

SECTION 15

D2021/23286

Reports of Committees
Ordinary Meeting of Council
25 November 2021

Item 15.1

Legal Committee Minutes – 29 September 2021

Item 15.2

Audit Committee Minutes – 7 October 2021

Item 15.3

Audit Committee Minutes – 11 November 2021



UNCONFIRMED MINUTES

D2021/19566

Legal Committee

29 September 2021



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1 DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

The Chairman declared the meeting which was held electronically and welcomed everyone to the meeting. The meeting commenced at 11:30am.

1.1 ACKNOWLEDGEMENT OF COUNTRY

The Chairman acknowledged the traditional custodians of the land on which the meeting is held and paid respects to the elders, past present and future.

Kaya Maaman, Kaya Yorga, Kaya Bridia
 Ngalak kaartitj windji ngalak nynininy
 Nagalak kaartitj nidja boodja baal Whadjuk Noongar Boodja ngalak nyininy
 Koorah, Nitja yeyi, Boordahwan

Translation

Greetings everyone
 We all understand where we are meeting.
 We know that we meet on the lands of the Whadjuk Noongar people
 Always was, always will be.

2 ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE (PREVIOUSLY APPROVED)

The Chairman did a roll call of Councillors who individually declared that they were located in a secure room, as this was an online meeting with a confidential item on the agenda.

Legal Committee Member Attendance

Cr Jai Wilson	Committee Chairman	Town of Bassendean
Cr Mel Congerton	Deputy Committee Chairman	City of Swan
Cr Lorna Clarke	Committee Member	City of Bayswater
Cr Dylan O'Connor	Committee Member	City of Kalamunda

EMRC Officers

Mr Marcus Geisler	Chief Executive Officer
Mr Hua Jer Liew	Chief Financial Officer
Ms Izabella Krzysko	Manager Procurement and Governance
Mr David Schmidt	Manager Information Services
Mrs Lee Loughnan	Personal Assistant to Chief Financial Officer (Minutes)



3 DISCLOSURE OF INTERESTS

Nil

4 ANNOUNCEMENTS BY THE CHAIRMAN OR PRESIDING MEMBER WITHOUT DISCUSSION

Nil

5 PETITIONS, DEPUTATIONS AND PRESENTATIONS

Nil

6 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

6.1 MINUTES OF THE LEGAL COMMITTEE MEETING HELD ON 29 JULY 2021

That the minutes of the Legal Committee Meeting held on 29 July 2021 which have been distributed, be confirmed.

MOVED CR CONGERTON SECONDED CR O'CONNOR

THAT THE MINUTES OF THE LEGAL COMMITTEE MEETING HELD ON 29 JULY 2021 WHICH HAVE BEEN DISTRIBUTED, BE CONFIRMED.

CARRIED UNANIMOUSLY

7 QUESTIONS BY MEMBERS FOR WHICH DUE NOTICE HAS BEEN GIVEN

Nil

8 QUESTIONS BY MEMBERS WITHOUT NOTICE

Nil

9 ANNOUNCEMENT OF CONFIDENTIAL MATTERS FOR WHICH MEETINGS MAY BE CLOSED TO THE PUBLIC

NOTE: Section 5.23(2) of the *Local Government Act 1995*, details a number of matters upon which Council may discuss and make decisions without members of the public being present. These matters include: matters affecting employees; personal affairs of any person; contractual matters; legal advice; commercial-in-confidence matters; security matters; among others.

The following report items are covered in Section 14 of this agenda.

9.1 SEEKING INSTRUCTIONS REGARDING LEGAL MATTER [CONFIDENTIAL MATTER IN ACCORDANCE WITH LOCAL GOVERNMENT ACT 1995 s.5.23(2)(d)]

10 BUSINESS NOT DEALT WITH FROM A PREVIOUS MEETING

Nil

11 REPORTS OF EMPLOYEES

Nil



12 REPORTS OF DELEGATES

Nil

13 NEW BUSINESS OF AN URGENT NATURE APPROVED BY THE CHAIRMAN OR PRESIDING MEMBER OR BY DECISION OF MEETING

Nil

14 CONFIDENTIAL MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC

RECOMMENDATION (Closing meeting to the public)

That with the exception of, the meeting be closed to members of the public in accordance with Section 5.23(2) of the *Local Government Act 1995* for the purpose of dealing with matters of a confidential nature.

LEGAL COMMITTEE RESOLUTION

MOVED CR CLARKE

SECONDED CR CONGERTON

THAT WITH THE EXCEPTION OF THE CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER, MANAGER PROCUREMENT AND GOVERNANCE, MANAGER INFORMATION SERVICES AND PERSONAL ASSISTANT TO THE CHIEF FINANCIAL OFFICER THE MEETING BE CLOSED TO MEMBERS OF THE PUBLIC IN ACCORDANCE WITH SECTION 5.23 (2) OF THE *LOCAL GOVERNMENT ACT 1995* FOR THE PURPOSE OF DEALING WITH MATTERS OF A CONFIDENTIAL NATURE.

CARRIED UNANIMOUSLY

The doors of the meeting were closed at 11.33am.

The Chief Executive Officer, Chief Financial Officer, Manager Procurement and Governance, Manager Information Services and Personal Assistant to the Chief Financial Officer, remained in the meeting.

14.1 SEEKING INSTRUCTIONS REGARDING LEGAL MATTER [CONFIDENTIAL MATTER IN ACCORDANCE WITH *LOCAL GOVERNMENT ACT 1995* s.5.23(2)(d)]

REFERENCE: D2021/19037

This item is recommended to be confidential because it contains matters of a legal advice nature.

See Confidential Item circulated with the Agenda under Separate Cover.

RECOMMENDATION [Meeting re-opened to the public]

That the meeting be re-opened, the members of the public be invited to return to the meeting and the recommendations passed behind closed doors be recorded.

LEGAL COMMITTEE RESOLUTION

MOVED CR CLARKE

SECONDED CR O'CONNOR

THAT THE MEETING BE RE-OPENED, THE MEMBERS OF THE PUBLIC BE INVITED TO RETURN TO THE MEETING AND THE RECOMMENDATIONS PASSED BEHIND CLOSED DOORS BE RECORDED.

CARRIED UNANIMOUSLY



The doors were reopened at 11.41am.

Recording of the resolutions passed behind closed doors, namely:

14.1 SEEKING INSTRUCTIONS REGARDING LEGAL MATTER [CONFIDENTIAL MATTER IN ACCORDANCE WITH *LOCAL GOVERNMENT ACT 1995 s.5.23(2)(d)*]

REFERENCE: D2021/19037

LEGAL COMMITTEE RESOLUTION(S)

MOVED CR CONGERTON SECONDED CR CLARKE

THAT:

1. THE LEGAL COMMITTEE NOTES THE CONFIDENTIAL REPORT.
2. THE LEGAL COMMITTEE INSTRUCTS THE CEO TO ISSUE THE RESPONSE LETTER FORMING ATTACHMENT NO.3 OF THIS CONFIDENTIAL REPORT IN RESPONSE TO THE LEGAL MATTER AS OUTLINED.
3. THE REPORT AND ATTACHMENTS REMAIN CONFIDENTIAL AND BE CERTIFIED BY THE CHAIRMAN AND THE CEO.

CARRIED UNANIMOUSLY

15 FUTURE MEETINGS OF THE LEGAL COMMITTEE

Meetings of the Legal Committee are held as required.

16 DECLARATION OF CLOSURE OF MEETING

There being no further business the meeting was closed at 11.41am.



Certification of Confirmation

Audit Committee Meeting

Minutes

7 October 2021

I, Cr Margaret Thomas, hereby certify that the minutes from the Audit Committee held on 7 October 2021 pages (1) to (52) were confirmed at the Audit Committee held on 11 November 2021.

A handwritten signature in blue ink that reads "M Thomas".

Signature

Cr Margaret Thomas
Presiding Member



Audit Committee Minutes

A meeting of the Audit Committee was held at the EMRC Administration Office, 1st Floor, 226 Great Eastern Highway, ASCOT WA 6104 and electronically on **Thursday, 7 October 2021**. The meeting commenced at **6:00pm**.

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1 DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

The Chairman opened the meeting at 6:00pm, welcomed visitors and acknowledged the traditional custodians of the land on which the meeting was held and paid respects to the elders past, present and future.

Mr James Cottrill, Internal Auditor from Stantons International was welcomed to the meeting.

2 ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE (PREVIOUSLY APPROVED)

Councillor Attendance

Cr Mel Congerton (on-site)	Chairman	City of Swan
Cr Kathryn Hamilton (on-site)	Committee Member	Town of Bassendean
Cr Lorna Clarke (MS Teams)	Committee Member	City of Bayswater
Cr Dylan O'Connor (MS Teams) (deputising for Cr Boyd)	Deputy Committee Member	City of Kalamunda
Cr Doug Jeans (MS Teams)	Committee Member	Shire of Mundaring

Apologies

Cr Lesley Boyd	Deputy Chairman	City of Kalamunda
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EMRC Officers

Mr Marcus Geisler (on-site)	Chief Executive Officer
Mr Hua Jer Liew (on-site)	Chief Financial Officer
Ms Izabella Krzysko (on-site)	Manager, Procurement and Governance
Mr David Schmidt (on-site)	Manager, Information Services
Mrs Lee Loughnan (on-site)	Personal Assistant to Chief Financial Officer (Minutes)

Observer(s)

Cr Giorgia Johnson (MS Teams)	Deputy Committee Member
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Visitor(s)

Mr James Cottrill (MS Teams)	Stantons International
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3 DISCLOSURE OF INTERESTS

Nil

4 ANNOUNCEMENTS BY THE CHAIRMAN OR PRESIDING MEMBER WITHOUT DISCUSSION

Nil

5 PETITIONS, DEPUTATIONS AND PRESENTATIONS

Nil



6 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

6.1 MINUTES OF THE AUDIT COMMITTEE MEETING OF MEETING HELD ON 3 JUNE 2021 (D2021/08492)

That the minutes of the Audit Committee meeting held on 3 June 2021 which have been distributed, be confirmed.

AUDIT COMMITTEE RESOLUTION

MOVED CR HAMILTON

SECONDED CR O'CONNOR

THAT THE MINUTES OF THE AUDIT COMMITTEE 3 JUNE 2021 WHICH HAVE BEEN DISTRIBUTED, BE CONFIRMED.

CARRIED UNANIMOUSLY

7 QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN

Nil

8 QUESTIONS BY MEMBERS WITHOUT NOTICE

Nil

9 ANNOUNCEMENT OF CONFIDENTIAL MATTERS FOR WHICH MEETINGS MAY BE CLOSED TO THE PUBLIC

Nil

10 BUSINESS NOT DEALT WITH FROM A PREVIOUS MEETING

Nil



11 REPORTS OF EMPLOYEES

- 11.1 RISK MANAGEMENT UPDATE (D2021/18431)
- 11.2 CEO REVIEW OF FINANCIAL MANAGEMENT SYSTEMS AND PROCEDURES AND RISK MANAGEMENT, INTERNAL CONTROL AND LEGISLATIVE COMPLIANCE (D2021/18432)
- 11.3 ANNUAL FINANCIAL REPORT AND AUDIT REPORT FOR YEAR ENDED 30 JUNE 2021 (D2021/18472)

AUDIT COMMITTEE RECOMMENDATION(S)

MOVED CR HAMILTON

SECONDED CR O'CONNOR

THAT WITH THE EXCEPTION OF ITEM 11.3 WHICH WAS WITHDRAWN FOLLOWING DISCUSSION WITH THE OFFICE OF AUDITOR GENERAL (OAG), THE COMMITTEE ADOPTS THE RECOMMENDATIONS IN THE REPORTS OF EMPLOYEES (SECTION 11).

CARRIED UNANIMOUSLY

Councillors noted that Item 11.3 Annual Financial Report and Audit Report for Year ended 30 June 2021 was withdrawn and will be reissued with the requested amendments for the Audit Committee to review will be at its next scheduled 4 November 2021 meeting.



11 REPORTS OF EMPLOYEES

11.1 RISK MANAGEMENT UPDATE

D2021/18431

PURPOSE OF REPORT

The purpose of this report is to provide Council with an update on the EMRC's risk management profile.

KEY POINT(S)

- Sound corporate governance requires an integrated risk management approach including management processes, strategic planning, reporting and performance management.
- In accordance with the Risk Management Framework, an overview of the management of risk is reported approximately 3 – 4 times a year to the Audit Committee.

RECOMMENDATION(S)

That Council notes the update on the status of the Council's risk management profile.

SOURCE OF REPORT

Chief Financial Officer

Background

- 1 At the ordinary Council meeting on 3 December 2020 it was resolved that:
- 2 *THAT COUNCIL:*
 1. *CANCELS 7.1 - RISK MANAGEMENT POLICY, FORMING ATTACHMENT 1 OF THIS REPORT.*
 2. *ADOPTS A NEW 7.1 - RISK MANAGEMENT POLICY, FORMING ATTACHMENT 3 OF THIS REPORT.*
 3. *ENDORSES THE NEW RISK MANAGEMENT FRAMEWORK, FORMING ATTACHMENT 4 OF THIS REPORT AND THE NEW RISK APPETITE STATEMENT, FORMING ATTACHMENT 5 OF THIS REPORT TO ENSURE THAT THE APPROPRIATE GOVERNANCE OF RISK MANAGEMENT WITHIN THE EMRC IS PROVIDED.*
- 3 The EMRC has quantified its broad risk appetite through the EMRC's risk assessment and acceptance criteria. The criteria are included within the EMRC's Risk Management Policy, Risk Management Framework and the Risk Appetite Statement.
- 4 The EMRC is to continue to monitor and review process and to report on the progress of its achievement of the risk management objectives, the management of individual risks and the ongoing identification of issues and trends.
- 5 The last risk performance objectives were reported to the Audit Committee and Council in June 2021.

REPORT

- 6 The EMRC's Risk Management Framework provides the guidance to integrate risk management into significant activities and functions performed by the EMRC and supporting the EMRC's ability to use risk management as part of the decision making processes.



- 7 The current EMRC risk appetite accepts the taking of controlled risks, the use of innovative approaches and the development of new opportunities to improve service delivery and to achieve EMRC objectives provided that the risks are properly identified, evaluated and managed to ensure that any exposures are acceptable.
- 8 The current risk management profile (heat map report), forming attachment 1 to this report, is a heat map report generated using the CAMMS risk software following its implementation and shows all of the EMRC's strategic risks. The heat map offers a visualised, comprehensive view of the likelihood and impact of the EMRC's strategic risks and helps the organisation improve its risk management and risk governance by prioritising risk management efforts.
- 9 The table below summarises the current risk management update associated with all of the EMRC's strategic risks that are included in the attachment to this report.

Risk Code	Risk Title	Risk Owner	Risk Status Update
SR-1	Excessive Employee Benefits leave liability	Chief Executive Officer	Introduced Competency Framework Management Guideline, monthly Executive Leadership Team reporting and included this into performance reviews.
SR-2	Inadequate succession planning	Chief Executive Officer	A succession planning workshop was held in September 2021.
SR-3	Ineffective Operational Reporting (timely and relevant)	Chief Operating Officer	All reports are effective with clear KPI's. The effectiveness of the reports is tested regularly.
SR-4	Over-use of single-source suppliers	Chief Financial Officer	Reports are reviewed monthly by the Executive Leadership Team to ensure compliance are met. The risk will remain major for non-compliance as it is a likely outcome. Continual vigilance is required.
SR-5	Legacy issues restricting innovation and performance	Chief Executive Officer	Set up business improvement group, it is now an agenda items at monthly Executive Leadership Team meetings and the strategic review has been finalised.
SR-6	Under/poor performance	Chief Executive Officer	Monthly P&L management reporting and review process in place.
SR-7	Reduced Grant Funding	Chief Sustainability Officer	Reduced Grant Funding is likely if some programs are not continued.



Risk Code	Risk Title	Risk Owner	Risk Status Update
SR-8	Inadequate leachate control	Chief Operating Officer	All leachate controls put in place are adequate. The leachate ponds are monitored on a daily bases. To date there are no issues in this area as the current set- up meets all requirements.
SR-9	Odour, noise, dust and traffic complaints	Chief Operating Officer	There are internal processes that allow neighbours and others to report on any of the items highlighted in this code. All complaints are acted on within a timely manner and signed off by both the Site Manager and Chief Operating Officer and filed in accordance with EMRC's internal requirements.
SR-10	WWTE (Pyrolysis) Project underperformance	Chief Project Officer	No change to the level of risk rating however progress on this project is being reported to Council every month; this includes updates on expenditure and progress.
SR-11	Fire in operational sites	Chief Operating Officer	All inductions and internal processes are adequate to manage all EMRC sites in the unlikely event of a fire on site. This includes all reporting requirements.
SR-12	By-passing established Tender or Procurement procedures	Chief Financial Officer	Following the initial risk rating, additional training was conducted. Working with other teams on various projects also provided the opportunity to reinforce best practice principles in relation to procurement processes.



Risk Code	Risk Title	Risk Owner	Risk Status Update
SR-13	Cyber attack	Chief Financial Officer	Following the initial risk rating and review, the Data Security Guideline continues to be reviewed and improved and supported by staff training to provide guidance to staff on how to avoid downloading malicious files. The Cyber Incident Response Plan was developed to provide guidelines for a timely and effective response to a cyber attack and is supported by Cyber Security Insurance which provides risk cover in the event of a cyber attack.
SR-14	Poor Stakeholder Engagement	Chief Executive Officer	Report presented to Council in September 2021.
SR-15	By-passing established administrative (non-financial) procedures	Chief Financial Officer	Ongoing monitoring and review.
SR-16	Injury to Operational Field Officers	Chief Executive Officer	Introduction of revised pre-starts, an OHS focus at recruitment and accountability/corrective action.
SR-17	COVID-19 Infection	Chief Executive Officer	Review scheduled.
SR-18	Capex project objectives/targets not achieved	Chief Project Officer	No change to the level of risk rating; spreadsheet developed to assist with monitoring of expenditure against forecast; monthly reviews are taking place.
SR-19	Licencing conditions breach	Chief Project Officer	No change to the level of risk rating; regular monitoring takes place at the EMRC's facilities as set out in licence conditions and our own procedures.
SR-20	Lack of interest from Member Councils regarding Sustainability Programs	Chief Sustainability Officer	Lack of Interest from Member Councils regarding Sustainability Programs has already been evidenced. The level of the impact may become clearer once the Establishment Agreement review is complete.



Risk Code	Risk Title	Risk Owner	Risk Status Update
SR-21	Employment related litigation	Chief Executive Officer	Audits by LGIS and Internal auditors of management guidelines and procedures took place as well as training regarding employee relations, OHS and site procedures enforcement.
SR-22	Sub-surface landfill fires	Chief Operating Officer	There is a process in place to follow in the unlikely event there is a sub-surface fire. This process also includes the reporting of the actual incident as well.
SR-23	Methane gas explosion	Chief Operating Officer	All areas are monitored on a daily basis by the EMRC site contractor (EDL) as well as EMRC site leaders. All inductions as well as EMRC's site emergency plan covers the requirements in the event of an incident. The EMRC conducts regular drills on evacuation procedures etc. This is to ensure that all personnel understand what is required in the unlikely event of a methane gas explosion.
SR-24	Light vehicle or pedestrian interaction with heavy equipment	Chief Operating Officer	All external visitors are inducted to highlight all operational active areas as well as issued with two-way radios & escorted safely by an EMRC site employee. No one enters EMRC sites without been inducted first. Inductions cover off on all site requirements when it comes to light vehicles or pedestrian activity. There are set safety KPI's for all managers and leaders of the sites. This is to ensure that EMRC leaders auditing the process to ensure all process are followed and adhered too. These results and mitigations are highlighted in our regular operational reports.



Risk Code	Risk Title	Risk Owner		Risk Status Update
SR-25	Fraudster changing a Creditor's bank account details	Chief Officer	Financial	This risk remains the same as the initial risk rating of moderate & unlikely, reflecting the likelihood & risk level. The verification process continues to be reviewed & has been reinforced to ensure that any changes to a creditor's bank account details are not changed without confirmation from the creditor.
SR-26	No scheduled maintenance program for all buildings	Chief Officer	Financial	Review in progress.
SR-27	Intentional activities in excess of delegated authority (PID Officer)	Chief Officer	Executive	Review scheduled.
SR-28	Large numbers of Ibis and Pelicans scavenging on open tip face	Chief Officer	Operating	There are internal procedures in place to ensure that this is managed in accordance with EMRC's requirements. The Operations team is also heavily supported by the Environmental team.

STRATEGIC/POLICY IMPLICATIONS

10 Key Result Area 3 – Good Governance

3.3 To provide responsible and accountable governance and management of the EMRC

FINANCIAL IMPLICATIONS

11 Nil

SUSTAINABILITY IMPLICATIONS

12 Nil

RISK MANAGEMENT

Risk – The EMRC is required to ensure that all risks are reviewed, monitored and controlled on a regular basis

Consequence	Likelihood	Rating
Moderate	Likely	High
Action/Strategy		
➤ Council to note the update on the status of the Council's risk management objectives.		



