appropriate rate of return determined through market sales evidence. All the other building assets were deemed to be assets of a community service nature, as there is no active liquid market for them. The valuation methodology adopted in this case was depreciated replacement cost. The replacement costs adopted were fully supported by information contained within the Rawlinson's Construction Handbook 2013. The depreciation rates adopted have regard to the age of the building, refurbishment history and the general appearance at the date of inspection.

The revaluation conducted at 30 June 2013 resulted in a valuation increment in land of \$88.5M and buildings of \$5.7M. Land and Building assets are due to be valued as at 30 June 2016.

##### Plant and Equipment

Plant and equipment is measured at original cost less accumulated depreciation.

##### Infrastructure

The City of Darwin Infrastructure Assets were independently valued as at 30 June 2014 by APV Valuers & Asset Management.

All road network and stormwater assets were valued using level 3 valuation inputs using the cost approach.

The approach estimated the replacement costs for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on the square metres or similar capacity could be supported from market evidence (level 2) other inputs (such as estimates of residual value, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. Therefore these assets were classified as having been valued using level 3 valuation inputs.

## City of Darwin

### Notes to the Financial Statements for the year ended 30 June 2015

#### Note 14. Property, Plant and Equipment (continued)

##### Infrastructure (continued)

The observable market evidence used to support the unit rates included evidence from actual construction contracts, comparison to rates adopted by reference councils and against industry construction cost guides.

During the year there were a number of new projects completed where the actual cost was recorded and the impact of depreciation at year end was negligible. While these could be classified as valued at level 2 given the low proportion of the total portfolio that these represented and the likelihood that in future valuations they would most likely be valued at level 3 the policy adopted is that all road network infrastructure assets are deemed to be valued at level 3.

**The main level 3 inputs used are derived and evaluated as follows:**

**Asset Condition** – The nature of road network infrastructure is that there are a very large number of assets which comprise the network and as a result it is not physically possible to inspect every asset for the purposes of completing a valuation. As a consequence reliance is placed on the accuracy of data held in the asset management system and its associated internal controls. This includes regular planned inspections and updates to the system following maintenance activities and renewal treatments. Likewise, especially for storm water network infrastructure, a large portion of the portfolio is located underground and may only be inspected on an irregular basis.

To provide assurance over the accuracy of this information and taking into account the cost-benefit of undertaking physical inspections the valuation relies upon a sampling approach (APV conducted a 10% sample of each asset type) where the data held in the system is verified by a physical inspection. While the sampling approach, combined with internal controls associated with the asset management system, provides a high level of comfort over the condition data held in the asset management system it does not provide a guarantee that all the data is correct and the condition as recorded is valid as at the date of valuation.

**Relationship between asset consumption rating scale and the level of consumed service potential** – Under the cost approach the estimated cost to replace the asset is calculated and then adjusted to take account of an accumulated depreciation. In order to achieve this, the Valuer determines an asset consumption rating scale for each asset type based on the inter-relationship between a range of factors. These factors and their relationship to the fair value require professional judgment and include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as residual value, useful life and pattern of consumption of the future economic benefit. The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then updated to take into account the experience and understanding of Council's own engineers, asset management and finance staff. The results of the valuation were further evaluated by confirmation against Council's own understanding of the assets and the level of remaining service potential.

**The revaluation resulted in an increment in Roads & Pathways of \$175M, Stormwater Drainage of \$8.6M and Other Infrastructure Assets of \$8.6M as at 30 June 2014. Infrastructure assets are due to be valued as at 30 June 2017.**

## City of Darwin

### Notes to the Financial Statements

for the year ended 30 June 2015

#### Note 14. Property, Plant and Equipment (continued)

##### Land Under Roads

Fair value is assessed internally (using level 3 inputs) based on guidelines published by State Governments within Australia and the average market value of land within the municipality. The average market value is adjusted to recognise the englobo nature of land under roads and allowance for access & carriage way rights. Council considers that a reduction of 95% of the average market value is appropriate to reflect fair value. The fair value of land under roads recognised by Council was \$51.5M as at 30 June 2014 and 30 June 2015.

The next valuation will be as at 30 June 2016 in line with other Council Land and Building asset revaluation cycles.

#### Note 15. Fair Value Measurements

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

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities,

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

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

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

	Date of latest valuation	Fair Value Measurement using:			Total
		Level 1 Quoted prices in active mkts \$'000	Level 2 Significant observable inputs \$'000	Level 3 Significant unobservable inputs \$'000	
<b>2015</b>					
<b>Property, Plant and Equipment</b>					
Land & Improvements	30/06/13	-	394,404	-	394,404
Buildings	30/06/13	-	15,663	46,956	62,619
Roads & Pathways	30/06/14	-	-	397,668	397,668
Stormwater Drainage	30/06/14	-	-	167,231	167,231
Other Infrastructure Assets	30/06/14	-	-	21,017	21,017
Land Under Roads	01/07/12	-	-	51,467	51,467
<b>Total Property, Plant and Equipment</b>		<b>-</b>	<b>410,067</b>	<b>684,339</b>	<b>1,094,406</b>
<b>2014</b>					
<b>Property, Plant and Equipment</b>					
Land and Improvements	30/06/13	-	391,389	-	391,389
Buildings	30/06/13	-	16,133	48,289	64,422
Roads and Pathways	30/06/14	-	-	399,176	399,176
Stormwater Drainage	30/06/14	-	-	168,824	168,824
Other Infrastructure Assets	30/06/14	-	-	19,226	19,226
Land Under Roads	01/07/12	-	-	51,497	51,497
<b>Total Property, Plant and Equipment</b>		<b>-</b>	<b>407,522</b>	<b>687,012</b>	<b>1,094,534</b>