MEMBER COUNCIL IMPLICATIONS

Member Council	Implication Details
Town of Bassendean	} Nil
City of Bayswater	
City of Kalamunda	
Shire of Mundaring	
City of Swan	

ATTACHMENT(S)

Current risk management profile (D2021/18904)

VOTING REQUIREMENT

Simple Majority

RECOMMENDATION(S)

That Council notes the update on the status of the Council's risk management objectives.

AC RECOMMENDATION(S)

MOVED CR HAMILTON

SECONDED CR O'CONNOR

That Council notes the update on the status of the Council's risk management objectives.

CARRIED UNANIMOUSLY

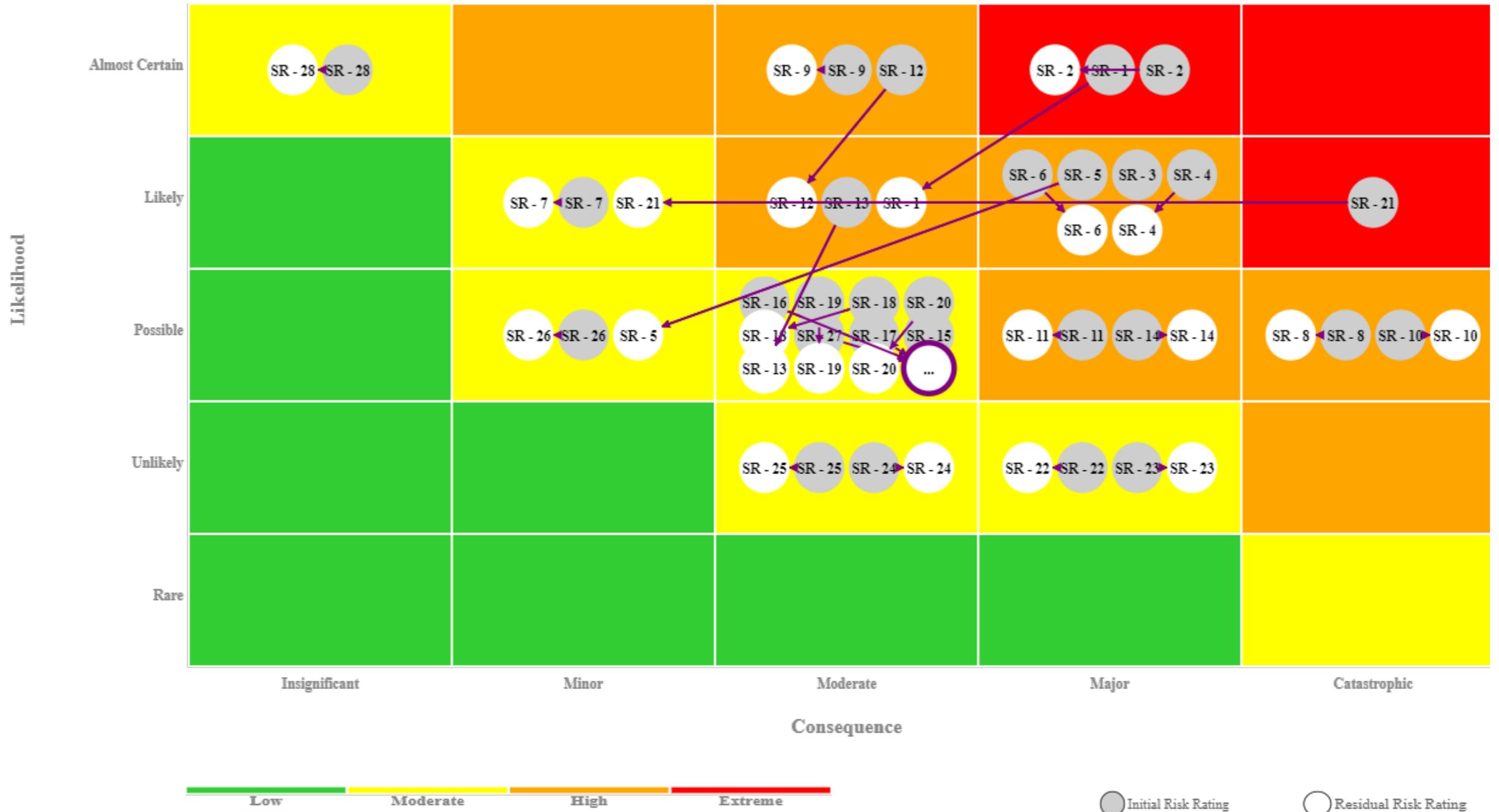
COUNCIL RESOLUTION(S)

MOVED CR HAMILTON

SECONDED CR JEANS

THAT COUNCIL NOTES THE UPDATE ON THE STATUS OF THE COUNCIL'S RISK MANAGEMENT OBJECTIVES.

CARRIED UNANIMOUSLY

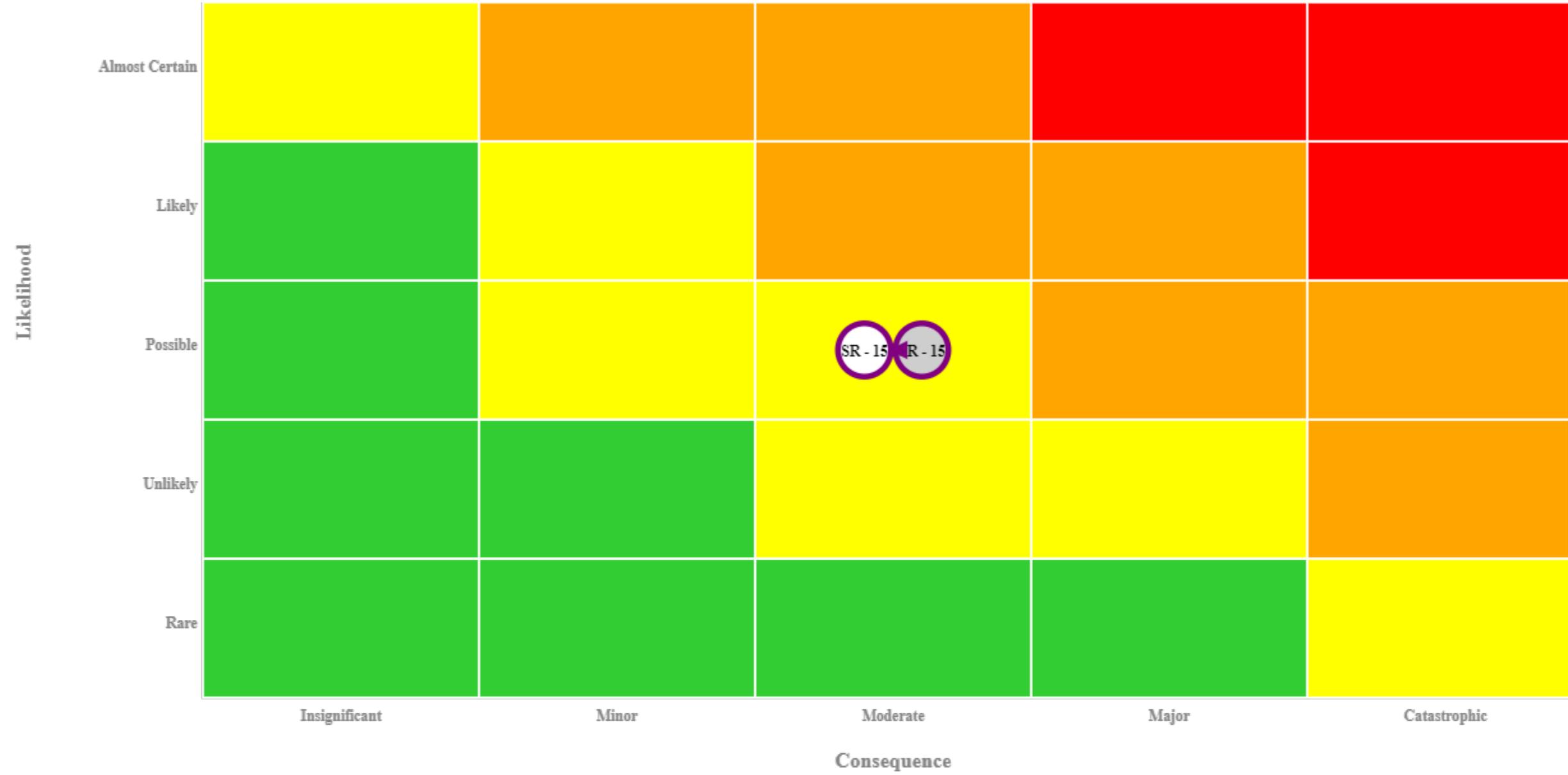


Risk Code	Risk Title
SR - 10	WWTE (Pyrolysis) Project underperformance
SR - 9	Odour, noise, dust and traffic complaints
SR - 18	Capex project objectives/targets not achieved
SR - 24	Light vehicle or pedestrian interaction with heavy equipment
SR - 13	Cyber attack
SR - 25	Fraudster changing a Creditor's bank account details
SR - 1	Excessive Employee Benefits leave liability
SR - 21	Employment related litigation
SR - 19	Licencing conditions breach
SR - 3	Ineffective Operational Reporting (timely and relevant)
SR - 12	By-passing established Tender or Procurement procedures
SR - 20	Lack of interest from Member Councils regarding Sustainability Programs
SR - 16	Injury to Operational Field Officers
SR - 8	Inadequate leachate control
SR - 5	Legacy issues restricting innovation and performance
SR - 14	Poor Stakeholder Engagement
SR - 23	Methane gas explosion
SR - 4	Over-use of single-source suppliers
SR - 28	Large numbers of Ibis and Pelicans scavenging on open tip face
SR - 22	Sub-surface landfill fires
SR - 7	Reduced Grant Funding
SR - 26	No scheduled maintenance program for all buildings
SR - 17	Covid-19 Infection
SR - 27	Intentional activities in excess of delegated authority (PID Officer)
SR - 6	Under/poor performance
SR - 11	Fire in operational sites
SR - 2	Inadequate succession planning
SR - 15	By-passing established administrative (non-financial) procedures



Initial Risk Rating

Residual Risk Rating

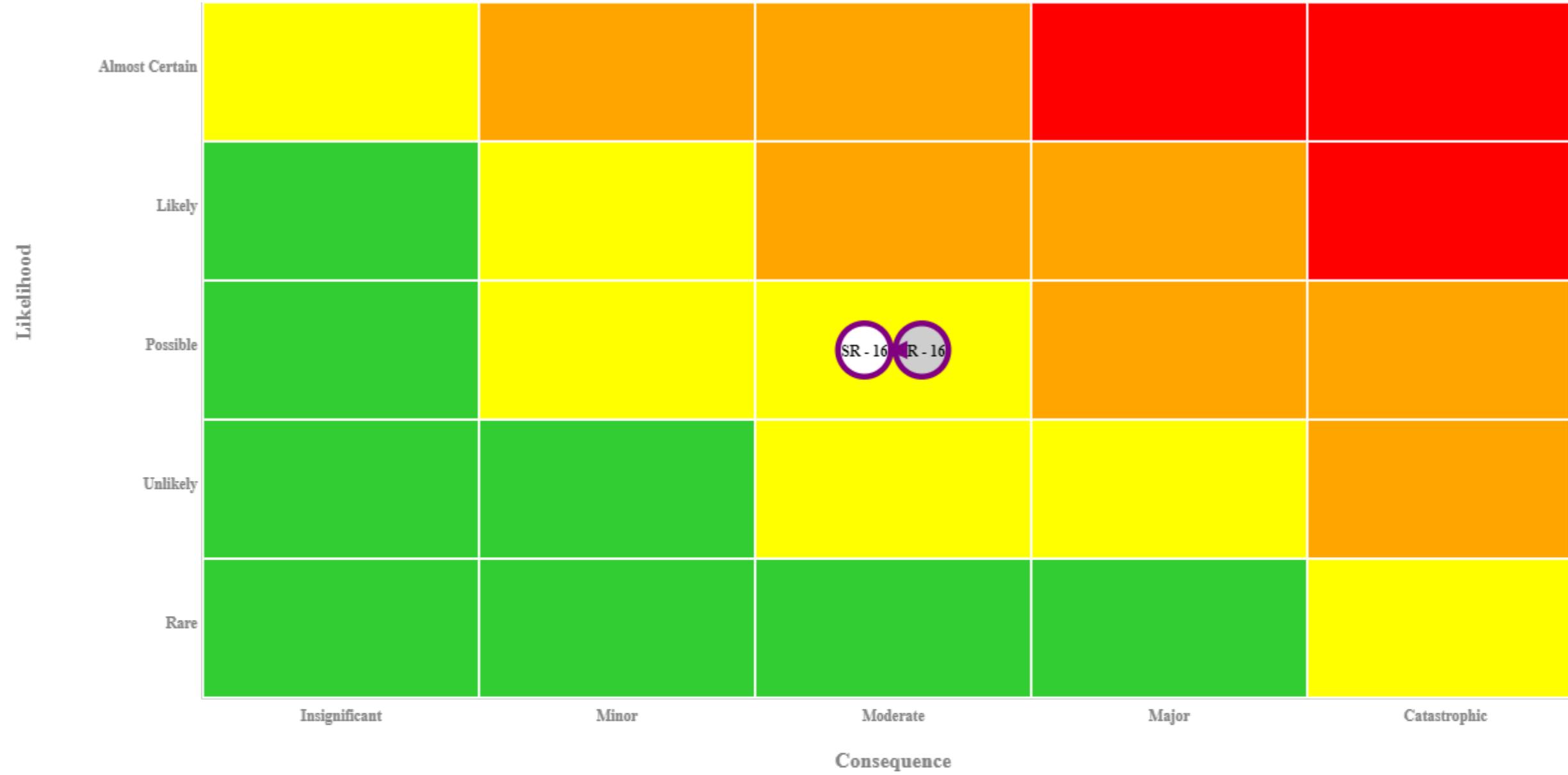


Risk Code	Risk Title
SR - 15	By-passing established administrative (non-financial) procedures



Initial Risk Rating

Residual Risk Rating



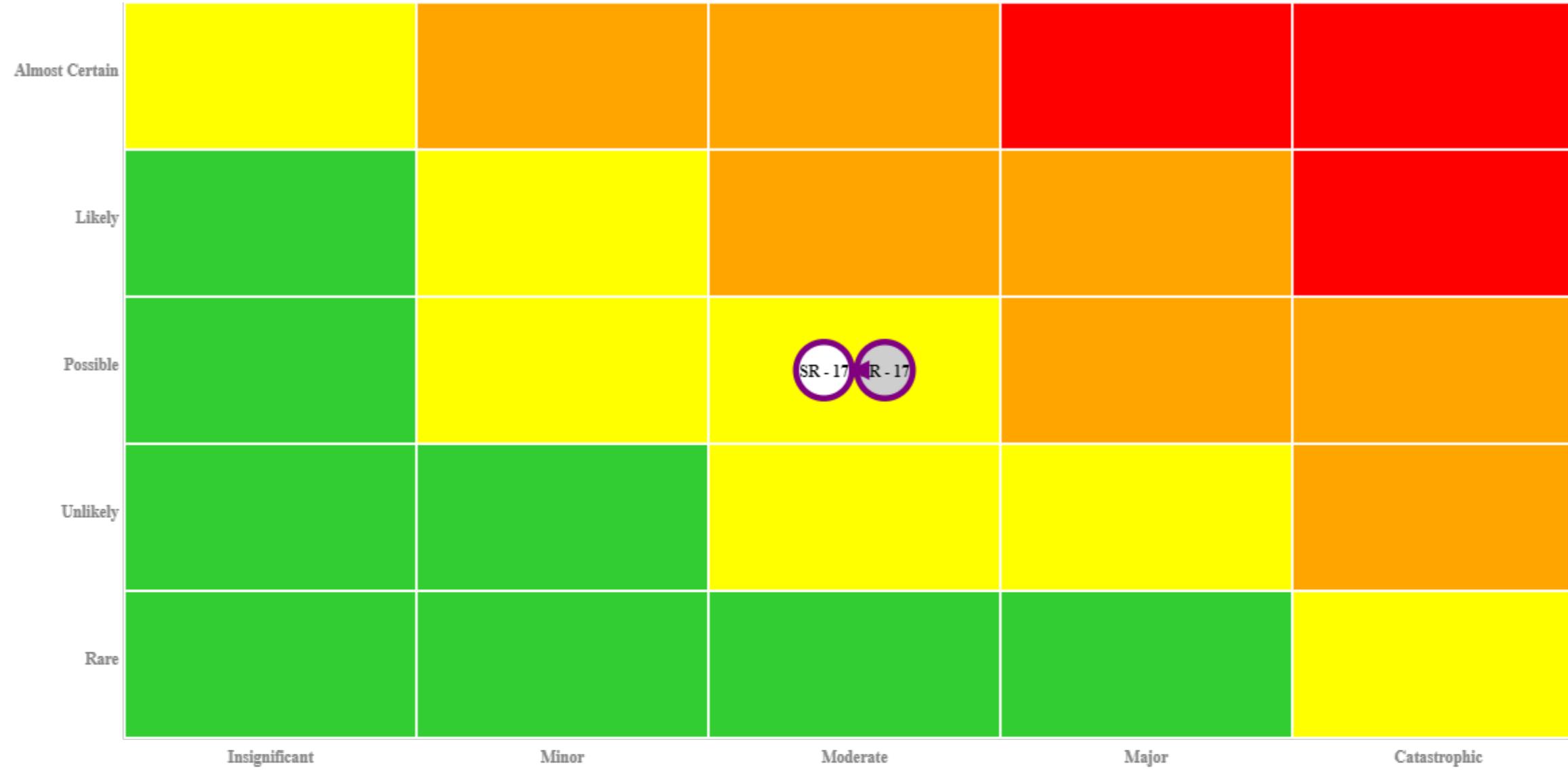
Risk Code	Risk Title
SR - 16	Injury to Operational Field Officers



● Initial Risk Rating

○ Residual Risk Rating

Likelihood



SR - 17 R - 17

Consequence

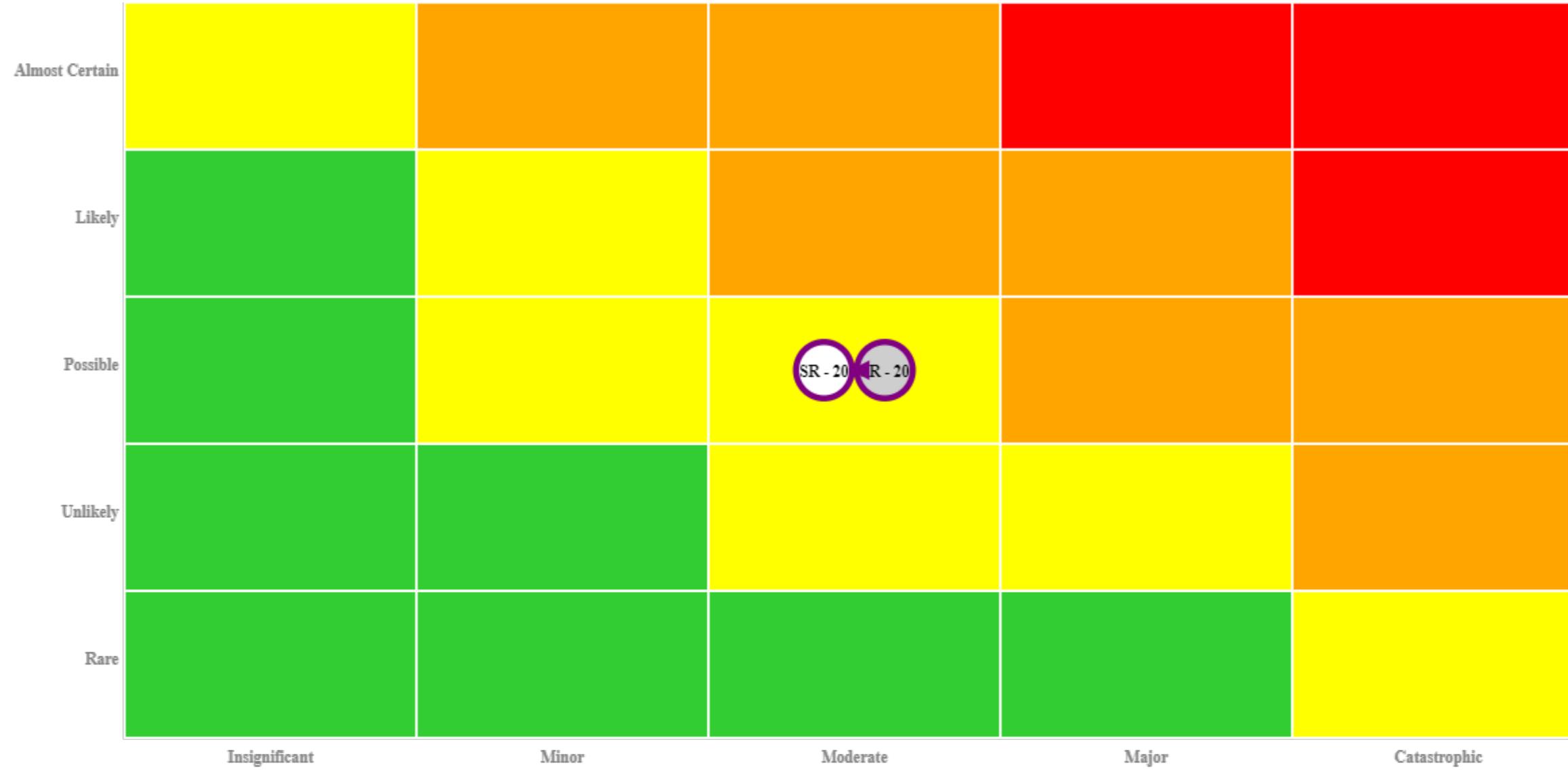
Risk Code	Risk Title
SR - 17	Covid-19 Infection



● Initial Risk Rating

○ Residual Risk Rating

Likelihood



SR - 20 R - 20

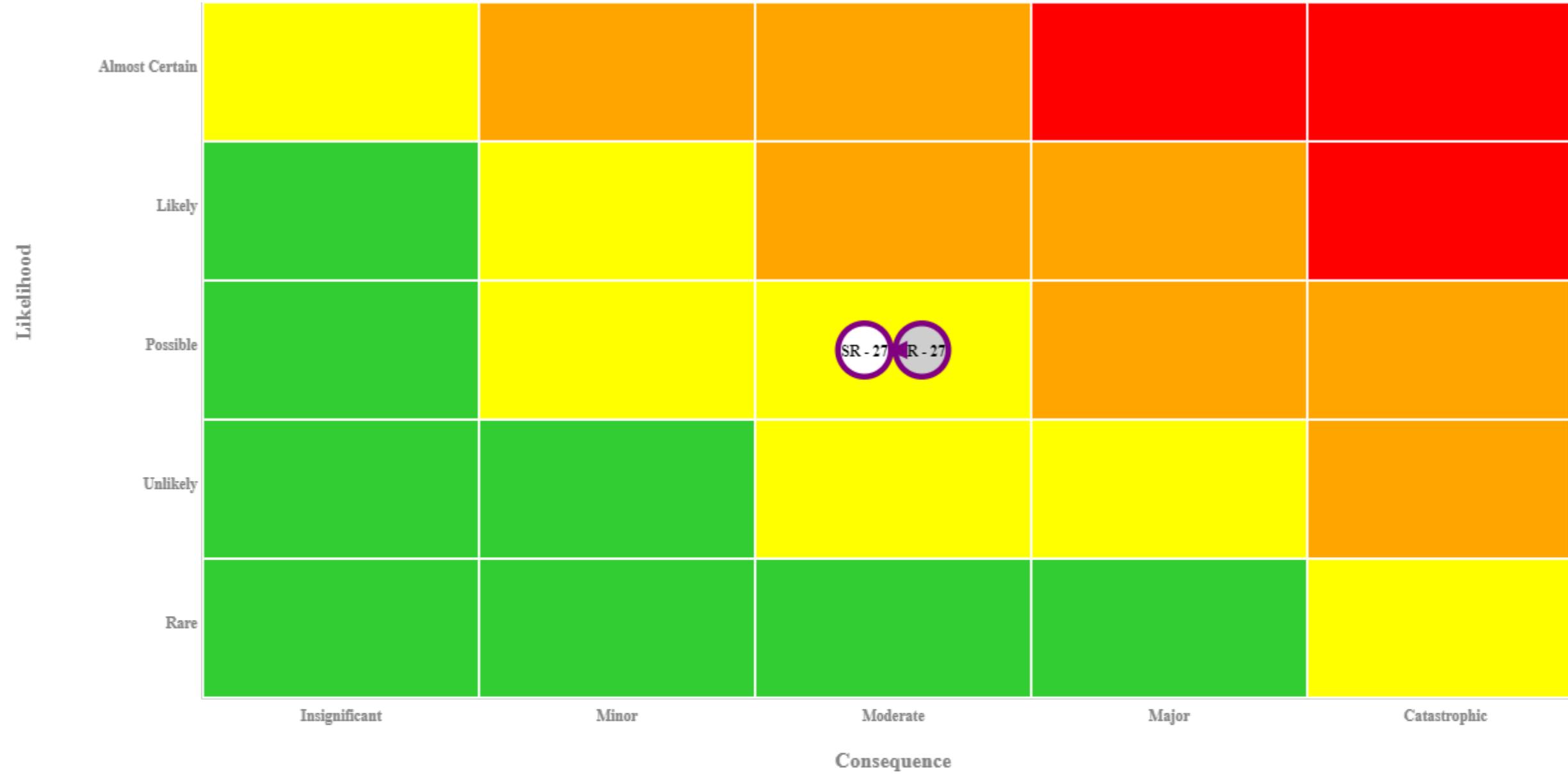
Consequence

Risk Code	Risk Title
SR - 20	Lack of interest from Member Councils regarding Sustainability Programs



Initial Risk Rating

Residual Risk Rating



Risk Code	Risk Title
SR - 27	Intentional activities in excess of delegated authority (PID Officer)



11.2 CEO REVIEW OF FINANCIAL MANAGEMENT SYSTEMS AND PROCEDURES & RISK MANAGEMENT, INTERNAL CONTROL AND LEGISLATIVE COMPLIANCE

D2021/18432

PURPOSE OF REPORT

The purpose of this report is to present to the Audit Committee the Chief Executive Officer's report on the appropriateness and effectiveness of the EMRC's systems in regard to risk management, internal control and legislative compliance for its consideration and referral to Council.

KEY POINT(S)

- Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* requires the Chief Executive Officer (CEO) to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every three financial years)
- Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the CEO to review and report on the appropriateness and effectiveness of the local government's systems in regard to risk management, internal control and legislative compliance at least once every three (3) financial years.
- A review was undertaken by our internal auditors to meet and support these requirements.
- The review has determined that the EMRC has in place appropriate and effective systems, policies and procedures, as well as sound internal controls and audits by external parties to ensure the EMRC meets its obligations with regards to risk management, internal control and legislative compliance obligations.

RECOMMENDATION(S)

That Council in accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* and regulation 17(3) of the *Local Government (Audit) Regulations 1996* receives the review of the appropriateness and effectiveness of the financial management systems and procedures and risk management, internal control and legislative compliance.

SOURCE OF REPORT

Chief Executive Officer

BACKGROUND

- 1 The *Local Government (Financial Management) Regulations 1996* were amended on 26 June 2018. Regulation 5(2)(c) now requires the CEO to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every three financial years) and report to the local government the results of those reviews. Previously, the review was to be undertaken not less than once every four years.
- 2 The last review with regard to the appropriateness and effectiveness of the financial management systems and procedures was reported to the Audit Committee on 6 June 2019 (Ref: D2018/07475) and subsequently received by Council on 20 June 2019. The review state that the systems, controls and procedures in place are operating effectively and are appropriate, given the EMRC's structure and operations.



- 3 Regulation 17 of the *Local Government (Audit) Regulations 1996* was amended on 26 June 2018. The amendment requires the CEO to review and report on the appropriateness of the local government's systems in regard to risk management, internal control and legislative compliance. The report and review process is to occur at least once every three (3) financial years. Previously these functions were required to be reviewed every two (2) calendar years.
- 4 The last review with regard to risk management, internal control and legislative compliance was reported to the Audit Committee on 4 October 2018 (Ref: D2018/11600) and subsequently received by Council on 18 October 2018. The review determined that the EMRC has in place appropriate and effective systems, policies and procedures, as well as sound internal controls and audits by external parties to ensure the EMRC meets its obligations with regards to risk management, internal control and legislative compliance obligations.
- 5 At the Audit Committee meeting held on 4 June 2020 (Ref: D2020/07718), the Committee endorsed a three (3) year (plus three (3) year) Strategic Internal Audit Plan (SAIP), which was subsequently adopted by Council at its meeting of 18 June 2020. As part of the SAIP, the internal audit is to assist and support the CEO to meet the requirement of r.5 of the *Local Government (Financial Management) Regulations 1996* and the r. 17 of the *Local Government (Audit) Regulations 1996*.

REPORT

- 6 In accordance with the requirements of r.5 of the *Local Government (Financial Management) Regulations 1996* and r.17 of the *Local Government (Audit) Regulations 1996*, a review of:
- a the appropriateness and effectiveness of the financial management systems and procedures of the local government; and
 - b the appropriateness and effectiveness of the systems and procedures relating to risk management, internal control and legislative requirements was undertaken.
- 7 To meet and support the requirements of r.5(2)(c) of the *Local Government (Financial Management) Regulations 1996* and r.17 of the *Local Government (Audit) Regulations 1996*, EMRC has engaged Stantons International as our internal auditors to provide the following services:
- Assess the systems and processes in place for the risk management process;
 - Assess the systems and processes in place for maintaining legislative compliance;
 - Evaluate the internal control systems and processes; and
 - Evaluate the financial management systems and processes.
- 8 During the 2020/21 financial year, Stantons International has already conducted several internal audits which provide the reliance on this work done for the financial management components as required per the r.5 of the *Local Government (Financial Management) Regulations 1996*.
- 9 The review concluded as follows:
- Robust, up-to-date policies and procedures are in place.
 - Adequately designed well implemented controls are in place.
 - Controls operate effectively as intended.
 - Information systems are in place, fully integrated and operating effectively.
 - Processes are effectively designed and human resources rely on these to achieve objectives.
- 10 It is thus considered that the systems and procedures related to risk management, internal control and legislative compliance are both appropriate and effective.
- 11 The next audit review is due in the 2024/2025 financial year.



STRATEGIC/POLICY IMPLICATIONS

12 Key Result Area – Good Governance

3.3 To provide responsible and accountable governance and management of the EMRC

FINANCIAL IMPLICATIONS

13 Nil

SUSTAINABILITY IMPLICATIONS

14 Nil

RISK MANAGEMENT

Risk – The EMRC must continue to improve financial and asset management practices and to report on any audit findings regularly

Consequence	Likelihood	Rating
Moderate	Likely	High
Action/Strategy		
➤ Council to note the risk management, internal control and legislative compliance audit review.		

MEMBER COUNCIL IMPLICATIONS

Member Council

Town of Bassendean

City of Bayswater

City of Kalamunda

Shire of Mundaring

City of Swan

Implication Details

Nil

ATTACHMENT(S)

Review Pursuant to r.5 of LG (F&M) Reg and r.17 of LG (Audit) Reg (D2021/19467)

VOTING REQUIREMENT

Simple Majority



RECOMMENDATION(S)

That Council in accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* and regulation 17(3) of the *Local Government (Audit) Regulations 1996* receives the review of the appropriateness and effectiveness of the financial management systems and procedures and risk management, internal control and legislative compliance.

AC RECOMMENDATION(S)

MOVED CR HAMILTON

SECONDED CR O'CONNOR

That Council in accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* and regulation 17(3) of the *Local Government (Audit) Regulations 1996* receives the review of the appropriateness and effectiveness of the financial management systems and procedures and risk management, internal control and legislative compliance.

CARRIED UNANIMOUSLY

COUNCIL RESOLUTION(S)

MOVED CR HAMILTON

SECONDED CR JEANS

THAT COUNCIL IN ACCORDANCE WITH REGULATION 5(2)(C) OF THE *LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996* AND REGULATION 17(3) OF THE *LOCAL GOVERNMENT (AUDIT) REGULATIONS 1996* RECEIVES THE REVIEW OF THE APPROPRIATENESS AND EFFECTIVENESS OF THE FINANCIAL MANAGEMENT SYSTEMS AND PROCEDURES AND RISK MANAGEMENT, INTERNAL CONTROL AND LEGISLATIVE COMPLIANCE.

CARRIED UNANIMOUSLY

Stantons International Audit and Consulting Pty Ltd
(ABN 84 144 581 519) trading as



Stantons

Chartered Accountants and Consultants



**Eastern Metropolitan Regional Council
Reviews pursuant to Regulation 17 of the Local
Government (Audit) Regulations 1996 and Regulation 5 of
the Local Government (Financial Management)
Regulations
September 2021**

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1. EXECUTIVE SUMMARY

Introduction

The Eastern Metropolitan Regional Council (EMRC) is a progressive and innovative regional local government working on behalf of five member Councils located in Perth's Eastern Region: Town of Bassendean, City of Bayswater, City of Kalamunda, Shire of Mundaring, and City of Swan. This Region is a major gateway to greater Perth, hosting Western Australia's major air, road, and rail transport hubs. The EMRC is an incorporated body established under the Western Australian *Local Government Act 1995*. The EMRC's operations are governed under an Establishment Agreement.

EMRC provides a broad range of services across the region including waste management and education, resource recovery, urban and natural environmental management, and regional development of the region. Its Council is responsible for setting the EMRC's strategic direction. EMRC management implements this direction, ensures the organisation's values are sustained and provides an environment that encourages staff to reach their full potential.

The Council engaged Stantons International to provide the following services in relation to the requirements of Regulation 17 of the *Local Government (Audit) Regulations 1996* and Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*:

- Assess the systems and processes in place for the risk management process within the Council
- Assess the systems and processes in place for maintaining legislative compliance within the Council
- Evaluate the internal control systems and processes within the Council
- Evaluate the financial management systems and processes within the Council.

The review was undertaken in response to the above requirements.

Reviews Required by Legislation

Local Government regulations require the following:

Regulation 17 (reg. 17) of the *Local Government (Audit) Regulations 1996* provides that the CEO is to:

"Review the appropriateness and effectiveness of a local government's systems and procedures in relation to –

- (a) Risk management; and
- (b) Internal control; and
- (c) Legislative compliance

... not less than once in every three financial years."

The CEO is to report to the audit committee the results of the review.

Regulation 5 (reg. 5) of the *Local Government (Financial Management) Regulations 1996* provides that the CEO is to:

"Undertake the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every three financial years) and report to the local government the results of those reviews."

During the 2020/21 financial year, Stantons International has already conducted several internal audits and we will be placing reliance on this work done for the financial management components as required per the *Local Government (Financial Management) Regulations 1996 r.5(2)*.

The financial management related internal audits already performed include:

- Accounts Payable (Master File) and Contract Management
- Human Resource Management
- Payroll
- IT General Controls (including SynergySoft controls).

For this audit we focussed on the following areas that we have yet to assess the appropriateness and effectiveness of the financial management systems and procedures including internal controls:

- Asset Management
- Banking
- Credit Cards
- Fringe Benefits Tax (FBT)
- Goods and Services Tax (GST)
- Expenditure and Payments
- Revenue, Receipting and Accounts Receivable.

In relation to the *Local Government (Audit) Regulations 1996 r.17*, for the Council's Risk Management, Internal Controls and Legislative Compliance we have placed reliance on the internal audit work already performed in relation to corporate governance and some aspects of risk management. In relation to Legislative Compliance, we have evaluated if there is adequate compliance with legislation and regulations, assessing the process of monitoring changes to legislation or new legislative requirements and assessing the processes in place to ensure compliance with legislative reporting requirements.

Scope of works

The audit period was 1 July 2020 to 30 June 2021.

2. OVERALL RISK AND MATURITY ASSESSMENT

Overall Risk Rating

There were no findings.	N/A
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Overall Maturity Rating



Mature:

- ✓ Robust, up-to-date policies and procedures are in place.
- ✓ Adequately designed well implemented controls are in place.
- ✓ Controls operate effectively as intended.
- ✓ Information systems are in place, fully integrated and operating effectively.
- ✓ Processes are effectively designed, and human resources rely on these to achieve objectives.

3. SUMMARY OF FINDINGS

There are no findings noted.

4. RECOMMENDATIONS

There are no recommendations noted.

5. BUSINESS IMPROVEMENTS

1. Audit noted that three Operational Asset Management Plans are currently under development for each of EMRC's sites. Audit suggests prioritising the completion of the Asset Management Plans.
2. Audit noted there are no formal policies or procedures in place at EMRC for FBT. A new BMS flowchart could be considered a formal documented procedure to demonstrate how EMRC captures all their transactions to be assessed for FBT.
3. Audit suggests that the Business Continuity Management Plan scheduled review date to be included within the document.

6. OVERALL COMMENTS

Eastern Metropolitan Regional Council (EMRC) - Management Comments

The Operational Asset Management Plan is now in final draft form with a view to be presented to the Executive Leadership Team.

The BMS flowchart for the FBT will be completed in the next 3 - 4 months.

The Business Continuity Plan is updated regularly to ensure that the most current staff and supplier details are reflected in the document. An annual review in the last quarter of the calendar year is undertaken to ensure that it has considered all the changes in the organisation and that the proposed plan is still current and relevant to the needs of the organisation.

Stantons International - Audit Management Comments

We acknowledge the management comments from EMRC. It is pleasing to note EMRC will endeavour to implement the recommended business improvements and are in the final process of developing Asset Management Plans. We also wish to thank all EMRC staff for their assistance with the audit.

7. RISK RATING AND DEFINITIONS

Risk Ratings and Interpretations

Risks Ratings	Rating Interpretation	Suggested timing of implementing recommendations
Critical	The finding poses a severe risk to EMRC if not appropriately and timely addressed.	Commence remedial action immediately
Major	The finding poses significant risk to EMRC if not appropriately and timely addressed.	Commence remedial action within 3 months
Moderate	The finding poses less significant risk to EMRC if not appropriately and timely addressed.	Commence remedial action within 6 months
Minor	The finding poses minimal risk to EMRC if not appropriately and timely addressed, and the risk may develop more or cause other risks to develop.	Commence remedial action within 12 months

Maturity Assessment Criteria

Needs Improvement	Improved	Mature
<ul style="list-style-type: none"> ✓ Adhoc, non existent, partially complete, out of date policies and procedures. ✓ Inadequately designed and implemented Internal controls. ✓ Controls not operating effectively as intended all the time. ✓ Information systems are in place but not fully operational or well intergrated. ✓ Processes are not fully designed and are fully dependent on human support. 	<ul style="list-style-type: none"> ✓ Existing, up-to-date but less robust, policies and procedures. ✓ Adequately designed internal controls but not well implemented. ✓ Controls operating effectively at times. ✓ Information systems are in place, operating as intended and are actively building towards full intergration. ✓ Processes are well designed, interact with human resources well and with scope for more improvement. 	<ul style="list-style-type: none"> ✓ Robust, up-to-date policies and procedures are in place. ✓ Adequately designed well implemented controls are in place. ✓ Controls operate effectively as intended ✓ Information systems are in place, fully intergrated and operating effectively. ✓ Processes are effectively designed and human resources rely on these to achieve objectives.



Chartered Accountants and Consultants

DISCLAIMER, BASIS OF AUDIT AND LIMITATIONS

We have conducted our review in accordance with the applicable Performance Standards of the International Standards for the Professional Practice of Internal Auditing.

Disclaimer

This report is prepared for EMRC’s internal use and may be shared with its auditors and professional advisor for internal use. Copying and distribution of this report to other parties should not be done without prior approval and consent from Stantons International

Basis of Audit

We have conducted our audit in accordance with the applicable Performance Standards of the International Standards for the Professional Practice of Internal Auditing. The content of this report therefore represents the independent view by Stantons International purely based on the information provided by EMRC members of staff during audit fieldwork. Changes to the contents of the report without Stanton’s involvement will render all contents less “independent” and unrepresentative of Stanton’s position with regards to the contents contained therein.

Inherent Limitations

Because of the inherent limitations of any internal control structure, it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected.

An Audit is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis.

Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate

Liability limited by a scheme approved under Professional Standards Legislation.

Report Release

Released by (Name): James Cottrill

Signature:

Title: Principal, Internal Audit, IT Audit & Risk Consulting

Date: 9 September 2021.

8. DETAILED AUDIT ASSESSMENT

8.1 ASSET MANAGEMENT

Overall Outcome	Audit noted through various asset tests, EMRC are compliant with Council Policy and draft Asset Management Plans are in place.
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Audit were informed that there was no standalone documentation relating to asset management procedures. E.g., additions, disposals, write offs etc. Audit has acknowledged that an Asset Management Plan is currently undergoing the process of development by an external consultant. Audit recommends that EMRC ensure their draft Asset Management Plan documents the relevant procedures so that proper guidance is in place to relevant staff members and maintenance of good controls to mitigate the risk of errors.

The asset management procedures include additions, disposals, transfers, values, locations, depreciation, stocktake, and maintenance. Audit conducted testing or walkthroughs of each of these procedures to evaluate the adequacy and effectiveness of EMRC's processes. Audit tested a sample of asset addition and disposal transactions during the financial year end 2021, agreeing transactions to underlying supporting documentation. We noted that asset additions and disposals have been appropriately treated during the period.