#### (2) Transfers between Level 1 and Level 2 Fair Value Hierarchies

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

## City of Darwin

Notes to the Financial Statements  
for the year ended 30 June 2015

## Note 15. Fair Value Measurement (continued)

**(3). Valuation Techniques and Inputs Used to Measure Level 2 Fair Values**

<b>Asset</b>	<b>Fair Value as at 30 June 15</b>  \$'000	<b>Valuation Technique/s</b>	<b>Inputs Used</b>
Land and Improvements	394,404	Market approach	Sale price of comparable land using recent observable market data for similar properties
Buildings	15,663	Income approach	Fair market rental was capitalised at an appropriate rate of return determined through market sales evidence.

Refer to note 14 for additional information on valuation processes.

## City of Darwin

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 16. Trade and Other Payables

	Notes	2015 \$'000	2014 \$'000
<b>Current</b>			
Creditors and Accruals		9,468	7,595
Accrued Interest Expense		29	30
Accrued Salaries and Wages		181	125
Security Bonds, Deposits and Retentions		118	118
Payments Received in Advance		1,129	1,070
Other		1,589	1,448
<b><u>TOTAL CURRENT TRADE AND OTHER PAYABLES</u></b>		<b><u>12,514</u></b>	<b><u>10,386</u></b>

## Note 17. Borrowings

<b>Current</b>			
Loans - Secured		211	199
<b><u>TOTAL CURRENT BORROWINGS</u></b>		<b><u>211</u></b>	<b><u>199</u></b>
<b>Non-current</b>			
Loans - Secured		3,513	3,724
<b><u>TOTAL NON-CURRENT BORROWINGS</u></b>		<b><u>3,513</u></b>	<b><u>3,724</u></b>
<b>Reconciliation of Loan Movements for the year</b>			
<b>Loans - Secured</b>			
Opening Balance at Beginning of Financial Year		3,923	4,110
Principal Repayments		(199)	(187)
<b>Book value at end of financial year</b>		<b><u>3,724</u></b>	<b><u>3,923</u></b>

## City of Darwin

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 17. Borrowings (continued)

**Loan Disclosures**

No assets have been pledged as security by the Council for any liabilities, however all loans are secured over the general rating income of Council.

All borrowings are in \$A denominated amounts and carried at amortised cost, interest being expensed as it accrues. No interest has been capitalised during the current or comparative reporting period. Expected final repayment date is 18 May 2027.

There have been no defaults or breaches of the loan agreement during the period.

Principal and interest repayments are made semi annually in arrears.

An overdraft facility with Commonwealth Bank is approved with a limit of \$500,000.

This facility remained fully undrawn at 30 June 2015 and is available for use in the next reporting period.

## Note 18. Provisions

	Notes	2015 \$'000	2014 \$'000
<b>Current</b>			
Annual Leave		3,661	3,493
Long Service Leave		2,797	2,849
Other Entitlements		48	3
<b><u>TOTAL CURRENT PROVISIONS</u></b>		<b><u>6,506</u></b>	<b><u>6,345</u></b>
<b>Non-current</b>			
Long Service Leave		676	528
<b><u>TOTAL NON-CURRENT PROVISIONS</u></b>		<b><u>676</u></b>	<b><u>528</u></b>

## City of Darwin

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 19. Other Liabilities

	Notes	2015 \$'000	2014 \$'000
<b>Current</b>			
Carbon Tax Levy		-	7,138
<b><u>TOTAL CURRENT OTHER LIABILITIES</u></b>		<u>-</u>	<u>7,138</u>

## Note 20. Asset Revaluation Reserve

## Movements in the asset revaluation reserve:

Balance at beginning of financial year		823,978	631,579
<b>Net adjustment to non-current assets at end of period to reflect a change in current fair value:</b>			
Roads & Pathways		-	175,106
Stormwater Drainage		-	8,659
Other Infrastructure Assets		-	8,634
	14	-	192,399
Balance at end of financial year		<u>823,978</u>	<u>823,978</u>

## Asset revaluation reserve analysis

The closing balance of the Asset Revaluation Reserve comprises the following asset categories:

Land and Improvements		358,880	358,880
Buildings		30,065	30,065
Roads & Pathways		311,309	311,309
Stormwater Drainage		102,435	102,435
Other Infrastructure Assets		20,852	20,852
Other		437	437
Balance at end of financial year		<u>823,978</u>	<u>823,978</u>



## City of Darwin

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 21. Retained Surplus

	Notes	2015 \$'000	2014 \$'000
<b>Movements in the retained surplus:</b>			
<b>Retained Surplus at Beginning of Financial Year</b>		320,045	314,730
Net Result Attributable to Council		11,786	8,828
<b>Transfers (to)/from Reserves for Project Funding, or from Reserves funds that have been Expended or Closed:</b>			
Other Reserves	23	(11,773)	(3,513)
<b>Retained surplus at end of financial year</b>		<u>320,058</u>	<u>320,045</u>

## Note 22. Adjustments to Opening Balance of Retained Earnings

Council made no adjustments to the Opening Balance of Retained Earnings.

## City of Darwin

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 23. Reserves

Council's Cash, Cash Equivalents and Investments are subject to a number of External and Internal Restrictions that limit the amount that is available for discretionary or future use.

\$ '000	Opening Balance as at 01/07/2014	Operational Transfer to/(from) Restriction	Capital Transfer to/(from) Restriction	Closing Balance as at 30/06/2015
<b>Movements in reserves:</b>				
<b>Reserves - External Restrictions</b>				
CBD Carparking Shortfall - Developer Contributions	8,388	3,131	-	11,519
CBD Carparking Shortfall - Rate Levy	7,754	1,316	-	9,070
DEC Air Conditioning Replacement	324	36	-	360
Highway/Commercial Carparking Shortfall	63	2	-	65
Market Site Development	196	53	(21)	228
Other Carparking Shortfall	387	12	(48)	351
Developer Contributions	2,065	184	(1,410)	839
Waste Management	2,170	2,028	(4,198)	-
Specific Purpose Unexpended Grants	1,200	(173)	(105)	922
	<u>22,547</u>	<u>6,589</u>	<u>(5,782)</u>	<u>23,354</u>
<b>Reserves - Internal Restrictions</b>				
Asset Replacement & Refurbishment	5,197	1,766	1,005	7,968
Carbon Tax	-	6,938	-	6,938
Carry Forward Works	5,248	(948)	1,138	5,438
Coastal Foreshore Management	34	-	(34)	-
Darwin General Cemetery	77	-	(44)	33
DEC Asset Replacement/Refurbishment	633	-	-	633
Disaster Contingency	2,519	-	(1,164)	1,355
Election Expense	127	21	-	148
Environmental	107	(18)	-	89
IT Strategy	-	388	410	798
Nightcliff Community Hall	60	13	(11)	62
Off & On Street Carparking	9,549	1,657	(1,970)	9,236
Plant & Vehicle Replacement	1,728	1,889	(951)	2,666
Public Art	381	-	-	381
Purchase of Land	144	-	-	144
Sale of Land	250	440	(352)	338
Street Lighting	-	757	-	757
Watering	579	210	(174)	615
	<u>26,633</u>	<u>13,113</u>	<u>(2,147)</u>	<u>37,599</u>
<b>TOTAL RESERVES</b>	<u>49,180</u>	<u>19,702</u>	<u>(7,929)</u>	<u>60,953</u>

## City of Darwin

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 24. Commitments for Expenditure

	Notes	2015 \$'000	2014 \$'000
<b>Operating leases</b>			
<b>Minimum lease payments in relation to non-cancellable operating leases are as follows:</b>			
Within one year		361	260
One to five years		861	353
Later than five years		13	1
		<u>1,235</u>	<u>614</u>
<b>Contractual commitments</b>			
Contractual commitments at end of financial year but not recognised in the financial statements are as follows:			
Audit Services		46	91
Maintenance		10,932	9,869
Waste and Recycling Services		39,869	52,123
Other		6,417	6,401
		<u>57,264</u>	<u>68,484</u>
<b>These expenditures are payable as follows:</b>			
Within the next year		22,271	20,262
One to five years		34,993	44,175
Later than 5 years		-	4,047
<b>Total Payable</b>		<u>57,264</u>	<u>68,484</u>

## Notes to the Financial Statements

for the year ended 30 June 2015

### Note 25. Contingent Liabilities

---

#### Guarantees

Council has provided no guarantees that may result in a liability.

#### Other contingent liabilities

Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services. It is not practical to estimate the potential liability at this stage.

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

#### Legal Proceedings and Disputes

As at 30 June 2015 Council was involved in an ongoing contractual dispute regarding a requirement for a tenant to carry out works.

Based on legal advice, Council do not expect the outcome of this contractual dispute to have a material effect on the Council's financial position. In the Council's opinion, disclosure of any further information would be prejudicial to the interests of the Council.

## City of Darwin

Notes to the Financial Statements  
for the year ended 30 June 2015

## Note 26. Superannuation

	Notes	2015 \$'000	2014 \$'000
The amount of Superannuation Contributions paid by Council in this Period for the benefit of employees was:	6	<u>2,355</u>	<u>2,296</u>

## Note 27. Operating Lease Income

The minimum lease receipts are as follows:

Not later than one year	1,005	976
One to five years	1,660	1,862
Later than five years	163	437
	<u>2,828</u>	<u>3,275</u>

## City of Darwin

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 28. Trust Funds

Notes	2015 \$'000	2014 \$'000
<b>Trust funds held for outside parties</b>		
Security Deposits	616	625
Darwin Waterfront Corporation	2	4
	<u>618</u>	<u>629</u>

The Council performs only a custodial role in respect of these monies. As these funds cannot be used by the Council, they are not brought to account in these financial statements.