Assets greater than \$5,000 are capitalised at cost and subsequently recorded at fair value. An asset register is maintained in Synergy Soft, which includes details of the asset location, opening value, revaluations, current value, depreciation and written down value. Audit noted that a separate register of all expenditure is also kept in Synergy Soft. This register was scanned and reviewed for purchases that should have been added to the fixed asset register. No assets were found to be excluded. Audit also obtained and reviewed the insurance register for EMRC motor vehicles and properties. We have verified that assets owned by EMRC appears to be adequately insured.

Stocktakes are performed once every 18 months. During the stocktake process, the assigned officer will obtain extracts from the asset register and liaise with the sites and meet with the operational and administrative staff on site to reconcile the register through physically sighting the assets. Audit selected a list of assets from the asset register to be sighted while on site. A walkthrough was conducted with the Asset Officer, and we verified the existence of the assets by matching the asset code stickers found on the asset, back to the register. We noted that the assets were in good condition and does not indicate impairment or reduction in useful life.

For asset transfers, an asset transfer form is completed and signed by the relevant manager and co authorised by the relevant chief. The asset officer will then update the details in the asset register and notify the insurance company as required.

EMRC undertook revaluations in Land, Buildings, and Infrastructure classes during the 2020/21 financial year. We noted that a revaluation will be conducted every four years thereafter. Audit obtained and reviewed the Financial Reporting Valuation Report conducted by the contractors. We verified that the valuation was conducted on the basis of fair value and are in accordance with AASB 116 and AASB 13.

Per the Annual Financial Reporting Council Policy 3.1, fixed assets are depreciated over their estimated useful lives on a straight-line basis. Audit conducted a sample testing on assets to determine whether the depreciation was accurately calculated. We verified that depreciation appears to be correctly applied to assets during the period.

Despite not having a formal documentation process outlining minor works and maintenance, audit was informed that the current practice in place ensures all plant and equipment are serviced at regular intervals per the Council's service agreement with the suppliers. Mechanics are also available on site to place work order requests if an item of plant is in need of a service. For motor vehicles, officers using the EMRC vehicles have the sole responsibility of organising the service of the vehicle. The procurement team are responsible for organising servicing for fleet vehicles.

No issues noted.

Suggested Business Improvement	1. Audit noted that three Operational Asset Management Plans are currently under development for each of EMRC's sites. Audit suggests prioritising the completion of the Asset Management Plans.
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8.2 BANKING

Overall Outcomes	The banking processes and procedures at EMRC were adequate.
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Through inquiry with relevant staff members, and the performance of walkthroughs, audit gained an understanding of EMRC's step-by-step receipting, banking, and debtors' systems and processes, noting the design and implementation of the controls operating within EMRC.

Audit noted that EMRC have management guidelines in place in regard to banking of money. Audit reviewed the End of Day Cash Sales Reconciliation Management Guideline 2 April 2019 which is a document providing a step by step procedure for how money is required to be banked at EMRC.

Audit were informed by the Finance Team Leader that bank reconciliations are constantly performed by the team, anything that goes into the bank accounts is reconciled. Clients are also always contacted regarding payments, if a client claims they have completed a payment and the payment was not available to reconcile, this will raise a red flag suggesting the payment was made to an unauthorised account. Audit noted that there are adequate controls to prevent the funds coming to EMRC to be banked in an unauthorised bank account.

No issues noted.

8.3 CREDIT CARDS

Overall Outcomes	Through testing, audit was able to note that EMRC are compliant with their Credit Card Policies and Procedures.
------------------	---

Audit obtained and reviewed EMRC's Corporate Credit Card Guideline March 2018 (currently under review) to assess the adequacy of the design of Internal Controls related to the management of Credit Cards. We have identified that the guideline complies with the *Local Government Act* and relevant statutory requirements. The guideline establishes controls on the acceptable use of credit cards as well as the responsibilities of management and the cardholder.

Credit Cards are only used for purchasing goods and services on behalf of the Council. Audit obtained the Credit Card Register and tested a sample of credit cards by obtaining the acquittals for credit cards for three periods during the financial year end 2021. Audit examined whether appropriate approval was sought as well as whether the acquittals agree the expenditure to underlying supporting documentation as approved. Audit also tested a sample of cancelled credit cards and examined whether the cancellation was authorised, and the card was appropriately disposed of. In addition, audit also verified the cancellation through obtaining the email correspondence with NAB Bank confirming the credit card has been cancelled.

No issues noted.

8.4 FRINGE BENEFITS TAX (FBT)

Overall Outcomes	Audit noted that EMRC makes use of the <i>Fringe Benefits Tax Act 1986</i> adequately as required by the local government to process their fringe benefits.
------------------	---

There are no documented policies or procedures for FBT. Audit were informed that EMRC uses the *Fringe Benefits Tax Act 1986* as required by local governments to process their fringe benefits. We noted that the only FBT that applies to EMRC are Car/Fleet Fringe Benefits and Meal Entertainment Benefits. Car fringe benefits are calculated based on the statutory formula method, and meal entertainment benefits are calculated based on the number of EMRC employees that attended the meal (for entertainment purposes). EMRC's Annual Christmas Party also has FBT implications as the food and drink is provided as a form of entertainment. We noted that FBT returns are submitted annually and the NTAA FBT Preparer Software is used to assist in recording the Fringe Benefits.

Audit tested samples of Car and Meal Entertainment Fringe Benefits to verify that FBT processes are operating effectively. Audit noted that taxable value amount for vehicles were accurately calculated using the Statutory Method Formula. The statutory fraction of 20% was correctly used as per the *Fringe Benefits Tax Act 1986* and the number of days the car was provided was consistently logged for all vehicles. For meal entertainment, audit tested and verified that receipts were kept for any purchase of meals and the amount accurately ties back to the spreadsheet.

Suggested Business Improvement	2. Audit noted there are no formal policies or procedures in place at EMRC for FBT. A new BMS flowchart could be considered as a formal documented procedure to demonstrate how EMRC captures all their transactions to be assessed for FBT.
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8.5 GOODS AND SERVICES TAX (GST)

Overall Outcomes	Audit noted that EMRC have adequate and appropriate controls in place to record GST in revenue transactions.
------------------	--

The council has a “GST Business Management System” which documents the processes involved in processing GST. Audit noted that GST is automatically applied into Synergy Soft and recorded against debtor invoices and claimed and recorded against creditor invoices within the system. Thus, GST balances used to populate the monthly BAS (Business Activity Statement) return is driven by the system. We identified that EMRC performs monthly BAS reconciliations. Audit obtained and reviewed the hardcopy samples of reconciliations for the current financial year 2021. We verified that the reconciliations are prepared within two weeks following each month end, the existence of date and signature by the preparer is included, appropriate evidence of review by a senior staff independent of the preparer, and investigations of any potential variances are promptly solved.

Audit also tested through selecting a sample basis of all expense transactions from the current financial year as well as a sample selection of revenue received for the year. It appears that EMRC have strong controls in place and an appropriate preparation and review process is implemented.

No issues noted.

8.6 EXPENDITURE AND PAYMENTS

Overall Outcomes	The design, implementation, and the operating effectiveness of the internal controls over expenditures were adequate.
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Audit conducted a sample test on expenditures for the financial year to assess the appropriateness of the design, implementation, and operating effectiveness of internal controls over purchasing. A selection of samples was chosen from the expenditure listing for the current financial year. The audit test includes matching the details of the invoice back to the general ledger, ensuring the expenditure is related to EMRC business activities, timely payment of the invoice, and that the invoices were approved by the person receiving the goods prior to payment. Audit has verified that the invoice amounts match between the general ledger and the invoice. Audit noted that the invoices are approved by the appropriate employee within their approved delegations and aligns with EMRC's management guideline for authorising expenditures.

No issues noted.

8.7 REVENUE, RECEIPTING AND ACCOUNTS RECEIVABLE

Overall Outcomes	The controls designed and implemented around the revenue cycle at EMRC were adequate.
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Audit selected random samples of revenue to ensure that effective controls have been designed and implemented around the revenue cycle and that they are operating effectively.

The samples were tested for the following:

- Invoice request form sighted
- Invoice(s) sighted
- Description of the invoices based on worksheet invoice request provided
- Worksheet/invoice is signed by the preparer
- Worksheet/invoice request is signed by the Finance Department (or Approver's name is printed on the worksheet)
- The worksheet/invoice request is updated with the corresponding invoice number / reference number once the invoice has been raised
- The receipts were receipted within a timely manner (i.e., 30 days)
- The revenue for services relates to the financial year 2020-21

The majority of EMRC's revenue comes from the waste disposal sites which does not require an invoice request form to be completed. EMRC have effective controls in place and no issues were noted in regard to the samples tested.

Audit also tested the bank reconciliation processes through testing a sample of bank reconciliations during the audited period. Audit selected the months of October 2020, January, and June 2021 bank reconciliations. The monthly bank reconciliations were tested for the following:

- Agreed as per bank-on-bank reconciliation and bank statement
- Agreed as per general ledger on bank reconciliation to general ledger
- Checked the validity of reconciling items and that reconciling items were cleared in the following months' bank reconciliations
- Agreed evidence of segregation of duties by checking bank reconciliations are separately signed as prepared and reviewed.

Audit noted that EMRC's controls in place for the monthly bank reconciliation were adequate and effective.

Audit also tested a sample of aged debtors that EMRC deal with to help assess the controls around the accounts receivable recoverability process and its effectiveness. Audit performed the following tests on the samples selected:

- Agreed as per aged analysis report is reconciled to balance per general ledger at month end
- Adequate information recorded for easily identifying outstanding debtor
- Sighted related invoice
- Sighted proof of demand letter sent to debtor
- Agreed evidence of segregation of duties by checking aged analysis report is separately signed as prepared and checked/reviewed.

EMRC did not have many aged debtors to select from as majority were council members who are guaranteed to make the payment as they are members of EMRC. The only aged debtors EMRC had issues with was ANERGY Pty Ltd. Audit were informed by the management that there is a loan agreement in place and the debt is treated as a doubtful debt as there are fears

the company will liquidate due to their struggle with their lack of cash flow. The processes in place with regard to aged debtors are effective and adequate.

Audit further tested a sample of weekly cash reconciliations for the following sites:

- Red Hill
- Hazelmere
- Bayswater.

There were no issues with the weekly cash reconciliation process.

Audit also selected a sample of receipts from the head office at Ascot. Audit tested the samples for the following:

- Is money banked daily or some other period
- Is there more than \$1,000 of collections not banked after 20 days
- Receipts are obtained for all banked funds
- Records are maintained for all funds banked
- EFT and credit card payments are reconciled to daily banking
- Any cheques received are stamped 'not negotiable'
- No stale cheques are in place.

Audit noted that the receipting processes used by EMRC are adequate and effective.

No issues noted.

8.8 LEGISLATIVE COMPLIANCE

Overall Outcomes	EMRC are in compliance with any legislative requirements relating to them.
------------------	--

A robust compliance culture stems from organisational value which emphasises commitment to legal and regulatory compliance, integrity, and business ethics.

Audit noted that all chiefs and managers are responsible for their section's legislative compliance. Legislative updates are constantly passed to the chiefs and managers from relevant local government agencies such as WALGA (Western Australia Local Government Association), the Department of Local Government, Sport and Cultural Industries and other Local Government Authorities who offer advice and support.

Audit noted that all relevant Local Government acts and regulations apply to it as well as the existence of a Council EMRC Code of Conduct, which further includes the different legislations that apply to the council.

Audit noted that the Records Officer/Manager is responsible for receiving weekly Government Gazettes and sending them out to all EMRC chiefs and managers. The gazettes are received and reviewed for any relevant changes on a weekly basis. The chiefs and managers are responsible of informing their staff of any legislative changes that may be relevant to their sector. Legislative changes are also sent through WALGA to the CEO who is responsible to pass down the changes to the EMRC chiefs and managers.

EMRC staff are informed of their legislative responsibilities through the number of guidelines, policies, and procedures available for the staff to access through the EMRC intranet. These documents are constantly updated to reflect all legislative changes. The changes are reviewed and then introduced and communicated through emails, if the changes are complex then training workshops are conducted. Major changes are also discussed at the Council meetings and can lead to adjustments to policies and procedures.

Audit noted EMRC rely on the use of milestone dates and annual calendars to ensure compliance with legislative reporting requirements. Audit noted that there is an annual compliance audit return as well as internal and external audits which further help ensure compliance with the legislative reporting requirements.

Audit concludes that the legislative compliance of EMRC is adequate, and the staff have a high awareness of their legislative obligations. In addition, EMRC's robust systems of internal controls and appropriate risk management further mitigates and prevents non-compliance.

No issues noted.

8.9 RISK MANAGEMENT

Overall Outcomes	The risk management processes, procedures and awareness at EMRC is adequate.
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The risk management process involves the systematic application of policies, procedures, and practices to the activities of communicating and consulting, establishing the context and assessing, treating, monitoring, reviewing, recording, and reporting risk.

Audit noted that the EMRC have a Risk Management Council Policy 7.1 in place, last reviewed on 8 December 2020, which helps state the EMRC's intention to identify potential risks before they occur so that impacts can be minimised, or opportunities realised. This policy also outlines the responsibilities of the Council and EMRC employees to implement the policy. The policy includes a risk assessment and acceptance criteria which is utilised for all organisational risks helping to make consistent and informed decision making.

Audit noted that EMRC have developed and established a Risk Management Framework, last reviewed on 8 December 2020, which sets out the EMRC's approach to the identification, assessment, management, reporting and monitoring of its risks. The Risk Management Framework is scheduled to be reviewed at least once every three years; however, the last review date and next review date are not stated on the document. The risk management framework includes governance which helps EMRC in transparency of decision-making, clear identification of the roles and responsibilities of the risk management functions and an effective governance structure to support the risk framework.

The organisational roles and responsibilities for Risk Management and the procedures are also included in detail. All work areas of the EMRC are required to assess and manage risk on an ongoing basis. Each manager, in conjunction with the Manager Procurement & Governance is accountable for ensuring that risk is:

- Reflective of the material risk landscape of the EMRC
- Reviewed on at least a 12-month cycle, or sooner if there has been a material restructure or change in the risk and control environment
- Maintained in the standard format.

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

Once the context has been determined, the next step is to identify risks. This is the process of finding, recognising, and describing risks. Risks are described as the point along an event sequence where control has been lost. An event sequence is shown below:



Figure 5 : Event (Risk) Sequence

The risk management framework is an effective document that details all the required aspects of risk management and allows for easier understanding, identification, and control of risks.

Audits also noted that EMRC's risk register was last updated 12th of October 2020 with no further indication of next review dates. Audit noted this is because EMRC have adopted the use of CAMMS Risk Management software recently which allows them to easily track, review

and update the risks on an on-going basis in a live environment. As per the Manager Procurement & Governance the strategic and operational risks rely on the use of the new CAMMS software. The CAMMS software has programmed (scheduled) risk review parameters. However, with regards to the operational risks, these are still housed in the SynergySoft risk system, but the plan is to migrate all of the operational risks into CAMMS. The integration is a work in progress which requires the operational risk owners to review their risk on a monthly and no later than quarterly basis in the meantime.

The CAMMS program has been designed to assist with:

- Establishing risk registers;
- Conducting inherent, residual and target risk assessments;
- Establish causal factors and conducting regular reviews of these;
- Establish a comprehensive control framework and a centralised control library in line with industry and regulatory standards including ISO 31000, COSO and SOX compliance requirements;
- Document, assign and track a detailed treatment plan to assist in the implementation of controls and management of the risks on an ongoing basis;
- Utilise key indicators linked to risks to assist in the validation and rating of risks; and
- Analyse and explore risk impacts through quantitative risk analysis and reporting techniques including heat map reporting.

Currently the CAMMS risk software is being used for strategic risks. It is intended that this will also be used for all of the EMRC's operational risks and project risks at the next phase of the rollout.

Audit conducted interviews with the following EMRC staff regarding staff awareness of risk management:

- Manager Procurement & Governance
- Chief Financial Officer
- Manager Financial Services.

As per Manager Procurement & Governance, the level of awareness is good. The new CAMMS system has given an opportunity to the chiefs to address all the risks, easily review, update and delegate managers to also review. The adaptation of the Risk Management Policies and Framework also helps raise the awareness of Risk Management within EMRC. There is an Audit/Risk committee who conduct meetings every 2 to 3 months. However, internal Risk management steering committee comprising of EMRC staff have not had meetings lately and no meetings at all so far this year.

As per Chief Financial Officer, the EMRC staff are well aware of the importance of risk management, and this is already done as part of their roles without the perceived need of a formal articulated process. The managers along with the staff know the risks involved with their work and are aware of it but the challenge for the organisation is to ensure that it is not perceived as an additional task. It should be a fait accompli that it is automatically performed and managed. Internal discussions are always held between chiefs, managers, and staff in regard to managing any downside risk. The risks are constantly updated and reported back to the council. The use of CAMMS has also made it more accessible and much easier to assess and review.

As per Manager of Financial Services, everyone is aware of risk management as in the past there were meetings every six months. Now there are less meetings due to the introduction of the CAMMS system which has made it a lot easier to assess, add and delegate risks. The staff

are aware of possible risks to their departments, and they are always updated by their managers in regard to any updates to risks. The biggest risk faced by the Finance team is getting infiltrated, to counter it staff are encouraged to follow all procedures to ensure no infiltration occurs as the procedures are designed to account for any possible breaches.

Overall, audit noted that the awareness of Risk Management at EMRC is at a high level and adequate.

Audit assessed the involvement of key staff members in the process. Currently the Manager Procurement & Governance and the Chief Financial Officer are the responsible staff members of risk management since the risk manager left EMRC without being adequately replaced. They assist in improving and implementing risk management as well as help train the chiefs of any new systems or processes. The chiefs are then responsible for training their own staff to ensure everyone is utilising the correct processes.

Audit noted that EMRC have a Misconduct Corruption and Fraud control policy in place, last reviewed on the 1st of December 2020 with a scheduled review in November of 2021 or as required. The policy reinforces the EMRC zero-tolerance to misconduct, corruption and fraud and its commitment to maintaining an organisational culture which will ensure that effective misconduct, corruption, and fraud control is an integral part of all EMRC activities.

The policy includes the following principles followed by the EMRC:

- Ethical conduct is expected, encouraged, and supported
- EMRC officers are in a position of trust which requires them to maintain and enhance public confidence and integrity
- All employees are accountable and play a role in misconduct, corruption, and fraud control
- EMRC encourages employees to report suspected misconduct, corruption and/or eliminate the misconduct, corruption and/or fraud
- EMRC will investigate and manage all cases of misconduct, corruption and/or fraud in accordance with EMRC's Management Guideline - Managing Disciplinary Issues and in line with applicable legislative requirements
- The EMRC will ensure that it has effective operational controls and procedures/management practices in place to prevent, detect, report, and investigate incidents of misconduct, corruption, and fraud in accordance with the Australian Standard 8001-2008
- In 2020 the EMRC engaged a whistle blowing hotline provider and communicated this service to all staff. The whistleblowing hotline provides an independent avenue for EMRC to report any misconduct.

The Manager Procurement & Governance also sends out an email annually reminding all EMRC staff of their obligations under the gifts and benefits provisions under the *Local Government Act*.

Audit noted that there is no formal training in place for new employees or current employees for risk management and/or fraud. New employees are obligated to read all the relevant policies and procedures which would include things related to fraud, however, there is no specific formal induction conducted for new employees.

Audit noted that the EMRC has a Business Continuity Plan which is a disaster recovery plan in the scenario the Ascot site is uninhabitable. The business continuity plan was last updated on the 22nd of July 2021, and it is updated regularly, every time a new employee commences employment with the EMRC or an employee leaves employment with the EMRC it is updated.

EMRC also has a Business Continuity Plan Covid-19 Pandemic Planning which was last updated on the 13th of July 2021, and it is updated about 1-2 times a year.

The documents are adequate and very helpful in mitigating the risks that come with any disaster that can occur at the head office which can cripple the organisation's operations, however, both documents do not include the date for the next review of the documents.

Audit concludes that the Risk Management Policy and Framework are well documented and cover all the key requirements per *AS/NZ ISO 31000 Risk Management Standard*. Audit identified that the newly adopted risk management software is adequate by design, but the overall effectiveness is yet to be assessed as EMRC are still rolling-out the phases remaining.

Suggested Business Improvement	3. Audit suggests that the Business Continuity Management Plan scheduled review date to be included within the document.
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11.3 ANNUAL FINANCIAL REPORT AND AUDIT REPORT FOR YEAR ENDED 30 JUNE 2021

D2021/18472

Following the release of the agenda for this Audit Committee meeting, a request was received from the Office of Auditor General for further amendments.

Consequently, this report item has been withdrawn and will be re-issued for the next Audit Committee meeting scheduled to be held on 4 November 2021.



12 REPORTS OF DELEGATES

Nil

13 NEW BUSINESS OF AN URGENT NATURE APPROVED BY THE CHAIRMAN OR PRESIDING MEMBER OR BY DECISION OF MEETING

Nil

14 CONFIDENTIAL MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC

Nil

15 FUTURE MEETINGS OF THE AUDIT COMMITTEE

Meetings of the Audit Committee are covered under the Audit Committee Terms of Reference as follows:

“4 Meetings

4.1 The Audit Committee will meet as required at the discretion of the chairperson of the committee and at least three times per year to coincide with:

- a. Approval of strategic and annual plans;
- b. Approval of the annual budget; and
- c. The auditor’s report on the annual financial report.”

Future Meetings 2021

Thursday 4 November (If Required) at EMRC Administration Office

16 DECLARATION OF CLOSURE OF MEETING

The Chairman thanked the Audit Committee members for their guidance, input and support over the past two years and wished them all the best for the upcoming council elections and declared the meeting closed at 6:20pm.



UNCONFIRMED MINUTES

D2021/23638

**Audit Committee
11 November 2021**



Audit Committee Minutes

A meeting of the Audit Committee was held at the EMRC Administration Office, 1st Floor, 226 Great Eastern Highway, ASCOT WA 6104 on **Thursday, 11 November 2021**. The meeting commenced at **5:00pm**.

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1 DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

The Chief Executive Officer (CEO) declared the meeting open at 5:00pm, welcomed Councillors and visitors and acknowledged the traditional custodians of the land on which the meeting was held and paid respects to the elders past, present and future.

2 ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE (PREVIOUSLY APPROVED)

Councillor Attendance

Cr Hilary MacWilliam	Committee Member	Town of Bassendean
Cr Michelle Sutherland	Committee Member	City of Bayswater
Cr Margaret Thomas	Committee Member	City of Kalamunda
Cr Doug Jeans	Committee Member	Shire of Mundaring
Cr Mel Congerton	Committee Member	City of Swan

Audit Committee Deputies

Cr Kathryn Hamilton (arrived 5:10pm)	Deputy Committee Member	Town of Bassendean
Cr Steven Ostaszewskyj	Deputy Committee Member	City of Bayswater
Cr John Daw	Deputy Committee Member	Shire of Mundaring
Cr Charlie Zannino	Deputy Committee Member	City of Swan

Audit Committee Second Deputies

Cr Giorgia Johnson	Committee Second Deputy Member	City of Bayswater
Cr Janelle Sewell	Committee Second Deputy Member	City of Kalamunda
Cr Jo Cicchini	Committee Second Deputy Member	Shire of Mundaring
Cr Andrew Kiely	Committee Second Deputy Member	City of Swan

Apologies

Cr Dylan O'Connor	Deputy Committee Member	City of Kalamunda
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EMRC Officers

Mr Marcus Geisler	Chief Executive Officer
Mr Hua Jer Liew	Chief Financial Officer
Mr Brad Lacey	Chief Operating Officer
Mr Douglas Bruce	Chief Projects Officer
Mrs Wendy Harris	Chief Sustainability Officer
Mrs Lee Loughnan	Personal Assistant to Chief Financial Officer (Minutes)



EMRC Observers

Mr David Ameduri	Manager Financial Services
Ms Izabella Krzysko	Manager Procurement & Governance
Mr David Schmidt	Manager Information Services
Mr Stephen Fitzpatrick	Waste and Resources Recovery Specialist
Ms Theresa Eckstein	Executive Assistant to Chief Executive Officer

Visitor(s)

Mr Liang Wong	Assistant Director	Office of the Auditor General
Ms Marcia Johnson	Director	Butler Settineri

3 DISCLOSURE OF INTERESTS

Nil

4 ANNOUNCEMENTS BY THE CHAIRMAN OR PRESIDING MEMBER WITHOUT DISCUSSION

Nil

5 ELECTION OF A CHAIRMAN AND DEPUTY CHAIRMAN OF THE AUDIT COMMITTEE (AC)

5.1 ELECTION OF A CHAIRMAN OF THE AUDIT COMMITTEE (AC) (D2021/20885)

5.2 ELECTION OF A DEPUTY CHAIRMAN OF THE AUDIT COMMITTEE (AC) (D2021/20886)



5 ELECTION OF A CHAIRMAN AND DEPUTY CHAIRMAN OF THE AUDIT COMMITTEE (AC)

5.1 ELECTION OF A CHAIRMAN OF THE AUDIT COMMITTEE (AC)

D2021/20885

PURPOSE OF REPORT

The purpose of this report is to provide for an election to be conducted for the Office of Chairman of the Audit Committee (AC).

KEY POINT(S)

- It is a statutory requirement that the Committee elect a Chairman at the first meeting of the Audit Committee after an ordinary Council elections day.

RECOMMENDATION(S)

That the members of the Audit Committee elect a Chairman.

SOURCE OF REPORT

Chief Financial Officer

BACKGROUND

- 1 At the Special Meeting of Council held on Thursday 4 November 2021, the EMRC Chairman and Deputy Chairman were elected and members to the EMRC Committees were appointed.

AC Members 2021 - 2023

- 2 Members of the AC will be appointed to the AC at the Special Meeting of Council held on 4 November 2021.
- 3 In accordance with section 5.12(1) of the *Local Government Act 1995*, (the Act) the members of a committee are to elect a presiding member from amongst themselves in accordance with Schedule 2.3, Division 1.
- 4 It is a requirement of Schedule 2.3 of the Act that the election is conducted by the Chief Executive Officer (CEO) and the nominations for the Office are to be given to the CEO in writing before the meeting or during the meeting before the close of nominations. Furthermore, if a member is nominated by another member the CEO is not to accept the nomination unless the nominee has advised the CEO, orally or in writing, that he or she is willing to be nominated for the Office. Members are to vote on the matter by secret ballot.
- 5 The procedure outlined in Schedule 2.3 of the Act will be followed if there is an equality of votes.



REPORT

- 6 The CEO will preside at the meeting until the Office of Chairman of the AC is filled.
- 7 The following material accompanies the agenda for this meeting as a means of assisting members of the Committee to nominate themselves or another member for the Office of Chairman of the AC:
1. AC Terms of Reference;
 2. A blank Nomination Form for the Office of Chairman of the AC, nominate oneself;
 3. A blank Nomination Form for the Office of Chairman of the AC, nominate another; and
 4. A blank Ballot Paper for Election of Chairman of the AC.
- 8 Ballot papers will be made available prior to voting.
- 9 The completed nomination forms are to be given to the CEO before the meeting or when the CEO calls for them when dealing with this item at the meeting.

STRATEGIC/POLICY IMPLICATIONS

- 10 Council Policy 2.1 Committees of Council provides for the establishment of the Audit Committee.

Key Result Area 3 – Good Governance

- 3.3 To provide responsible and accountable Governance and Management of the EMRC

FINANCIAL IMPLICATIONS

- 11 Nil

SUSTAINABILITY IMPLICATIONS

- 12 Nil

RISK MANAGEMENT

Risk – Failure to elect and appoint a presiding member will a breach of s.5.12 of the *Local Government Act 1995* and impact on the discharging role duties of the presiding member

Consequence	Likelihood	Rating
Moderate	Unlikely	Moderate
Action/Strategy		
➤ Elect a Chairman of the Audit Committee		



MEMBER COUNCIL IMPLICATIONS

Member Council	Implication Details
Town of Bassendean	} Nil
City of Bayswater	
City of Kalamunda	
Shire of Mundaring	
City of Swan	

ATTACHMENT(S)

1. AC Terms of Reference (D2021/21335)
2. A blank Nomination Form for the Office of Chairman of the AC, nominate oneself (D2021/20888)
3. A blank Nomination Form for the Office of Chairman of the AC, nominate another (D2021/20888)
4. Ballot Paper – Election of AC Chairman (D2021/21336)

VOTING REQUIREMENT

Secret Ballot

RECOMMENDATION(S)

That the members of the Audit Committee elect a Chairman.

The Chief Executive Officer advised that two (2) nominations for the Office of Chairman of the Audit Committee had been received from Cr Margaret Thomas and Cr Doug Jeans and called for further nominations.

No further nominations were received and the Chief Executive Officer closed nominations.

The Chief Executive Officer explained how the proceedings for the election of the Office of Chairman of the Audit Committee would be conducted and advised that the candidate names would be listed in alphabetical order on the ballot paper.

Following an invitation from the Chief Executive Officer, Cr Thomas and Cr Jeans addressed the Council.

A secret ballot was then conducted for the two (2) nominations received and votes counted by the Chief Financial Officer and Manager Procurement and Governance.

ANNOUNCEMENT: RESULT OF THE BALLOT FOR OFFICE OF CHAIRMAN

The Chief Executive Officer declared Cr Margaret Thomas as Chairman of the Audit Committee for the term commencing 11 November until 2023.

The Chief Executive Officer congratulated Cr Margaret Thomas and vacated the Chair at 5:07pm.

At 5:07pm, Cr Margaret Thomas took the Chair.

Terms of Reference

Audit Committee

1 Objectives of Committee

The Audit Committee (AC) is a formally appointed committee of Council and is responsible to that body. It has been established to assist Council with:

- (a) The effective conduct of its responsibilities for financial reporting, management of risk and maintaining a reliable system of controls.
- (b) The co-ordination of relevant activities of management, compliance, internal audit, external audit and to facilitate achieving overall organisational objectives in an efficient and effective manner.
- (c) The facilitation of:
 - The enhancement of the credibility and objectivity of internal and external financial reporting;
 - Effective management of financial and other risks and the protection of Council assets;
 - Compliance with laws and regulations as well as use of best practice guidelines;
 - The provision of an effective means of communication between the external auditor, internal audit, management and the Council;
 - The allocation of the EMRC's finances and resources.

2 Responsibilities

The duties of the Audit Committee include the following:

- 2.1 To review the scope of the internal audit plan and programme and the effectiveness of the function. This review should consider whether, over a period of years the internal audit plan systematically addresses:
 - (a) Internal controls over revenue, expenditure, assets and liability processes
 - (b) The efficiency, effectiveness and economy of significant EMRC programmes; and
 - (c) Compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.
- 2.2 Critically analyse and follow up any internal or external audit report that raises significant issues relating to risk management, internal control, financial reporting and other accountability or governance issues, and any other matters relevant under the Committee's terms of reference. Review management's response to, and actions taken as a result of the issues raised.
- 2.3 Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems.
- 2.4 Monitor ethical standards and related party transactions by determining whether the systems of control are adequate.



- 2.5 Review Council's draft annual financial report, focusing on:
 - (a) Accounting policies and practices;
 - (b) Changes to accounting policies and practices;
 - (c) The process used in making significant accounting estimates;
 - (d) Significant adjustments to the financial report (if any) arising from the audit process;
 - (e) Compliance with accounting standards and other reporting requirements; and
 - (f) Significant variances from prior years.
- 2.6 Recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the financial report is signed.
- 2.7 Discuss with the external auditor the scope of the audit and the planning of the audit.
- 2.8 Discuss with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters. Identify and refer specific projects or investigations deemed necessary through the Chief Executive Officer, the internal auditor and the Council if appropriate.
- 2.9 Address issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of the Committee's Terms of Reference.

3 Membership

- 3.1 **The Audit Committee will** comprise of:
 - (a) Six Councillors, one from each member Council; and
 - (b) Six Deputy Councillors, one from each member Council.
- 3.2 Members and Deputies will be appointed for a period of two years following each ordinary Council election.
- 3.3 The Chief Executive Officer and the Director Corporate Services will attend all meetings except when the Committee chooses to meet in camera.
- 3.4 An Internal Auditor (whether a member of staff or contractor) will attend meetings where internal audit reports are being considered by the committee

4 Meetings

- 4.1 The Audit Committee will meet as required at the discretion of the chairperson of the committee and at least three times per year to coincide with:
 - (a) Approval of strategic and annual plans;
 - (b) The Compliance Audit Return;
 - (c) Approval of the annual budget; and
 - (d) The auditor's report on the annual financial report.
- 4.2 Additional meetings will be convened at the discretion of the Chairperson.



5 Operating Procedures

- 5.1 All meetings of the AC are to be conducted in accordance with the *Local Government Act 1995*, associated Regulations and the EMRC Standing Orders Local Law 2013.
- 5.2 A quorum for a meeting of the Committee shall be at least four of the number of offices (whether vacant or not) of members of the Committee.
- 5.3 Voting
 - (a) All decisions of the Committee shall be made on the basis of a simple majority decision of the members present or, if another kind of majority has been prescribed by regulations for the particular kind of decision, by that kind of majority;
 - (b) If the decision results in a tied vote, the person presiding is to cast a second vote;
 - (c) Persons other than Committee members are not entitled to cast a vote; and
 - (d) All other aspects related to voting procedure shall be consistent with relevant sections of the EMRC Standing Orders Local Law 2013.
- 5.4 Other EMRC staff or member Council staff may attend meetings, at the discretion of the Chief Executive Officer and/or the Committee Chairperson, to provide advice and information when required.
- 5.5 Representatives of the External Auditor will be invited to attend meetings at the discretion of the Committee but MUST attend meetings considering the draft annual financial report and results of the external audit.

6 Reporting

- 6.1 The Committee shall after every meeting forward the minutes of that meeting to the next Ordinary Meeting of Council, including a report explaining any specific recommendations and key outcomes.

7 Delegated Power

- 7.1 The Committee does not have authority to implement actions in areas over which management has responsibility and does not have any delegated financial responsibility.

Related Documents

Policy 1.2 Meetings

Policy 2.1 Committees of Council

Policy 3.1 Annual Financial Reporting

Policy 7.1 Risk Management Policy

EMRC Standing Orders Local Law 2013

EMRC Code of Conduct

**Administration****Adopted/Reviewed by Council**

23 September 2010

18 September 2014

06 December 2018

Next Review

Following the Ordinary Elections in 2021

Responsible Directorate

Business Support Team



EASTERN METROPOLITAN REGIONAL COUNCIL

Nomination for Chairman of the Audit Committee

To the Chief Executive Officer

I hereby nominate myself, _____

for the position of Chairman of the Eastern Metropolitan Regional Council Audit Committee for the term of Office commencing on the date of the election and continuing until the next ordinary elections day and/or other circumstances occur in accordance with section 5.11 of the *Local Government Act 1995*.

Signed

Date



EASTERN METROPOLITAN REGIONAL COUNCIL

Nomination for Chairman of the Audit Committee

To the Chief Executive Officer

I hereby nominate _____

for the position of Chairman of the Eastern Metropolitan Regional Council Audit Committee for the term of Office commencing on the date of the election and continuing until the next ordinary elections day and/or other circumstances occur in accordance with section 5.11 of the *Local Government Act 1995*.

Signed

Date

* I _____ hereby certify that I accept the above nomination to the position of Chairman of the Eastern Metropolitan Regional Council Audit Committee.

Signed

Date

* This certificate is to be completed when a Representative is nominated by another Representative.



EASTERN METROPOLITAN REGIONAL COUNCIL

Audit Committee

11 November 2021

Ballot Paper for the Election of the Audit Committee Chairman

How to Vote

Place a tick in the box next to the candidate you want to elect

Do not make any other marks on the Ballot Paper

Cr First Name, Last Name

Cr First Name, Last Name

Cr First Name, Last Name



5.2 ELECTION OF A DEPUTY CHAIRMAN OF THE AUDIT COMMITTEE (AC)

D2021/20886

PURPOSE OF REPORT

The purpose of this report is to provide for an election to be conducted for the Office of Deputy Chairman of the Audit Committee (AC).

KEY POINT(S)

- In accordance with section 5.12(2) of the *Local Government Act 1995*, the members of a committee may elect a deputy presiding member from amongst themselves.

RECOMMENDATION(S)

That the members of the Audit Committee elect a Deputy Chairman.

SOURCE OF REPORT

Chief Financial Officer

BACKGROUND

- 1 At the Special Meeting of Council held on Thursday 4 November 2021, the EMRC Chairman and Deputy Chairman were elected and members to the EMRC Committees were appointed.

AC Members 2021 - 2023

- 2 Members of the AC will be appointed to the AC at the Special Meeting of Council held on 4 November 2021.
- 3 In accordance with section 5.12(2) of the *Local Government Act 1995*, (the Act) the members of a committee may elect a deputy presiding member from amongst themselves.
- 4 It is a requirement of Schedule 2.3 of the Act that the election of the Deputy Chairman is conducted by the Chairman and the nominations for the Office are to be given to the Chief Executive Officer (CEO) in writing before the meeting or the Chairman during the meeting before the close of nominations. Furthermore, if a member is nominated by another member, the Chairman is not to accept the nomination unless the nominee has advised the Chairman, orally or in writing, that he or she is willing to be nominated for the Office. Members are to vote on the matter by secret ballot.
- 5 The procedure outlined in Schedule 2.3 of the Act will be followed if there is an equality of votes.



REPORT

6 The following material accompanies the agenda for this meeting as a means of assisting members of the Committee to nominate themselves or another member for the office of Deputy Chairman of the AC:

1. A blank Nomination Form for the Office of Deputy Chairman of the AC, nominate oneself;
2. A blank Nomination Form for the Office of Deputy Chairman of the AC, nominate another; and
3. A blank Ballot Paper for Election of Deputy Chairman of the AC.

7 Ballot papers will be made available prior to voting.

8 The completed nomination forms are to be given to the CEO before the meeting or when called for by the Chairman when dealing with this item at the meeting.

STRATEGIC/POLICY IMPLICATIONS

9 Council Policy 2.1 Committees of Council provides for the establishment of the Audit Committee.

Key Result Area 3 – Good Governance

3.3 To provide responsible and accountable Governance and Management of the EMRC

FINANCIAL IMPLICATIONS

10 Nil

SUSTAINABILITY IMPLICATIONS

11 Nil

RISK MANAGEMENT

Risk – Failure to elect a Deputy Chairman will impact the fulfillment of the Chairman's role in the event the Chairman is unavailable.

Consequence	Likelihood	Rating
Moderate	Unlikely	Moderate
Action/Strategy		
➤ Elect and appoint a Deputy Chairman of the Audit Committee.		



MEMBER COUNCIL IMPLICATIONS

Member Council	Implication Details
Town of Bassendean	Nil
City of Bayswater	
City of Kalamunda	
Shire of Mundaring	
City of Swan	

ATTACHMENT(S)

1. A blank Nomination Form for the Office of Deputy Chairman of the AC, nominate oneself (D2021/20887)
2. A blank Nomination Form for the Office of Deputy Chairman of the AC, nominate another (D2021/20887)
3. Ballot Paper – Election of AC Deputy Chairman (D2021/21337)

VOTING REQUIREMENT

Secret Ballot

RECOMMENDATION(S)

That the members of the Audit Committee elect a Deputy Chairman.

The Chairman advised that one (1) nomination for the Office of Deputy Chairman of the Audit Committee had been received from Cr Jeans and called for further nominations. No further nomination was received and the Chairman closed nominations.

ANNOUNCEMENT: OF THE OFFICE OF DEPUTY CHAIRMAN

The Chairman declared, unopposed, Cr Doug Jeans as Deputy Chairman of the Audit Committee of the EMRC for the term commencing 4 November 2021 until 2023.

Cr Jeans was congratulated.



EASTERN METROPOLITAN REGIONAL COUNCIL

Nomination for Deputy Chairman of the Audit Committee

To the Chief Executive Officer

I hereby nominate myself, _____

for the position of Deputy Chairman of the Eastern Metropolitan Regional Council Audit Committee for the term of Office commencing on the date of the election and continuing until the next ordinary elections day and/or other circumstances occur in accordance with section 5.11 of the *Local Government Act 1995*.

Signed

Date



EASTERN METROPOLITAN REGIONAL COUNCIL

Nomination for Deputy Chairman of the Audit Committee

To the Chief Executive Officer

I hereby nominate _____

for the position of Deputy Chairman of the Eastern Metropolitan Regional Council Audit Committee for the term of Office commencing on the date of the election and continuing until the next ordinary elections day and/or other circumstances occur in accordance with section 5.11 of the *Local Government Act 1995*.

Signed

Date

* I _____ hereby certify that I accept the above nomination to the position of Deputy Chairman of the Eastern Metropolitan Regional Council Audit Committee.

Signed

Date

* This certificate is to be completed when a Representative is nominated by another Representative.



EASTERN METROPOLITAN REGIONAL COUNCIL

Audit Committee

11 November 2021

Ballot Paper for the Election of the Audit Committee Deputy Chairman

How to Vote

Place a tick in the box next to the candidate you want to elect

Do not make any other marks on the Ballot Paper

Cr First Name, Last Name

Cr First Name, Last Name

Cr First Name, Last Name



6 PETITIONS, DEPUTATIONS AND PRESENTATIONS

Nil

7 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

7.1 MINUTES OF THE AUDIT COMMITTEE MEETING OF MEETING HELD ON 7 OCTOBER 2021 (D2021/20413)

That the minutes of the Audit Committee meeting held on 7 October 2021 which have been distributed, be confirmed.