### Note 29. Reconciliation of Net Result for the year to Net Cash Inflow/(Outflow) from Operating Activities

Net operating result from Income Statement	11,786	8,828
<b>Adjust for Non-cash items:</b>		
Depreciation and Amortisation	22,646	16,446
Net Losses/(Gains) on Disposal of Assets	(710)	621
Non Cash Capital Grants and Contributions	(3,316)	(5,152)
	<u>18,620</u>	<u>11,915</u>
<b>Changes in operating assets and liabilities:</b>		
(Increase)/Decrease in Receivables	(258)	(812)
Increase/(Decrease) in Provision for Doubtful Debts	335	38
(Increase)/Decrease in Inventories	5	6
Increase/(Decrease) in Payables and Accruals	1,873	506
Increase/(Decrease) in Accrued Interest Payable	(1)	(1)
Increase/(Decrease) in Other Liabilities	(6,882)	3,746
Increase/(Decrease) in Employee Leave Entitlements	309	(139)
	<u>(4,619)</u>	<u>3,344</u>
Net cash provided from/(used in) Operating Activities from the Statement of Cash Flows	<u>25,787</u>	<u>24,087</u>

## City of Darwin

### Notes to the Financial Statements for the year ended 30 June 2015

#### Note 30. Correction of Error

---

##### Correction of Error/s relating to a Previous Reporting Period

Council made no correction of errors during the current reporting period.

#### Note 31. Changes in Accounting Policy

---

##### Voluntary Changes in Accounting Policies

Council made no voluntary changes in any accounting policies during the year.

#### Note 32. Events Occurring After Balance Sheet Date

---

Events that occur after the reporting date of 30 June 2015, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the appropriate "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is 10/11/15.

Events that occur after the Reporting Date represent one of two types:

##### **(i) Events that have provided evidence of conditions that existed at the Reporting Date**

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2015.

##### **(ii) Events that have provided evidence of conditions that arose after the Reporting Date**

These financial statements (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2015 and which are only indicative of conditions that arose after 30 June 2015.

Council and its Shoal Bay Waste Disposal Contractor agreed to settle a contractual issue that existed as at 30 June 2015 at a figure of \$626,547.60 (gst exclusive). This was included in expenses and liabilities as at 30 June 2015.

##### **Council is aware of the following "non adjusting events" that merit disclosure;**

At the 2nd Ordinary Council meeting held 28 July 2015 Council resolved (Council Decision 21\3566) to utilise the collected carbon tax as follows:

- credit \$29.67 per domestic waste service per year on which carbon tax was levied in 2012/13 and 2013/14 estimated to be \$1.6M.
- allocate \$4 million to improvements at Shoal Bay Waste Management Facility; and
- allocate the balance to specific green house gas minimising projects.

## Notes to the Financial Statements

for the year ended 30 June 2015

### Note 33. Financial Instruments

---

---

Council has exposure to the following risks arising from financial instruments; **(i)** interest rate risk, **(ii)** credit risk, and **(iii)** liquidity risk.

This note provides information (both qualitative and quantitative) to assist statement users evaluate the significance of financial instruments on the Council's financial position and financial performance, including the nature and extent of risks and how the Council manages these exposures.

#### Financial Risk Management

Council is responsible for the establishment and oversight of the risk management framework, together with developing and monitoring risk management policies.

Council's risk committee / management (as appropriate) approves policies for overall risk management, as well as specifically for managing credit, liquidity and market risk.

The Council's risk management policies are established to identify and analyse the risks faced, to set appropriate limits and controls and to monitor these risks and adherence against limits. The Council aims to manage volatility to minimise potential adverse effects on the financial performance of the Council.

Council does not enter into derivatives.

#### Credit Risk Exposure

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. These obligations arise principally from the Council's investments and receivables from customers.

Exposure to credit risk is managed through regular analysis of credit counterparty ability to meet payment obligations. The carrying amount of financial assets represents the maximum credit exposure.

Investments in financial instruments are required to be made in accordance with the Northern Territory Department of Local Government Investment Guidelines and Councils Investment Policy.

No collateral is held as security relating to the financial assets held by the Council.



## City of Darwin

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 33. Financial Instruments (continued)

	Notes	2015 \$'000	2014 \$'000
The following table represents the maximum exposure to credit risk based on the carrying amounts of financial assets at the end of the reporting period:			
<b>Financial Assets</b>			
Cash and Cash Equivalents	10	3,995	2,366
Investment Securities	10	70,190	67,278
Receivables - Rates & Extra Charges	11	1,820	1,314
Receivables - Other	11	5,150	5,353
<b>Total</b>		<b>81,155</b>	<b>76,311</b>

**Cash and Cash Equivalents and Investment Securities**

The Council may be exposed to credit risk through its investments held with financial institutions. Council's Investment Policy outlines the limits on investments, overall credit exposure of the investment portfolio and exposure to individual counterparties/institutions that assist in mitigating risk within Council's control.

**Trade and Other Receivables**

In the case of rate receivables, the Council has the power to sell the property to recover any defaulted amounts. In effect this power protects the Council against credit risk in the case of defaults.

In other cases, the Council assesses the credit risk before providing goods or services and applies normal business credit protection procedures to minimise the risk.

Ageing of past due receivables and the amount of any impairment is disclosed in the following table:

	Notes	2015 \$'000	2014 \$'000
<b>Receivables</b>			
Fully Performing		1,268	3,512
Past due:			
- Less than 30 days overdue		1,250	1,747
- 31 to 90 days overdue		1,544	472
- Greater than 90 days overdue		2,095	601
- Impaired		1,248	913
<b>Total</b>	12	<b>7,405</b>	<b>7,245</b>

**Movement in Provision for Impairment of Receivables**

Balance at the beginning of the year		913	875
Increase in provisions recognised during the year		335	38
<b>Balance at the end of the year</b>	12	<b>1,248</b>	<b>913</b>

## City of Darwin

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 33. Financial Instruments (continued)

## Liquidity Risk

Liquidity risk refers to the situation where the Council may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Council is exposed to liquidity risk through its trading in the normal course of business and borrowings for capital works from financial institutions when applicable and in line with Council's Borrowing Policy.

Council manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in Note 17.

The following lines of credit were available at the end of the reporting period:

	Notes	2015 \$'000	2014 \$'000
Bank Overdraft Facility		500	500
Credit Cards		200	200
Bank Guarantee Facility		55	55

The following table sets out the liquidity risk in relation to financial liabilities held by the Council. It represents the remaining contractual cashflows (principal and interest) of financial liabilities at the end of the reporting period, excluding the impact of netting agreements:

	0 to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total Contractual Cash Flows \$'000	Carrying Amount \$'000
<b>2015</b>					
Trade and Other Payables	11,385	-	-	11,385	11,385
Loans	455	2,274	2,729	5,458	3,724
	<u>11,840</u>	<u>2,274</u>	<u>2,729</u>	<u>16,843</u>	<u>15,109</u>
<b>2014</b>					
Trade and Other Payables	7,894	-	-	7,894	9,316
Loans	455	2,274	3,184	5,913	3,923
	<u>8,349</u>	<u>2,274</u>	<u>3,184</u>	<u>13,807</u>	<u>13,239</u>

The outflows in the above table are not expected to occur significantly earlier and are not expected to be for significantly different amounts than indicated in the table.

## City of Darwin

### Notes to the Financial Statements for the year ended 30 June 2015

#### Note 33. Financial Instruments (continued)

#### Market Risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Council's income or the value of its holdings of financial instruments.

#### Interest Rate Risk

The Council is exposed to interest rate risk through investments and borrowings with financial institutions.

The Council does not undertake any hedging of interest rate risk.

Sensitivity to interest rate movements is shown for variable financial assets and liabilities based on the carrying amount at reporting date.

The following interest rate sensitivity analysis depicts what effect a reasonably possible change in interest rates (assumed to be 1%) would have on the profit and equity, based on the carrying values at the end of the reporting period. The calculation assumes that the change in interest rates would be held constant over the period.

	Net Carrying	Net Result		Equity	
	Amount \$'000	1% increase \$'000	1% decrease \$'000	1% increase \$'000	1% decrease \$'000
<b>2015</b>					
Financial Assets	74,185	742	(742)	742	(742)
<b>2014</b>					
Financial Assets	69,644	696	(696)	696	(696)

## City of Darwin

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 33. Financial Instruments (continued)

## Fair Value

The fair value of trade and other receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

The fair value of borrowings is based on the market value of debt outstanding. The market value of a debt obligation is the discounted value of future cash flows based on prevailing market rates and represents the amount required to be repaid if this was to occur at balance date.

	Notes	Carrying Value		Fair Value	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Financial Assets</b>					
Cash and Cash Equivalents	10	3,995	2,366	3,995	2,366
Investments	10				
- "Held to Maturity"		70,190	67,278	70,190	67,278
Receivables	11	7,110	7,187	6,970	6,332
<b>Total Financial Assets</b>		<b>81,295</b>	<b>76,831</b>	<b>81,155</b>	<b>75,976</b>
<b>Financial Liabilities</b>					
Payables	16	9,800	7,894	9,800	7,894
Loans	17	3,724	3,923	3,724	3,923
<b>Total Financial Liabilities</b>		<b>13,524</b>	<b>11,817</b>	<b>13,524</b>	<b>11,817</b>

## City of Darwin

### Notes to the Financial Statements for the year ended 30 June 2015

#### Note 34. Gain Carbon Tax Liability Repeal

##### Carbon Tax Liability Repeal

As at the 30 June 2014 Council had recognised a provision of \$7.13M for the obligation to settle to the Commonwealth Government carbon tax collected on emissions during prior financial years. The Commonwealth Government repealed the carbon tax legislation on the 17 July 2014 with effect from 1 July 2014. As a result no new carbon tax liability was incurred from 1 July 2014 and Council derecognised the provision in the Statement of Financial Position - reference Note 19. The gain from the derecognition is itemised in the Statement of Comprehensive Income as a Gain on Tax Liability Repeal.