AC RECOMMENDATION

That the Minutes of the Audit Committee meeting held on 7 October 2021 which have been distributed, be confirmed.

AUDIT COMMITTEE RESOLUTION

MOVED CR JEANS

SECONDED CR CONGERTON

THAT THE MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 7 OCTOBER 2021 WHICH HAVE BEEN DISTRIBUTED, BE CONFIRMED.

CARRIED UNANIMOUSLY

8 QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN

Nil

9 QUESTIONS BY MEMBERS WITHOUT NOTICE

The Chairperson reminded Councillors when putting questions to EMRC officers that Member Councillors be included in all correspondence.

10 ANNOUNCEMENT OF CONFIDENTIAL MATTERS FOR WHICH MEETINGS MAY BE CLOSED TO THE PUBLIC

Nil

11 BUSINESS NOT DEALT WITH FROM A PREVIOUS MEETING

Nil

12 REPORTS OF EMPLOYEES

12.1 REVIEW OF AC TERMS OF REFERENCE (D2021/22154)

12.2 ANNUAL FINANCIAL REPORT AND AUDIT REPORT FOR YEAR ENDED 30 JUNE 2021 (D2021/20826)



12.1 REVIEW OF AUDIT COMMITTEE TERMS OF REFERENCE

D2021/22154

PURPOSE OF REPORT

The purpose of this report is to review the Audit Committee (AC) Terms of Reference.

KEY POINT(S)

- The AC Terms of Reference was last reviewed at the meeting of Council held on 6 December 2018.
- Following the withdrawal of the City of Belmont, the number of member Councils has reduced and accordingly, the Terms of Reference will be required to be updated to reflect the reduced membership.
- Additionally, to reflect the reduced membership, the quorum for the AC meeting is proposed to be reduced from 4 to 3 members of the Committee.
- It is recommended that the existing AC Terms of Reference, as revised with minor amendments, be adopted.

RECOMMENDATION(S)

That Council adopts the revised Audit Committee Terms of Reference forming attachment 2 to this report.

SOURCE OF REPORT

Chief Financial Officer

BACKGROUND

- 1 The AC is a formally appointed committee of Council and is responsible to that body. The AC is established pursuant to section 7.1A(1) of the *Local Government Act 1995* to assist Council with the effective conduct of its responsibilities for financial reporting, management of risk and maintaining a reliable system of controls.
- 2 The AC Terms of Reference was last reviewed at the Ordinary Meeting of Council on 6 December 2018 as part of the EMRC's formal policy review process.

REPORT

- 3 The AC Terms of Reference guides and informs Council to facilitate it to achieve overall organisational objectives in an efficient and effective manner. It is important that the AC Terms of Reference are reviewed periodically and amended where necessary.
- 4 Following the withdrawal of the City of Belmont from the EMRC, an update of the AC Terms of Reference is required to reflect this change, specifically the AC membership and quorum numbers.



- 5 A review of the existing AC Terms of Reference has been undertaken with the following objectives used as a basis for undertaking the review:
- To ensure that the terms of reference meet its objectives;
 - To incorporate in the terms of reference any changes in details such as dates, times and values since the last review;
 - To realign the terms of reference with the EMRC's current direction and strategies; and
 - To ensure the terms of reference are contemporary and appropriate for the AC in performing its duties and obligations.
- 6 The review has identified the following amendments to the wording of the AC Terms of Reference and these changes are reflected in the tracked changes version of the document forming attachment 1 to this report:
- The AC Membership will now comprise of one (1) Councillor, one (1) Deputy Councillor and one (1) Second Deputy Councillor from each of the EMRC member councils;
 - A quorum for the meeting of the AC is now three (3) of the number of offices (whether vacant or not) of members of the AC;
 - Amendments to reflect the correct position title of EMRC officers where required; and
 - Other consequential and grammatical changes as appropriate.
- 7 The remaining wording of the AC Terms of Reference is recommended to remain unchanged.
- 8 A revised AC Terms of Reference is attached (forming attachment 2 to this report) for endorsement.

STRATEGIC/POLICY IMPLICATIONS

- 9 Key Result Area 3 – Good Governance
- 3.3 To provide responsible and accountable governance and management of the EMRC.

FINANCIAL IMPLICATIONS

- 10 Nil

SUSTAINABILITY IMPLICATIONS

- 11 Nil

RISK MANAGEMENT

Risk – Failure to ensure that the Audit Committee Terms of Reference reflect the current membership and numbers for the purposes of a quorum to hold a meeting

Consequence	Likelihood	Rating
Moderate	Unlikely	Moderate
Action/Strategy		
➤ Council to adopt the amended and updated Audit Committee Terms of Reference		



MEMBER COUNCIL IMPLICATIONS

Member Council	Implication Details
Town of Bassendean	} Nil
City of Bayswater	
City of Kalamunda	
Shire of Mundaring	
City of Swan	

ATTACHMENT(S)

- 1 Audit Committee Terms of Reference with tracked changes (D2021/22172)
- 2 Revised Audit Committee Terms of Reference (D2021/22173)

VOTING REQUIREMENT

Simple Majority

RECOMMENDATION(S)

That Council adopts the revised Audit Committee Terms of Reference forming attachment 2 to this report.

AC RECOMMENDATION(S)

MOVED CR CONGERTON SECONDED CR SUTHERLAND

That Council adopts the revised Audit Committee Terms of Reference forming attachment 2 to this report.

CARRIED UNANIMOUSLY

COUNCIL RESOLUTION(S)

MOVED CR THOMAS SECONDED CR MACWILLIAM

THAT COUNCIL ADOPTS THE REVISED AUDIT COMMITTEE TERMS OF REFERENCE FORMING ATTACHMENT 2 TO THIS REPORT.

CARRIED UNANIMOUSLY



Terms of Reference

Audit Committee

1 Objectives of Committee

The Audit Committee (AC) is a formally appointed committee of Council and is responsible to that body. It has been established to assist Council with:

- (a) The effective conduct of its responsibilities for financial reporting, management of risk and maintaining a reliable system of controls.
- (b) The co-ordination of relevant activities of management, compliance, internal audit, external audit and to facilitate achieving overall organisational objectives in an efficient and effective manner.
- (c) The facilitation of:
 - The enhancement of the credibility and objectivity of internal and external financial reporting;
 - Effective management of financial and other risks and the protection of Council assets;
 - Compliance with laws and regulations as well as use of best practice guidelines;
 - The provision of an effective means of communication between the external auditor, internal audit, management and the Council;
 - The allocation of the EMRC's finances and resources.

2 Responsibilities

The duties of the Audit Committee include the following:

- 2.1 To review the scope of the internal audit plan and programme and the effectiveness of the function. This review should consider whether, over a period of years the internal audit plan systematically addresses:
 - (a) Internal controls over revenue, expenditure, assets and liability processes
 - (b) The efficiency, effectiveness and economy of significant EMRC programmes; and
 - (c) Compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.
- 2.2 Critically analyse and follow up any internal or external audit report that raises significant issues relating to risk management, internal control, financial reporting and other accountability or governance issues, and any other matters relevant under the Committee's terms of reference. Review management's response to, and actions taken as a result of the issues raised.
- 2.3 Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems.
- 2.4 Monitor ethical standards and related party transactions by determining whether the systems of control are adequate.



- 2.5 Review Council's draft annual financial report, focusing on:
 - (a) Accounting policies and practices;
 - (b) Changes to accounting policies and practices;
 - (c) The process used in making significant accounting estimates;
 - (d) Significant adjustments to the financial report (if any) arising from the audit process;
 - (e) Compliance with accounting standards and other reporting requirements; and
 - (f) Significant variances from prior years.
- 2.6 Recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the financial report is signed.
- 2.7 Discuss with the external auditor the scope of the audit and the planning of the audit.
- 2.8 Discuss with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters. Identify and refer specific projects or investigations deemed necessary through the Chief Executive Officer, the internal auditor and the Council if appropriate.
- 2.9 Address issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of the Committee's Terms of Reference.

3 Membership

- 3.1 **The Audit Committee will** comprise of:
 - (a) ~~Six Councillors, One Councillor~~ from each member Council; ~~and~~
 - (b) ~~Six Deputy Councillors, One Deputy Councillor~~ from each member Council; ~~and~~
 - (c) One Second Deputy Councillor from each member Council.
- 3.2 Members, Deputies and Second Deputies will be appointed for a period of two years following each ordinary Council election.
- 3.3 The Chief Executive Officer and the Chief Financial Officer ~~Director Corporate Services~~ will attend all meetings except when the Committee chooses to meet in camera.
- 3.4 An Internal Auditor (whether a member of staff or contractor) will attend meetings where internal audit reports are being considered by the committee

4 Meetings

- 4.1 The Audit Committee will meet as required at the discretion of the chairperson of the committee and at least three times per year to coincide with:
 - (a) Approval of strategic and annual plans;
 - (b) The Compliance Audit Return;
 - (c) Approval of the annual budget; and
 - (d) The auditor's report on the annual financial report.
- 4.2 Additional meetings will be convened at the discretion of the Chairperson.



5 Operating Procedures

- 5.1 All meetings of the Audit Committee are to be conducted in accordance with the *Local Government Act 1995*, associated Regulations and the current EMRC Standing Orders Local Law 2013.
- 5.2 A quorum for a meeting of the Committee shall be at least threefour of the number of offices (whether vacant or not) of members of the Committee.
- 5.3 Voting
 - (a) All decisions of the Committee shall be made on the basis of a simple majority decision of the members present or, if another kind of majority has been prescribed by regulations for the particular kind of decision, by that kind of majority;
 - (b) If the decision results in a tied vote, the person presiding is to cast a second vote;
 - (c) Persons other than Committee members are not entitled to cast a vote; and
 - (d) All other aspects related to voting procedure shall be consistent with relevant sections of the current EMRC Standing Orders Local Law 2013.
- 5.4 Other EMRC staff or member Council staff may attend meetings, at the discretion of the Chief Executive Officer and/or the Committee Chairperson, to provide advice and information when required.
- 5.5 Representatives of the External Auditor will be invited to attend meetings at the discretion of the Committee but MUST attend meetings considering the draft annual financial report and results of the external audit.

6 Reporting

- 6.1 The Committee shall after every meeting forward the minutes of that meeting to the next Ordinary Meeting of Council, including a report explaining any specific recommendations and key outcomes.

7 Delegated Power

- 7.1 The Committee does not have authority to implement actions in areas over which management has responsibility and does not have any delegated financial responsibility.

Related Documents

Policy 1.2 Meetings

Policy 2.1 Committees of Council

Policy 3.1 Annual Financial Reporting

Policy 7.1 Risk Management Policy

EMRC Standing Orders Local Law 2013

EMRC Code of Conduct for Council Members, Committee Members and Candidates



Administration

Adopted/Reviewed by Council

23 September 2010

18 September 2014

06 December 2018

[25 November 2021](#)

Next Review

Following the Ordinary Elections in 202~~3~~⁴

Responsible [Team](#) [Directorate](#)

Business Support Team



Terms of Reference

Audit Committee

1 Objectives of Committee

The Audit Committee is a formally appointed committee of Council and is responsible to that body. It has been established to assist Council with:

- (a) The effective conduct of its responsibilities for financial reporting, management of risk and maintaining a reliable system of controls.
- (b) The co-ordination of relevant activities of management, compliance, internal audit, external audit and to facilitate achieving overall organisational objectives in an efficient and effective manner.
- (c) The facilitation of:
 - The enhancement of the credibility and objectivity of internal and external financial reporting;
 - Effective management of financial and other risks and the protection of Council assets;
 - Compliance with laws and regulations as well as use of best practice guidelines;
 - The provision of an effective means of communication between the external auditor, internal audit, management and the Council;
 - The allocation of the EMRC's finances and resources.

2 Responsibilities

The duties of the Audit Committee include the following:

- 2.1 To review the scope of the internal audit plan and programme and the effectiveness of the function. This review should consider whether, over a period of years the internal audit plan systematically addresses:
 - (a) Internal controls over revenue, expenditure, assets and liability processes
 - (b) The efficiency, effectiveness and economy of significant EMRC programmes; and
 - (c) Compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.
- 2.2 Critically analyse and follow up any internal or external audit report that raises significant issues relating to risk management, internal control, financial reporting and other accountability or governance issues, and any other matters relevant under the Committee's terms of reference. Review management's response to, and actions taken as a result of the issues raised.
- 2.3 Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems.
- 2.4 Monitor ethical standards and related party transactions by determining whether the systems of control are adequate.



- 2.5 Review Council's draft annual financial report, focusing on:
 - (a) Accounting policies and practices;
 - (b) Changes to accounting policies and practices;
 - (c) The process used in making significant accounting estimates;
 - (d) Significant adjustments to the financial report (if any) arising from the audit process;
 - (e) Compliance with accounting standards and other reporting requirements; and
 - (f) Significant variances from prior years.
- 2.6 Recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the financial report is signed.
- 2.7 Discuss with the external auditor the scope of the audit and the planning of the audit.
- 2.8 Discuss with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters. Identify and refer specific projects or investigations deemed necessary through the Chief Executive Officer, the internal auditor and the Council if appropriate.
- 2.9 Address issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of the Committee's Terms of Reference.

3 Membership

- 3.1 **The Audit Committee will** comprise of:
 - (a) One Councillor from each member Council;
 - (b) One Deputy Councillor from each member Council;and
 - (c) One Second Deputy Councillor from each member Council.
- 3.2 Members, Deputies and Second Deputies will be appointed for a period of two years following each ordinary Council election.
- 3.3 The Chief Executive Officer and the Chief Financial Officer will attend all meetings except when the Committee chooses to meet in camera.
- 3.4 An Internal Auditor (whether a member of staff or contractor) will attend meetings where internal audit reports are being considered by the committee

4 Meetings

- 4.1 The Audit Committee will meet as required at the discretion of the chairperson of the committee and at least three times per year to coincide with:
 - (a) Approval of strategic and annual plans;
 - (b) The Compliance Audit Return;
 - (c) Approval of the annual budget; and
 - (d) The auditor's report on the annual financial report.
- 4.2 Additional meetings will be convened at the discretion of the Chairperson.



5 Operating Procedures

- 5.1 All meetings of the Audit Committee are to be conducted in accordance with the *Local Government Act 1995*, associated Regulations and the current EMRC Standing Orders Local Law.
- 5.2 A quorum for a meeting of the Committee shall be at least three of the number of offices (whether vacant or not) of members of the Committee.
- 5.3 Voting
 - (a) All decisions of the Committee shall be made on the basis of a simple majority decision of the members present or, if another kind of majority has been prescribed by regulations for the particular kind of decision, by that kind of majority;
 - (b) If the decision results in a tied vote, the person presiding is to cast a second vote;
 - (c) Persons other than Committee members are not entitled to cast a vote; and
 - (d) All other aspects related to voting procedure shall be consistent with relevant sections of the current EMRC Standing Orders Local Law.
- 5.4 Other EMRC staff or member Council staff may attend meetings, at the discretion of the Chief Executive Officer and/or the Committee Chairperson, to provide advice and information when required.
- 5.5 Representatives of the External Auditor will be invited to attend meetings at the discretion of the Committee but MUST attend meetings considering the draft annual financial report and results of the external audit.

6 Reporting

- 6.1 The Committee shall after every meeting forward the minutes of that meeting to the next Ordinary Meeting of Council, including a report explaining any specific recommendations and key outcomes.

7 Delegated Power

- 7.1 The Committee does not have authority to implement actions in areas over which management has responsibility and does not have any delegated financial responsibility.

Related Documents

Policy 1.2 Meetings

Policy 2.1 Committees of Council

Policy 3.1 Annual Financial Reporting

Policy 7.1 Risk Management Policy

EMRC Standing Orders Local Law

EMRC Code of Conduct for Council Members, Committee Members and Candidates

**Administration****Adopted/Reviewed by Council**

23 September 2010

18 September 2014

06 December 2018

25 November 2021

Next Review

Following the Ordinary Elections in 2023

Responsible Team

Business Support Team



12.2 ANNUAL FINANCIAL REPORT AND AUDIT REPORT FOR YEAR ENDED 30 JUNE 2021

D2021/20826

PURPOSE OF REPORT

The purpose of this report is to review and adopt Council's Annual Financial Report for the year ended 30 June 2021.

KEY POINT(S)

- The Terms of Reference of the Audit Committee includes a list of duties and responsibilities, among which is a requirement for the Committee to:
 - ⇒ Review Council's draft annual financial report; and
 - ⇒ Recommend adoption of the Annual Financial Report to Council.
- The Office of the Auditor General (OAG), via contractors Butler Settineri, has completed the audit of the 2020/2021 Financial Report, which is attached for Council adoption.

RECOMMENDATION(S)

That:

1. Council adopts the audited Annual Financial Report for the year ended 30 June 2021 and the Independent Auditor's Report on that Annual Financial Report forming attachment 1 of this report.
2. Council notes the contents of the Interim Audit Report and the management comments provided in the response forming attachment 2 of this report.
3. Council notes the contents of the Audit Completion Report to the Audit Committee for the year ended 30 June 2021 forming attachment 3 of this report.
4. In accordance with Regulation 51(2) of the *Local Government (Financial Management) Regulations 1996*, a copy of the 2020/2021 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government, Sport and Cultural Industries, within 30 days of the receipt by the EMRC's CEO of the auditor's report on that financial report.

SOURCE OF REPORT

Chief Financial Officer

BACKGROUND

- 1 It is a requirement under s.6.4 of the *Local Government Act 1995* that a Local Government is to prepare an annual financial report and submit it to its auditor by 30 September following each financial year.
- 2 The Terms of Reference of the Audit Committee includes a list of duties and responsibilities, among which (clauses 2.5 (a) (v) and (vi) are requirements for the Committee to:
 - ⇒ Review Council's draft annual financial report, focusing on:
 - ↻ Accounting policies and practices;
 - ↻ Changes to accounting policies and practices;
 - ↻ The process used in making significant accounting estimates;
 - ↻ Significant adjustments to the financial report (if any) arising from the audit process;
 - ↻ Compliance with accounting standards and other reporting requirements; and



⇒ Significant variances from prior years.

⇒ Recommend adoption of the annual financial report to Council.

- 3 On 7 April 2016 Circular No 3-2016 was received titled “Auditing of Local Government by the Auditor General - Renewal of Audit Contracts”, which outlined the intention to amend the *Local Government Act 1995* to allow for the Auditor General and the OAG to take responsibility for the local government financial audits from 1 July 2017.
- 4 *The Local Government Amendment (Auditing) Act 2017 (No 5 of 2017)* - an Act to amend the Local Government Act 1995 and provide for the auditing of local governments by the Auditor General and for related purposes was assented to on 1 September 2017.
- 5 The Interim Audit for the 2020/2021 financial year was undertaken during April 2021 by Butler Settineri as contactors to the OAG. The Interim Audit Report including the management comments provided in response has been included as attachment 2 to this report.
- 6 The Annual Audit for the 2020/2021 financial year was undertaken during August 2021 by Butler Settineri as contactors to the OAG.

REPORT

7 In accordance with *The Local Government Amendment (Auditing) Act 2017*, the Office of the Auditor General (OAG) has completed the audit of the Eastern Metropolitan Regional Council Annual Financial Report for the year ended 30 June 2021, which is attached for Council adoption (refer attachment 1).

8 The following comments are provided on key elements of the financial results for 2020/2021:

Statement of Comprehensive Income (page 6 and 7 of 63)

9 Total Revenue of \$45,090,716 for the period ending 30 June 2021 is \$720,546 above the 2019/2020 actual revenue and \$457,149 below budget for 2020/2021.

10 Total Expenses of \$34,333,770 is \$17,359,689 below the 2019/2020 actual expenses and \$5,583,843 below the budget for 2020/2021. This was due predominantly to the \$13,789,200 that was paid to member Councils during June 2020 as a contribution toward the implementation of FOGO.

11 A loss of \$460,575 was realised from the Disposal of Assets for the period ending 30 June 2021 compared the to 2019/2020 actual profit on disposals of \$71,728 and the budgeted profit for 2020/2021 of \$22,262.

12 The changes in revaluation of non-current assets has resulted in a decrease of \$4,009,286 in 2020/2021 and relates to the revaluation undertaken on the Land, Buildings and Structures classes of assets. This compares to an increase of \$1,189,840 in 2019/2020 relating to the revaluation undertaken on the Plant and Equipment classes of assets.

13 Total Comprehensive Income of \$6,287,085 (surplus) for the period ending 30 June 2021 is \$12,348,806 above the 2019/2020 result and \$634,571 above the 2020/2021 budget. This is predominantly due to the \$13,789,200 contribution that was paid to member Councils during June 2020 as a contribution toward their implementation of the FOGO system.