The carrying amount of the provision relating to the liability incurred up to the date of the repeal was transferred to a specific purpose Carbon Tax Reserve at the Ordinary Council Meeting held on the 2nd June 2015 pending Council's and legal consideration of application of the balance.

Subsequently Council resolved at the Ordinary Council meeting held on 28 July 2015 to utilise funds as disclosed in Note 32.

	2015 \$'000	2014 \$'000
<b>Gain Carbon Tax Repeal</b>		
Revenues - Carbon Tax provision	7,137	-
Expenses - Carbon Units	(199)	-
<b><u>GAIN - CARBON TAX LIABILITY REPEAL</u></b>	<b><u>6,938</u></b>	<b><u>-</u></b>

## City of Darwin

### Notes to the Financial Statements for the year ended 30 June 2015

#### Note 35. Council Information and Contact Details

---

**Principal Place of Business:**

17 Harry Chan Avenue  
Darwin NT 0801

**Contact Details**

**Mailing Address:**

GPO Box 84  
Darwin NT 0801

**Opening Hours:**

Civic Centre  
8:00am to 5:00pm  
Monday to Friday

**Telephone:** 08 8930 0300

**Facsimile:** 08 8930 0311

**Internet:** [www.darwin.nt.gov.au](http://www.darwin.nt.gov.au)

**Email:** [darwin@darwin.nt.gov.au](mailto:darwin@darwin.nt.gov.au)

**Officers**

**CHIEF EXECUTIVE OFFICER**

[Brendan Dowd](#)

**Elected Members**

**LORD MAYOR**

[Katrina Fong Lim](#)

**AUDITORS**

Merit Partners  
Level 2, 9 Cavenagh St  
Darwin NT 0800

**ALDERMEN**

[Jeanette Anictomatis](#)  
[Bob Elix](#)  
[Helen Galton](#)  
[Justine Glover](#)  
[Gary Haslett](#)  
[Robin Knox](#)  
[Garry Lambert](#)  
[George Lambrinidis](#)  
[Allan Mitchell](#)  
[Simon Niblock](#)  
[Rebecca Want de Rowe](#)  
[Kate Worden](#)

**Other Information**

**ABN:** 11 503 313 301

City of Darwin

General Purpose Financial Statements  
for the year ended 30 June 2015

Audit Report  
for the year ended 30 June 2015

Insert Audit Report here.

# OPEN SECTION

RMAC10

## Risk Management & Audit Committee Meeting – Friday, 30 October 2015

### 10. INFORMATION ITEMS

#### 10.1 Review of Outstanding Audit Issues Register Common No. 422690

*The Outstanding Audit Issues Register is **Attachment A**.*



<p>122</p>	<p><b>REVIEW OF FRAUD MANAGEMENT ARRANGEMENTS</b>  Deloitte  August 2011</p>	<p><b>2.2.5 (1.2.4) Financial services (finance, payroll) procedures require further enhancement and updating.</b></p> <ul style="list-style-type: none"> <li>Updating information based on changes in approval limits or resulting from system upgrades</li> <li>Noting the dates when the procedure was adopted and last adopted as well is the date of its next review</li> <li>Updating position titles move with the procedure especially in the case delegated officers were significant approval limits</li> <li>Identifying and noting the procedure owner</li> <li>Ensuring each section heading includes the appropriate text/instructions or, if deemed inapplicable is removed from the procedure</li> <li>Clarifying which position is responsible for the following listed procedures, either by preparing the procedures in the third person or including an overall statement at the beginning of the procedure.</li> </ul>	<p>Manager Finance</p>	<p>March 2012 Amended to December 2012 Amended to May 13 Amended to Oct 2013 Amended to May 2014 Amended to July 2014 Amended to October 2014 Amended to October 2015 per RMAC 27032015</p>	<p>See Report in Agenda for June 2012. See Report in Agenda for March 2013. See Report in Agenda for August 2013. New revised recommendations as per March 2014 report See Minutes from item 10.1 May 2014 meeting. See Minutes from item 9.4 August 2014 meeting.</p>
<p>140</p>	<p><b>STRATEGIC PERFORMANCE FRAMEWORK</b>  BDO December 2013</p>	<p><b>Reliability of Monitoring &amp; Reporting Processes</b></p> <p>1 The Manager Strategy and Outcomes to ensure all KPIs reported in Interplan are supported by accurate and reliable source documentation. This documentation should be retained (either electronically within Interplan or in hard copy) for each Progress Report. These requirements should be clearly documented and communicated to management and staff across the council.</p>	<p>Manager Strategy &amp; Outcomes</p>	<p>March 2014 Amended to June 2014 Amended to 31 December 2014</p>	<p>New revised recommendations as per March 2014 report See Minutes from item 9.6 August 2014 meeting</p>
		<p><b>Lack of Linkage within Strategic Performance framework</b></p> <p>2.1 Review the Strategic Performance Framework to ensure only those plans required in the process are included and that each cascades from the previous to ensure linkages. A pragmatic approach should be taken with this review to ensure the plans are relevant and will be applied.</p>	<p>Manager Strategy &amp; Outcomes</p>	<p>June 2014 Amended to 31 December 2014</p>	<p>New revised recommendations as per March 2014 report</p>
		<p><b>Lack of Linkage within Strategic Performance framework</b></p> <p>2.2 Include both a City and Council Vision with separate Council strategic goals.</p>	<p>Manager Strategy &amp; Outcomes</p>	<p>June 2014 Amended to 31 December 2014</p>	<p>New revised recommendations as per March 2014 report</p>
		<p><b>Lack of Linkage within Strategic Performance framework</b></p> <p>2.3 Gain business ownership in strategic direction. The business needs to be involved in the strategic planning development process as well as its application throughout the year. They should be questioning any operational activities not contributing to the agreed strategic direction. The agreed strategic direction should be reflected in actions and performance assessments, including staff appraisals.</p>	<p>Manager Strategy &amp; Outcomes</p>	<p>June 2014 Amended to 31 December 2014</p>	<p>New revised recommendations as per March 2014 report</p>
		<p><b>Inappropriate Key Performance Measures</b></p> <p>3.1 Using the information provided as a result of this Internal Audit project, review the suite of KPIs focussing on what is key, measurable and relevant, as well as including both lead (or real time) and lag indicators.</p>	<p>Manager Strategy &amp; Outcomes</p>	<p>June 2014 Amended to December 2014</p>	<p>New revised recommendations as per March 2014 report</p>