Statement of Financial Position/Statement of Changes in Equity (page 8 and 9 of 63)

14 Current assets as at 30 June 2021 have increased by \$1,933,678 to \$91,484,741 from \$89,551,063 as at 30 June 2020.



- 15 The overall impact on cash and cash equivalents and other financial assets at the close of the financial year is an increase of \$1,759,021 to \$87,861,145 as at 30 June 2021 compared to the level of cash and cash equivalents/other financial assets from the previous year totalling \$86,102,124.
- 16 Current liabilities as at 30 June 2021 have increased by \$6,412,934 to \$14,439,344 compared to \$8,026,410 as at 30 June 2020. This is primarily due to a dividend distribution of \$4,985,988 that was provided for in the 2020/2021 accounts and paid to member Councils during August 2021.
- 17 The balance in the Reserves has decreased by \$10,014,480 to \$65,953,610 over the past 12 months.
- 18 Overall equity has increased during the 2020/2021 financial year by \$1,301,097 to \$185,752,978.

Cash Flow Statement (page 10 of 63)

- 19 The overall impact on the cash position (cash + term deposit investments < 3 months) at the end of the 2020/2021 financial year is an increase of \$33,759,021 to \$55,361,145 from the previous corresponding period (2019/2020) of \$21,602,124.
- 20 It should also be noted that other financial assets (term deposit investments > 3 months) decreased by \$32,000,000 to \$32,500,000 from the 2019/2020 total of \$64,500,000.
- 21 Net Cash provided by Operating Activities of \$18,450,942 in the 2020/2021 financial year reflects an increase of \$17,892,107 from the cash generated in 2019/2020 of \$558,835.
- 22 The cash flows utilised in investing activities for 2020/2021 reflects capital expenditure totalling \$11,982,569 compared to capital expenditure totalling \$13,781,612 during 2019/2020.
- 23 Significant items of capital expenditure during the year included:
- Purchase Waste Management Land - Red Hill Waste Management Facility (RHWMF) - \$2,015,907;
 - Construct Class III Cell - Stage 16 - RHWMF - \$1,923,859;
 - Develop Lots 8, 9 & 10 For Future Waste Activities - RHWMF - \$1,881,510;
 - Construct Site Workshop - HRRP - \$1,500,695;
 - Construct HRRP - WWtE Building & Pre-Commissioning - \$728,039;
 - Construct Leachate and Stormwater Infrastructure and Siltation Ponds - RHWMF - \$556,783;
 - Purchase / Replace Plant - HRRP - \$472,892;
 - Purchase FOGO Processing Plant - RHWMF - \$463,050;
 - Refurbish Plant - Hazelmere Resource Recovery Park (HRRP) - \$404,984;
 - Purchase Plant and Equipment - HRRP - WWtE - \$356,294;
 - Implementation of the FOGO Recovery Strategy - RHWMF - \$251,238;
 - Purchase / Replace Plant - RHWMF - \$246,372;
 - Purchase/Replace Vehicles – EMRC Administration Building and RHWMF - \$243,645; and
 - Purchase IT and Communications Equipment - Ascot Place - \$188,046.



- 24 Significant capital items that were budgeted but not purchased, constructed below budget or construction not completed during the year included:
- Construct Class III Cell - Stage 16 - RHWMF - \$1,822,143;
 - Purchase / Replace Plant - RHWMF - \$1,688,628 (\$428,158 carried forward);
 - Liquid Waste Project - RHWMF - \$1,650,000;
 - Construct Workshop No 3 - RHWMF - \$762,993 (\$624,811 carried forward);
 - Liquid Waste Project Plant - RHWMF - \$550,000 (carried forward);
 - Purchase Plant and Equipment - HRRP - WWtE - \$498,706 (\$373,363 carried forward);
 - Construct WWtE Utilities/infrastructure - HRRP - \$497,643 (\$408,754 carried forward);
 - Purchase / Replace Minor Plant & Equipment - RHWMF - \$436,764;
 - Capital Improvement Ascot Place Administration Building - \$293,754 (carried forward);
 - Construct Site Infrastructure - HRRP - \$274,067;
 - Upgrade Power Supply to Workshop No 2 - RHWMF - \$250,000 (\$210,000 carried forward);
 - Construct Class III Cell - Stage 17 – RHWMF - \$250,000 (carried forward);
 - Construct Drainage Diversion and Earthworks Infrastructure - RHWMF - \$250,000 (\$100,000 carried forward);
 - Construct Reuse Store Infrastructure (Car Park) - HRRP - \$250,000;
 - Purchase Waste Management Land - \$219,093; and
 - Purchase Information Technology and Communications Equipment - \$216,954.
- 25 This is offset by an increase in the following Capital Expenditure budget provision following a review of the capital expenditure program:
- Construct Site Workshop (HRRP) - \$1,500,695;
This was subject to a confidential report submitted to Council and approved by Council at its meeting held on 17 September 2020.
 - Refurbish Plant - HRRP - \$404,984;
This expenditure relates to the refurbishment of plant that was expected to be completed and provided for in the previous financial year (2019/2020). There was no carried forward provision made in the 2020/2021 financial year for this expenditure and the resulting 2019/2020 total expenditure was below the expected forecast.
 - Purchase FOGO Processing Plant - RHWMF - \$313,050;
This additional expenditure relates to the purchase of the FOGO Processing Plant at the RHWMF that was expected to be purchased in the previous financial year (2019/2020). There was no carried forward provision made in the 2020/2021 financial year for this expenditure and the resulting 2019/2020 total expenditure was below the budgeted provision.
 - Implementation of the FOGO Recovery Strategy - RHWMF - \$251,238;
This was subject to a report submitted to Council and approved by Council at its meeting held on 17 September 2020 for the permanent FOGO facility.



26 Funding for the majority of the capital items budgeted but not purchased in 2020/2021 has been carried forward into the 2020/2021 financial year.

27 Footnote:

- RRP = Resource Recovery Park;
- WWtE = Wood Waste to Energy;
- HRRP = Hazelmere Resource Recovery Park; and
- RHWMF = Red Hill Waste Management Facility.

Reserves (page 38 - 41 of 63)

28 At the end of the 2020/2021 financial year the amount held in Reserves (page 40 of 63, Note 17) decreased by \$10,014,480 to a balance of \$65,953,610 compared to the 2019/2020 balance of \$75,968,090 and lower than the 2020/2021 budget of \$67,905,859 by \$1,952,249.

29 This is primarily as a result of the \$4,985,988 dividend distribution that was allowed for in the 2020/2021 financial year and paid to member Councils in August 2021. This was funded from the Secondary Waste Reserve.

30 The Auditor representing Butler Settineri and a representative of the OAG will be in attendance at the Audit Committee meeting, in accordance with clause 5.5 of the Audit Committee Terms of Reference, when the Committee is reviewing the Annual Financial Report.

STRATEGIC/POLICY IMPLICATIONS

31 Key Result Area Key Result Area 3 - Good Governance

3.3 To provide responsible and accountable governance and management of the EMRC

3.4 To continue to improve financial and asset management practices

FINANCIAL IMPLICATIONS

32 As outlined within the report and attachments.

SUSTAINABILITY IMPLICATIONS

33 Nil

RISK MANAGEMENT

Risk – Non-compliance with Financial Regulations

Consequence	Likelihood	Rating
Moderate	Unlikely	Moderate
Action/Strategy		
<ul style="list-style-type: none"> ➤ The financial report is scrutinised by the EMRC Council throughout the financial year to ensure that all statutory requirements are met. ➤ Internal Audit reviews to ensure compliance with Financial Regulations. ➤ External Audit confirms compliance. 		



MEMBER COUNCIL IMPLICATIONS

Member Council	Implication Details
Town of Bassendean	Nil
City of Bayswater	
City of Kalamunda	
Shire of Mundaring	
City of Swan	

ATTACHMENT(S)

- 1 Annual Financial Report for the Year Ended 30 June 2021 (D2021/21371)
- 2 Interim Audit Report for Year Ended 30 June 2021 (D2021/21373)
- 3 Audit Completion Report to the Audit Committee for the Year Ended 30 June 2021 (D2021/22271)

VOTING REQUIREMENT

Simple Majority

RECOMMENDATION(S)

That:

1. Council adopts the audited Annual Financial Report for the year ended 30 June 2021 and the Independent Auditor's Report on that Annual Financial Report forming attachment 1 of this report.
2. Council notes the contents of the Interim Audit Report and the management comments provided in the response forming attachment 2 of this report.
3. Council notes the contents of the Audit Completion Report to the Audit Committee for the year ended 30 June 2021 forming attachment 3 of this report.
4. In accordance with Regulation 51(2) of the *Local Government (Financial Management) Regulations 1996*, a copy of the 2020/2021 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government, Sport and Cultural Industries, within 30 days of the receipt by the EMRC's CEO of the auditor's report on that financial report.



AC RECOMMENDATION(S)

MOVED CR CONGERTON

SECONDED CR SUTHERLAND

That:

1. Council adopts the audited Annual Financial Report for the year ended 30 June 2021 and the Independent Auditor's Report on that Annual Financial Report forming attachment 1 of this report.
2. Council notes the contents of the Interim Audit Report and the management comments provided in the response forming attachment 2 of this report.
3. Council notes the contents of the Audit Completion Report to the Audit Committee for the year ended 30 June 2021 forming attachment 3 of this report.
4. In accordance with Regulation 51(2) of the *Local Government (Financial Management) Regulations 1996*, a copy of the 2020/2021 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government, Sport and Cultural Industries, within 30 days of the receipt by the EMRC's CEO of the auditor's report on that financial report.

CARRIED UNANIMOUSLY

COUNCIL RESOLUTION(S)

MOVED CR THOMAS

SECONDED CR MACWILLIAM

THAT:

1. COUNCIL ADOPTS THE AUDITED ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021 AND THE INDEPENDENT AUDITOR'S REPORT ON THAT ANNUAL FINANCIAL REPORT FORMING ATTACHMENT 1 OF THIS REPORT.
2. COUNCIL NOTES THE CONTENTS OF THE INTERIM AUDIT REPORT AND THE MANAGEMENT COMMENTS PROVIDED IN THE RESPONSE FORMING ATTACHMENT 2 OF THIS REPORT.
3. COUNCIL NOTES THE CONTENTS OF THE AUDIT COMPLETION REPORT TO THE AUDIT COMMITTEE FOR THE YEAR ENDED 30 JUNE 2021 FORMING ATTACHMENT 3 OF THIS REPORT.
4. IN ACCORDANCE WITH REGULATION 51(2) OF THE *LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996*, A COPY OF THE 2020/2021 ANNUAL FINANCIAL REPORT BE SUBMITTED TO THE DEPARTMENTAL CEO, DEPARTMENT OF LOCAL GOVERNMENT, SPORT AND CULTURAL INDUSTRIES, WITHIN 30 DAYS OF THE RECEIPT BY THE EMRC'S CEO OF THE AUDITOR'S REPORT ON THAT FINANCIAL REPORT.

CARRIED UNANIMOUSLY

**ANNUAL
FINANCIAL
REPORT**

**For the Year Ended
30 June 2021**

EASTERN METROPOLITAN REGIONAL COUNCIL

2020/2021 ANNUAL FINANCIAL REPORT

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STATEMENT BY CHIEF EXECUTIVE OFFICER



**For the Year Ended
30 June 2021**

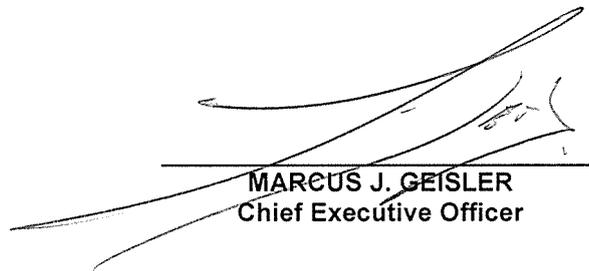
EASTERN METROPOLITAN REGIONAL COUNCIL
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Eastern Metropolitan Regional Council for the financial year ended 30 June 2021 is based on proper accounts and records to present fairly the financial position of the Eastern Metropolitan Regional Council at 30 June 2021 and the results of the operations for the financial year then ended in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 11th day of November 2021



MARCUS J. GEISLER
Chief Executive Officer

FINANCIAL REPORT



**For the Year Ended
30 June 2021**

EASTERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

BY PROGRAM	NOTE	ACTUAL 2020/2021 \$	BUDGET 2020/2021 \$	ACTUAL 2019/2020 \$
REVENUE				
Governance		228	122,650	6,594
General Purpose Funding		831,457	1,099,974	2,166,724
Community Amenities		43,505,127	43,306,285	41,315,591
Other Property and Services		753,904	1,018,955	881,261
TOTAL REVENUE		45,090,716	45,547,864	44,370,170
EXPENSES				
Governance		1,350,757	912,930	589,641
Community Amenities		28,667,104	34,473,775	48,271,827
Other Property and Services		4,315,909	4,530,907	2,831,991
TOTAL EXPENSES		34,333,770	39,917,612	51,693,459
INCREASE / (DECREASE)		10,756,946	5,630,252	(7,323,289)
DISPOSAL OF ASSETS				
Profit on Sale		0	22,262	71,728
Loss on Sale		(460,575)	0	0
PROFIT / (LOSS) ON DISPOSALS	22	(460,575)	22,262	71,728
NET RESULT		10,296,371	5,652,514	(7,251,561)
OTHER COMPREHENSIVE INCOME				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in Revaluation of Non-Current Assets	14	(4,009,286)	0	1,189,840
TOTAL OTHER COMPREHENSIVE INCOME		(4,009,286)	0	1,189,840
TOTAL COMPREHENSIVE INCOME/(DEFICIT)		6,287,085	5,652,514	(6,061,721)

This statement is to be read in accordance with the attached
notes to the financial report.

EASTERN METROPOLITAN REGIONAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

BY NATURE AND TYPE	NOTE	ACTUAL 2020/2021 \$	BUDGET 2020/2021 \$	ACTUAL 2019/2020 \$
REVENUE				
Fees and Charges	4	39,656,921	41,059,484	38,848,340
Grants, Subsidies and Contributions	5	2,736,473	1,899,345	1,575,633
Interest Earnings	2	824,582	1,099,975	2,157,757
Other Revenue	2	1,872,740	1,489,061	1,788,440
TOTAL REVENUE		45,090,716	45,547,865	44,370,170
EXPENSES				
Employee Costs		9,871,582	10,801,281	9,221,519
Materials and Contracts		7,406,870	7,183,205	5,461,014
Utility Expenses		293,908	356,911	374,806
Interest Expenses	16	227,467	0	164,883
Insurance Expenses		345,508	318,484	315,363
Other Expenditure	2	9,736,261	15,720,035	32,331,532
Depreciation Expenses on Non-Current Assets	2	6,452,174	5,537,697	3,824,342
TOTAL EXPENSES		34,333,770	39,917,613	51,693,459
INCREASE / (DECREASE)		10,756,946	5,630,252	(7,323,289)
DISPOSAL OF ASSETS				
Profit on Sale		0	22,262	71,728
Loss on Sale		(460,575)	0	0
PROFIT / (LOSS) ON DISPOSALS	22	(460,575)	22,262	71,728
NET RESULT		10,296,371	5,652,514	(7,251,561)
OTHER COMPREHENSIVE INCOME				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in Revaluation of Non-Current Assets	14	(4,009,286)	0	1,189,840
TOTAL OTHER COMPREHENSIVE INCOME		(4,009,286)	0	1,189,840
TOTAL COMPREHENSIVE INCOME/(DEFICIT)		6,287,085	5,652,514	(6,061,721)

This statement is to be read in accordance with the attached
notes to the financial report

EASTERN METROPOLITAN REGIONAL COUNCIL
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	NOTE	ACTUAL 2020/2021 \$	ACTUAL 2019/2020 \$
CURRENT ASSETS			
Cash and Cash Equivalents	10	55,361,145	21,602,124
Other Financial Assets	11	32,500,000	64,500,000
Trade and Other Receivables	6	3,554,790	3,342,523
Inventories	7	36,424	39,034
Other Assets	8	32,382	67,382
TOTAL CURRENT ASSETS	21	<u>91,484,741</u>	<u>89,551,063</u>
NON CURRENT ASSETS			
Property, Plant and Equipment	12	79,733,589	80,201,964
Infrastructure	13	35,681,153	30,157,275
TOTAL NON CURRENT ASSETS	21	<u>115,414,742</u>	<u>110,359,239</u>
TOTAL ASSETS	21	<u>206,899,483</u>	<u>199,910,302</u>
CURRENT LIABILITIES			
Trade and Other Payables	15	12,624,600	6,191,155
Provisions	16	1,814,744	1,835,255
TOTAL CURRENT LIABILITIES		<u>14,439,344</u>	<u>8,026,410</u>
NON CURRENT LIABILITIES			
Provisions	16	6,707,161	7,432,011
TOTAL NON CURRENT LIABILITIES		<u>6,707,161</u>	<u>7,432,011</u>
TOTAL LIABILITIES		<u>21,146,505</u>	<u>15,458,421</u>
NET ASSETS		<u>185,752,978</u>	<u>184,451,881</u>
EQUITY			
Retained Surplus		82,641,476	66,352,626
Reserves	17	65,953,610	75,968,090
Revaluation Surplus	14	37,157,892	42,131,165
TOTAL EQUITY		<u>185,752,978</u>	<u>184,451,881</u>

This statement is to be read in accordance with the attached
notes to the financial report

EASTERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	RETAINED SURPLUS \$	RESERVES \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 30 June 2019		62,308,230	91,958,292	41,247,080	195,513,602
Net Result		(7,251,561)	0	0	(7,251,561)
Total Other Comprehensive Income		0	0	1,189,840	1,189,840
Revaluation Surplus Reversal	14	305,755	0	(305,755)	0
Transfer (from) / to Reserves		15,990,202	(15,990,202)	0	0
Dividend Distribution to Member Councils		(5,000,000)	0	0	(5,000,000)
Balance as at 30 June 2020		66,352,626	75,968,090	42,131,165	184,451,881
Net Result		10,296,371	0	0	10,296,371
Total Other Comprehensive Income		0	0	(4,009,286)	(4,009,286)
Revaluation Surplus Reversal	14	963,987	0	(963,987)	0
Transfer (from) / to Reserves		10,014,480	(10,014,480)	0	0
Dividend Distribution to Member Councils		(4,985,988)	0	0	(4,985,988)
Balance as at 30 June 2021		82,641,476	65,953,610	37,157,892	185,752,978

This statement is to be read in accordance with the attached
notes to the financial report

EASTERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	ACTUAL 2020/2021 \$	BUDGET 2020/2021 \$	ACTUAL 2019/2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Fees and Charges		43,631,279	41,059,485	42,808,221
Grants, Subsidies and Contributions		2,736,473	1,899,345	1,575,633
Interest Earnings		1,025,687	1,099,974	2,732,151
Other Revenue		1,872,741	2,440,311	1,788,439
Total Receipts		49,266,180	46,499,115	48,904,444
Payments				
Employee Costs		(9,879,220)	(10,771,368)	(8,949,596)
Materials and Contracts		(3,347,561)	(8,010,388)	(6,951,131)
Utility Expenses		(293,908)	(356,911)	(374,806)
Insurance Expenses		(345,508)	(318,484)	(315,363)
Other Expenditure		(14,947,026)	(14,943,443)	(29,549,428)
Goods and Services Tax paid		(2,002,015)	0	(2,205,285)
Total Payments		(30,815,238)	(34,400,594)	(48,345,609)
NET CASH PROVIDED BY OPERATING ACTIVITIES	18(ii)	18,450,942	12,098,521	558,835
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of property, plant and equipment		276,636	275,000	326,137
Payments for purchase of property, plant and equipment		(11,982,569)	(19,616,115)	(13,781,612)
NET CASH USED IN INVESTING ACTIVITIES		(11,705,933)	(19,341,115)	(13,455,475)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net Movement to Other Financial Assets		32,000,000	0	3,500,000
Dividend distribution to Member Councils		(4,985,988)	0	(5,000,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES		27,014,012	0	(1,500,000)
SUMMARY OF CASH FLOWS				
Cash and cash equivalents at the beginning of the year		21,602,124	14,935,085	35,998,764
Net Increase/(Decrease) in Cash Held		33,759,021	(7,242,594)	(14,396,640)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	18(i)	55,361,145	7,692,491	21,602,124

This statement is to be read in accordance with the attached
notes to the financial report

**NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT**



**For the Year Ended
30 June 2021**

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1995* and accompanying regulations.

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

The *Local Government (Financial Management) Regulations 1996* take precedence over Australian Accounting Standards. Prior to 1 July 2019, Regulation (Reg) 16 arbitrarily prohibited a local government from recognising as assets Crown land that is a public thoroughfare, i.e. land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or recreational facility of State or regional significance. Consequently, some assets pertaining to vested land, including land under roads acquired on or after 1 July 2008, were not recognised in previous financial reports of the Council. This was not in accordance with the requirements of AASB 1051 Land Under Roads paragraph 15 and AASB 116 Property, Plant and Equipment paragraph 7.