ATTACHMENT A

140	<b>STRATEGIC PERFORMANCE FRAMEWORK</b> BDO December 2013	<b>Inefficient Reporting Processes</b> 4.1 Based on business area needs, CoD should develop a standard suite of reporting to be produced from Interplan. 4.2 CoD should also review the process to record and update information in Interplan to improve its efficiency. Revised processes should then be rolled out across the organisation. Business areas should then be encouraged to use Interplan rather than alternative sources.	Manager Strategy & Outcomes	December 2013 Amended to 30 September 2014	New revised recommendations as per March 2014 report
143	<b>ENVIRONMENTAL MANAGEMENT SYSTEM ASSESSMENT</b> DELOITTE August 2014	<b>3.2 Reporting processes against environmental KPIs should be further clarified.</b> a) Update Standard Operating Procedure 010 "Tree Planting Reporting" to include: Frequency of reports against KPIs	Manager Infrastructure Services	December 2014	
		<b>3.5 Contractors' reports should contain explicit reference environmental issues or conditions.</b> a) Develop standard reporting procedures for contractors b) Incorporate reporting procedures into contract documents c) Develop report database d) Reporting procedures to be updated annually and as required by the legislation register listed above	Manager Climate Change & Environment and Manager Contracts and Manager Infrastructure Capital Works	July 2015 Amended to December 2015	
		<b>3.6 Contractors should submit environmental management plans.</b> a) Develop template Environmental management Plan documents b) Incorporate requirements into standard contract documents	Manager Climate Change & Environment and Manager Contracts and Manager Infrastructure Capital Works	July 2015 Amended to December 2015	
		<b>3.7 A standard set of environmental conditions based on legislative requirements should be written into contracts or leases.</b> a) Research and develop environmental clauses and conditions b) Incorporate into new leases and contracts c) Incorporate into reviewed leases and contracts	Manager Climate Change & Environment and Manager Contracts	July 2015 Amended to December 2015	
		<b>3.8 Leases and contracts should be regularly reviewed to account for changes in environmental legislation or conditions.</b> a) Compile relevant legislation b) Develop Standard Operating Procedure for review of leases and contracts c) Develop clause for review of all contracts and leases for environmental legislation	Manager Climate Change & Environment and Manager Contracts and Manager Infrastructure Capital Works	July 2015 Amended to December 2015	
145	<b>Asset Management Audit</b> Deloitte March 2015	<b>1 On implementation of Asset Management System, develop and implement new procedures, and update existing draft procedures, where relevant in consultation with Finance.</b>	Manager Technical Services in consultation with Manager Finance	November 2015	
		<b>2 Finalise list of policies, procedures and standards for asset management, define purpose of each, the responsible sections and schedule review dates</b>	Manager Finance in consultation with Manager Technical Services	June 2015	

		<p><b>3 Develop, finalise and implement individual asset management plans, taking into account relevant recommendations from the 2012 asset sustainability review report (refer to Section 4 for more information)</b></p> <ul style="list-style-type: none"> <li>a) Assign roles and responsibilities resulting from the plans and communicate these to relevant staff members</li> <li>b) Review asset management plans on a regular basis</li> <li>c) Ensure future plans indicate likely service level and risk trends resulting from long term financial plan</li> <li>d) Ensure that strategy plan and management plan performance measures align with AMP service levels</li> <li>e) Continue to develop additional AMP scenarios as required to align with the long term financial plan and show service outcomes and risk consequences of long term financial plan resourcing levels</li> <li>f) Update AMPs with state of the assets service levels for condition, function and capacity as per summary dashboards.</li> <li>g) Continue to develop additional AMP scenarios as required to align with the long term financial plan and show service outcomes and risk consequences of long term financial plan resourcing levels</li> <li>h) Introduce state of the art reporting for assets in the annual report</li> </ul>	<p>Manager Technical Services</p>	<p>November 2015</p>	
--	--	---	-----------------------------------	----------------------	--

145	Asset Management Audit Deloitte March 2015	<p><b>4 Ensure the Asset Management Strategy covers the following areas:</b></p> <ul style="list-style-type: none"> <li>a. The Asset Management Strategy must include a Council endorsed Asset Management Policy</li> <li>b. The Asset Management Strategy must identify assets that are critical to the council's operations and outline risk management strategies for these assets</li> <li>c. The Asset Management Strategy must include specific actions required to improve council's asset management capability and projected resource requirements and timeframes.</li> <li>d. Annually review the asset management strategy and update improvement plan as required.</li> </ul>	Manager Technical Services	January 2016	
		<p><b>5 Develop Asset Management Improvement Program (AMIP). Program to include all improvement tasks identified in Council's Asset and Risk Management Plans and Strategy.</b></p> <ul style="list-style-type: none"> <li>a. Ensure that the current register is kept up to date and asset condition is monitored and reported as part of the annual review of the works programme.</li> <li>b. Provide a data improvement programme as part of the asset management improvement programme based on benefit/cost/risk.</li> <li>c. Develop and implement a maintenance and inspection management policy/framework and complete condition assessment manuals for all asset classes as required.</li> </ul>	Manager Technical Services	January 2016	
		<p><b>6 Asset Finder is not integrated to Civica Authority at this stage.</b></p> <ul style="list-style-type: none"> <li>a. Further considerations are necessary for the future regarding detailed procedures and degree of integration between accounting and asset management systems</li> <li>b. Implementation date is notional at this stage as it is entirely dependant on all current asset data being entered into Asset Finda</li> </ul>	Manager Technical Services in consultation with Manager Finance	May 2016	

# OPEN SECTION

RMAC10

## Risk Management & Audit Committee Meeting – Friday, 30 October 2015

### 10.2 Presentation to Council - 10 November 2015

Common No. 2659251

*The presentation attendance sheet for the 1<sup>st</sup> Ordinary Council Meeting on 10 November 2015 is **Attachment A**.*



**Presentation / Deputation / Briefing Attendance Sheet**

*Please note that only 2 persons in a deputation may be heard at the meeting.*

<b>Who will be attending:</b>	
<b>Organisation:</b>	Risk Management & Audit Committee
<b>Topic:</b>	
<b>Meeting:</b>	1 <sup>st</sup> Ordinary Council
<b>Date of meeting:</b>	10 November 2015
<b>Time of attendance:</b>	<b>5.00 pm</b>
<b>Time of presentation:</b>	5.15 pm
<b>Who will greet the deputation and where:</b>	General Manager Corporate Services, Council Chambers
<b>Length allowed for presentation:</b>	15 minutes plus question time, a total of 20 minutes
<b>Directions for meeting:</b>	Please switch off your mobile phone, or turn it to silent with vibrate off.
<b>Directions for parking car:</b>	Civic Centre visitors car park
<b>City of Darwin will provide:</b>	Lectern, water, laser pointer, powerpoint hand control, computer for usb presentations
<b>City of Darwin will <u>not</u> provide:</b>	Laptop, internet connection
<b>A Contact Name, Mobile No. &amp; Email for the deputation:</b>	

***Presentation or materials should be made available to the Elected Members beforehand: can it please be submitted to the Committee Administrator by 12noon the Wednesday before the meeting. If this is not possible, please organise with the Committee Administrator to attend 30 minutes prior to the meeting to organise your requirements.***

***Powerpoint is preferred.***

***Material to be on display or handed out should be provided in sufficient time to allow it to be displayed or placed out for the Elected Members prior to the meeting commencing.***

When complete, please return to:

Arweena Smit  
 EA to Executive Manager  
 Ph: (08) 89300685  
 Fax: (08) 89300311  
 Email: [a.smit@darwin.nt.gov.au](mailto:a.smit@darwin.nt.gov.au)

# OPEN SECTION

RMAC10

## Risk Management & Audit Committee Meeting – Friday, 30 October 2015

### 11. GENERAL BUSINESS

#### 11.1 Meeting Dates for 2016 Common No. 2659589

*It is noted that the last Friday in March 2016 is a public holiday. Due to this the meeting is earlier than usual.*

THAT the Committee resolve under delegated authority:-

THAT the following dates be set for the Risk Management & Audit Committee meetings in 2016:

- Friday, 18 March 2016
- Friday, 27 May 2016
- Friday, 26 August 2016
- Friday, 28 October

#### 11.2 Merit Partners

*Representatives from Merit Partners will be in attendance between 10.00 - 11.00 am.*

### 12. CLOSURE OF MEETING