From 1 July 2019, the Council has applied AASB 16 Leases which requires leases to be included by lessees in the statement of financial position. Also, the *Local Government (Financial Management) Regulations 1996* have been amended to specify that vested land is a right of use asset to be measured at cost. All right of use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the Statement of Financial Position) rather than at fair value. The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the Council to measure any vested improvements at zero cost.

As the Council does not currently hold any leases this has not had any impact on the Council's financial statements.

The Local Government Reporting Entity

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

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

The significant accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise:

(a) Trust Funds

Any monies held in the Trust Fund, which Council may hold in a custodian role, are excluded from the Financial Statements.

The EMRC currently does not hold any trust fund monies for the year ended 30 June 2021.

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits 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.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts, where applicable, are included as short-term borrowings in current liabilities on the Statement of Financial Position.

The EMRC does not have any bank overdrafts for the year ended 30 June 2021.

(c) Fixed Assets

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

Mandatory Requirements to Revalue Non-Current Assets

In accordance with the amended *Local Government (Financial Management) Regulations 1996*, the Council is required to revalue land, buildings, infrastructure and investment properties of the local government whenever the Council is of the opinion that the fair value of the asset is likely to be materially different from its carrying amount and, in any event, within a period of no more than 5 years after the day on which the asset was last valued or revalued. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land acquired by the EMRC. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with the amended *Local Government (Financial Management) Regulations 1996* which requires the land, buildings, infrastructure, investment properties and vested improvements to be shown at fair value.

The EMRC has elected to undertake asset revaluations on its land, buildings and infrastructure assets on a 4 year rotational cycle, or in the year when the Council is of the opinion that the fair value of the asset is likely to be materially different from its carrying amount.

The revaluation of the land, buildings and infrastructure classes of assets was undertaken during the 2020/2021 financial year. It is proposed to undertake the next revaluation in the 2024/2025 financial year.

Initial Recognition and Measurement between Mandatory Revaluation Dates

All assets are initially recognised at cost where the fair value of the asset at date of acquisition is equal to or above \$5,000. All assets are subsequently revalued in accordance with the mandatory measurement framework detailed above.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at zero cost or otherwise significantly less than fair value, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Fixed Assets (continued)

Initial Recognition and Measurement between Mandatory Revaluation Dates (continued)

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

Revaluation

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

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land, artworks and work in progress which are not depreciated, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

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

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

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

• Buildings	1.00 - 13.33% (based on components)
• Structures	
General	0.95 - 6.67%
Class III and IV Waste Cells	% of actual usage
• Plant	4.17 - 33.33%
• Furniture and fittings	4.00 - 33.33%
• Equipment	4.00 - 33.33%

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

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

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

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

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Fixed Assets (continued)

Capitalisation Threshold

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

(d) Fair Value of Assets and Liabilities

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

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

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

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

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

Fair Value Hierarchy

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

Level 1

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

Level 2

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

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Fair Value of Assets and Liabilities (continued)

Fair Value Hierarchy (continued)

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation Techniques

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

Market Approach

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

Income Approach

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

Cost Approach

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

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

As detailed above, the mandatory measurement framework imposed by *the Local Government (Financial Management) Regulations 1996* requires, as a minimum, all assets carried at a revalued amount to be revalued in accordance with the regulatory framework.

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Grants, Donations and Other Contributions

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 9. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operation for the current reporting period.

(f) Trade and Other Payables

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

(g) Impairment

In accordance with Australian Accounting Standards, the Council's assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired. Where such an indication exists, an estimate of the recoverable amount of the asset is made in accordance with *AASB 136 Impairment of Assets* and appropriate adjustments are made.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another standard (e.g. *AASB 116 Property, Plant and Equipment*) whereby an impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other standard.

(h) Inventories

General

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Goods and Services Tax

In accordance with recommended practice, revenues, expenses and assets capitalised are stated net of any GST recoverable. Receivables and payables in the Statement of Financial Position are stated inclusive of applicable GST. The net amount of GST recoverable from, or payable to the ATO is included with receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Provisions

Provisions are recognised when: The 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 measured using the best estimate of the amounts required to settle the obligations at the end of the reporting period.

(k) Provision for Site Rehabilitation

A provision for the future costs associated with closing and restoring the landfill is recognised as liabilities within the financial accounts. The nature of work planned by Council includes cell capping, landform reconstruction, dismantling of site operating facilities and implementation of a revegetation plan to suit the final land use. The provision is based on the future value of the estimated current costs, determined on a discounted basis.

Increments/decrements in the provision are calculated annually based on the change in the net present value of the future cash outflows of costs for site rehabilitation. The unwinding of the discount is expensed as incurred and recognised in the statement of comprehensive income as an interest expense.

As per the independent engineers report from June 2020, the current value for the rehabilitation of the site has been calculated to be \$7,089,399 and has been deemed sufficient for post closure management purposes. This value will be reviewed on a five yearly cycle.

The costs are measured using the best estimate of the amounts required and is reassessed internally on an annual basis with an independent review being undertaken on a five yearly cycle.

(l) Provision for Environmental Monitoring

A provision for the future costs associated with closing and restoring the landfill is recognised as liabilities within the financial accounts. The nature of work planned by Council includes monitoring of groundwater, surface water, leachate and landfill gas generation. The provision is based on the future value of the estimated current costs, determined on a discounted basis.

Increments/decrements in the provision are calculated annually based on the change in the net present value of the future cash outflows of costs for environmental monitoring. The unwinding of the discount is expensed as incurred and recognised in the statement of comprehensive income as an interest expense.

As per the independent engineers report from June 2020, the current value for the environmental monitoring of the site has been calculated to be \$3,403,950 and has been deemed sufficient for post closure management purposes. This value will be reviewed on a five yearly cycle.

The costs are measured using the best estimate of the amounts required and is reassessed internally on an annual basis with an independent review being undertaken on a five yearly cycle.

(m) Critical Accounting Estimates

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

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

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Trade and Other Receivables

Trade and other receivables include amounts due from member Councils and non-members for unpaid fees and charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Trade receivables are recognised at original invoice amount less any allowances for uncollectable amounts (i.e. impairments).

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

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. Expected credit losses is an allowance of receivables, measured at the lifetime expected credit losses at each reporting date. The Council has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Please refer to Note 6 - Reconciliation of changes in the allowance for impairment of Receivables.

Impairment and risk exposure information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 25.

(o) Employee Entitlements

The provisions for employee benefits relate to amounts expected to be paid for long service leave, annual leave, wages and salaries and are calculated as follows:

(i) Short-term Employee Benefits

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

(ii) Other long-term Employee Benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. The Council's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Council does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions. The Council's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Employee Entitlements (Continued)

(iii) Superannuation Fund

The Council contributes to the WA Local Government Superannuation Plan (LGSP) and other choice funds for qualifying employees as per statutory requirements (9.50% for 2020/2021). It also contributes an additional amount to the LGSP and other choice funds for full scheme members (5% for 2020/2021). Contributions to defined contribution plans are recognised as an expense as they become payable.

(p) Rounding Off Amounts

All amounts shown in this annual financial report are rounded to the nearest dollar. As a result of rounding, some minor reconciliation discrepancies may be present in the disclosures to the financial report.

(q) Comparative Figures

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

(r) Budget Comparative Figures

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

(s) Leases

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

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

Right of use assets are subsequently measured under the cost model.

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

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

Leases for right of use assets are secured over the asset being leased.

The EMRC does not currently have any leases.

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Other Financial Assets

(i) Other Financial Assets at Amortised Cost

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

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

(ii) Financial Assets at Fair Value through Profit and Loss

The Council classifies the following financial assets at fair value through profit and loss:

- Debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- Equity investments which the Council has not elected to recognise fair value gains and losses through other comprehensive income.

(iii) Impairment and Risk

Information regarding impairment and exposure to risk can be found at Note 25.

(u) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle. In the case of liabilities where the Council does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months.

Inventories held for trading are classified as current even if not expected to be realised in the next 12 months except for land held for sale where it is held as non-current based on the Council's intentions to release for sale.

(v) Landfill Cells

There are three general components of cell construction:

- Cell excavation and development costs;
- Cell liner costs; and
- Cell capping costs.

All cell excavation and development costs and cell liner costs are capitalised and depreciated over the useful life of the cell based on the volumetric usage of the landfill cell air space during the year.

Cell capping costs are expensed as they occur as part of ongoing site rehabilitation.

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Revenue and Expenses

Revenue Recognition Policy

Recognition of revenue is in line with *AASB15 - Revenue from Contracts with Customers* and *AASB 1058 - Income of Not-for-Profit Entities* and is dependant on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Fees and Charges	Waste treatment, recycling and disposal services at the waste disposal facilities and consulting services	At time of waste disposal or at time of consultancies	Cash or 14 days from invoice date or as negotiated	Not applicable	Fees and charges set by Council	At time of disposal or at time of consultancy	Not applicable	Recognised upon disposal of waste at the waste disposal facilities or when consultancy obligations have been met.
Grants, Subsidies and Contributions	Grants	Over time based on grant conditions	Based on grant conditions set by funding body	Unexpended grants based on grant conditions.	As allocated by grant provider	Based on grant requirements	Not applicable	Recognised upon fulfilment of grant conditions
	Contributions	Completion of project or project milestone	Set by mutual agreement with the funding body	Not applicable	Set by mutual agreement with the funding body	Set by mutual agreement with the funding body and budget requirements	Not applicable	Recognised upon fulfilment of contribution conditions
Interest Earnings	Interest Earnings	Based on accruals over time up to and including maturity	Upon maturity of investment	Not applicable	Interest rates set by bank	Accruals based on principal and interest rate up to and including maturity	Not applicable	Recognised on the monthly balance date of the financial report
Other Revenue	Reimbursements	Based on reconciliation of monthly income and expenditure or submission of insurance claims	14 days from invoice date or settlement of insurance claims	Not applicable	Based on reconciliation of monthly income and expenditure or on insurance claim value	Based on progress of income received and outlay of expenditure	Not applicable	Recognised when the monthly income and expenditure at the Transfer Stations managed by the EMRC has been reconciled or upon settlement of insurance claims.
	Sales of Products	At time of product sales	Cash or 14 days from invoice date or as negotiated	Upon faulty product only	Fees and charges set by Council	At time of purchase	Not applicable	Recognised upon the sale of products from EMRC facilities
	Royalty Income	At time of electricity generation by third party	Quarterly for royalty payments and as and when Renewable Energy Certificates are sold	Not applicable	Royalty payments as per contract and Renewable Energy Certificates as per market	As per contract and as per market	Not applicable	Recognised upon receipt of funds based on the electricity generation from landfill gas by third party
	Rebate Income	Annually for insurance rebates and monthly for diesel fuel rebates	Reduction on monthly Business Activity Statement return and as distributed by insurance company	Not applicable	As set by legislation for diesel fuel rebates and as per annual reviews by insurance company	As per monthly reconciliation for diesel fuel rebate and as determined by the insurance company for insurance rebates	Not applicable	Recognised when the monthly diesel fuel rebate is calculated based on diesel usage during the month and upon receipt of funds for insurance rebates

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

- *AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current*
- *AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments*
- *AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates*

It is not expected that these standards will have an impact on the financial report.

(y) Adoption of New and Revised Accounting Standards

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

- *AASB 2018-7 Amendments to Australian Accounting Standards - Materiality*

Council adopted *AASB 2018-7 Amendments to Australian Accounting Standards - Materiality* for the year ended 30 June 2021 resulting in changes in accounting policies.

These amendments are largely a change to include additional explanations to expand the definition of what information may be considered material in nature and how presentation may also be an influence.

The adoption of AASB 2018-7 had no material impact on the financial statements of the Council.

- *AASB 1059 Service Concession Arrangements: Grantors*

Council adopted *AASB 1059 Service Concession Arrangements: Grantors* for the year ended 30 June 2021 resulting in changes in accounting policies.

This standard addresses the accounting for a service concession arrangement by a grantor that is a public sector entity.

It applies to arrangements that involve a third-party operator providing public services related to a service concession asset on behalf of a public grantor (in this case, local government) for the specific period of time and managing at least some of those services.

The adoption of AASB 1059 had no impact on the financial statements of the Council.

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

2. REVENUE AND EXPENSES

	Note	ACTUAL 2020/2021 \$	BUDGET 2020/2021	ACTUAL 2019/2020 \$
Net Result				
The Net Result includes:				
(i) Crediting as Revenue:				
Interest Earnings				
Interest on funds held in Reserves		686,498	929,975	1,882,908
Interest on Municipal Cash and Investments		47,345	80,000	190,865
Interest from Other Sources		90,739	90,000	83,984
		824,582	1,099,975	2,157,757
Other Revenue				
Sale of Products		1,482,180	872,061	1,159,634
Gas Royalty Income		143,587	400,000	385,626
Miscellaneous Income		246,973	217,000	243,180
		1,872,740	1,489,061	1,788,440
(ii) Charging as an Expense:				
Auditors Remuneration				
Audit of the Financial Report		31,000	33,000	31,000
Audit and assurance of grant acquittals		1,200	1,000	1,400
		32,200	34,000	32,400
Depreciation and Amortisation Expense				
Buildings		113,559	165,949	112,736
Plant		1,778,294	2,561,713	2,026,344
Equipment		149,720	234,622	110,646
Furniture and Fittings		8,630	4,575	8,950
Structures - Landfill Cells		3,832,264	1,665,305	1,002,617
- Other		569,707	905,533	563,049
		6,452,174	5,537,697	3,824,342
Interest Expenses				
Provisions - Unwinding of discount		227,467	0	164,883
		227,467	0	164,883
Other Expenditure				
State Landfill levy		13,749,750	14,504,393	14,326,231
Other Expenses		1,197,273	268,834	1,433,997
Increment/(decrement) - Site Rehabilitation Provision	16	(629,955)	613,227	2,019,337
Increment/(decrement) - Environmental Monitoring Provision	16	(309,203)	333,581	762,767
FOGO Contribution to member Councils *		0	0	13,789,200
(Increment)/decrement on Revaluation of Infrastructure				
- Landfill Cells and Post Closure Assets	13,14	(4,271,604)	0	0
		9,736,261	15,720,035	32,331,532

* A conditional contribution of \$13,789,200 was made to the EMRC's member Councils in 2019/2020 for the implementation of the FOGO (food organics and garden organics) collection process. In the event that a member Council does not implement a FOGO collection process the contribution paid to the member Council is to be refunded to the EMRC.

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

3. COMPONENT FUNCTIONS/ACTIVITIES

The activities relating to the Eastern Metropolitan Regional Council's components reported in the Statement of Comprehensive Income are as follows:

EASTERN METROPOLITAN REGIONAL COUNCIL (EMRC) MISSION STATEMENT

The EMRC, by partnering with member Councils (and other stakeholders), facilitates strategies and actions for the benefit and sustainability of Perth's Eastern Region.

Governance

Objective:

To provide responsible and accountable governance and management of the EMRC.

Activities:

Includes the activities of members of council and the administration and operation of facilities and services to members of Council together with other administrative governance costs.

General Purpose Funding

Objective:

To provide responsible and accountable financial management practices.

Activities:

Includes the activities relating to the management of the EMRC's investment portfolio, records interest revenue as well as other general purpose revenue.

Community Amenities

Objective:

To provide sustainable waste disposal, resource recovery and recycling operations and solutions in partnership with member Councils.

Activities:

Includes waste disposal, resource recovery and recycling operations undertaken at the Red Hill Waste Disposal Facility, the Hazelmere Resource Recovery Facility, Baywaste, Coppin and Mathieson Road transfer stations.

Other Property and Services

Objective:

To facilitate the sustainable economic development of the region together with the provision of responsible and accountable management of the EMRC.

Activities:

Includes activities and projects of the EMRC's Sustainability directorate, the operations of the Ascot Place activity and records the activities associated with public works overheads, plant operation, materials, salaries and wages.

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

4. FEES AND CHARGES SUMMARY BY PROGRAM	ACTUAL 2020/2021 \$	BUDGET 2020/2021 \$	ACTUAL 2019/2020 \$
Community Amenities	39,656,921	41,059,484	38,848,040
Other Property and Services	0	0	300
Total Statutory Fees and Charges	39,656,921	41,059,484	38,848,340

5. GRANT, SUBSIDY AND CONTRIBUTION REVENUE BY PROGRAM	ACTUAL 2020/2021 \$	BUDGET 2020/2021 \$	ACTUAL 2019/2020 \$
Governance	273	150	6,402
Community Amenities	1,557,712	1,060,240	889,597
Other Property and Services	1,178,488	838,955	679,634
Total Grant, Subsidy and Contribution Revenue	2,736,473	1,899,345	1,575,633

6. TRADE AND OTHER RECEIVABLES	ACTUAL 2020/2021 \$	ACTUAL 2019/2020 \$
Current		
Sundry Debtors	3,426,770	2,995,046
Loan Receivable ¹	1,180,687	1,089,949
Other Debtors	19,850	18,018
GST Receivable	0	30,857
Accrued Interest Earnings	123,503	324,608
Allowance for Impairment of Receivables ²	(1,196,020)	(1,115,955)
	3,554,790	3,342,523

¹ Loan Receivable is covered under a loan agreement on commercial terms with Anergy Australia Pty Ltd. The balance of this loan as at 30 June 2021 of \$1,180,687 (\$1,089,949 as at 30 June 2020) has been treated as a doubtful debt.

² Reconciliation of changes in the Allowance for Impairment of Receivables:

	ACTUAL 2020/2021 \$	ACTUAL 2019/2020 \$
Balance at start of period	1,115,955	1,038,356
Expected credit losses expense	90,739	84,151
Amounts written off during the period	0	(78)
Expected credit losses reversed during the period	(10,674)	(6,474)
Balance at end of period	1,196,020	1,115,955

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

7. INVENTORIES	ACTUAL	ACTUAL
	2020/2021	2019/2020
	\$	\$
Current		
<u>Distillate</u>		
Opening Balance	33,663	48,691
Purchases	557,850.51	643,677
Allocations	<u>(562,060)</u>	<u>(658,705)</u>
Closing Balance	29,454	33,663
<u>Oils</u>		
Opening Balance	5,371	6,048
Purchases	5,418	4,582
Allocations	<u>(3,819)</u>	<u>(5,259)</u>
Closing Balance	6,970	5,371
Total Inventories	<u>36,424</u>	<u>39,034</u>
8. OTHER ASSETS	ACTUAL	ACTUAL
	2019/2020	2019/2020
	\$	\$
Current		
Prepayment - General	18,951	55,165
Prepayment - Miscellaneous	<u>13,431</u>	<u>12,217</u>
	<u>32,382</u>	<u>67,382</u>

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2021

9. CONTROL OVER GRANTS/CONTRIBUTIONS

Conditions Over Grants/Contributions		Opening Balance ⁽¹⁾ 1 July 2019 \$	Received ⁽²⁾ 2019/20 \$	Expended ⁽³⁾ 2019/20 \$	Closing ⁽⁴⁾ Balance 30 June 2020 \$
Grants	Function/Activity				
Avon Descent	Other Property and Services	0	174,538	(174,538)	0
Keep Australia Beautiful Community Litter Program	Other Property and Services	1,740	0	(1,740)	0
Coordination of Community Led Projects	Other Property and Services	52,500	105,000	(105,000)	52,500
Community Capability Project	Other Property and Services	42,671	0	(42,671)	0
Farm Dams Project	Other Property and Services	864	0	(864)	0
Income Communities Environment Programme (CEO)	Other Property and Services	0	12,116	(3,210)	8,906
Income Regional Integrated Transport Strategy	Other Property and Services	0	20,000	0	20,000
Contributions					
Avon Descent	Other Property and Services	0	27,882	(27,882)	0
Income Regional Integrated Transport Strategy	Other Property and Services	0	73,156	(73,156)	0
Income Environmental Building Benchmarking Project	Other Property and Services	0	90,460	(18,722)	71,738
Income Flood Risk Project	Other Property and Services	0	14,545	0	14,545
Income Achieving Carbon Emissions Reduction (ACER)	Other Property and Services	0	12,430	(12,430)	0
Income Eastern Region Catchment Management Program (ERCMP)	Other Property and Services	0	132,260	(132,260)	0
Income Environmental Sustainability Programs	Other Property and Services	0	112,898	(112,898)	0
Income Regional Development Business Unit	Other Property and Services	0	65,595	(65,595)	0
Income Regional Spatial Mapping	Other Property and Services	0	6,000	(6,000)	0
Income FOGO - Waste Education	Other Property and Services	0	525	(525)	0
		97,775	847,405	(777,491)	167,689
Conditions Over Grants/Contributions		Opening Balance ⁽¹⁾ 1 July 2020 \$	Received ⁽²⁾ 2020/21 \$	Expended ⁽³⁾ 2020/21 \$	Closing Balance 30 June 2021 \$
Grants	Function/Activity				
Income Eastern Region Catchment Management Program (ERCMP)	Other Property and Services	0	1,000	(1,000)	0
Coordination of Community Led Projects	Other Property and Services	52,500	52,500	(105,000)	0
Income Restoring Wangalla Brook - Stage 1	Other Property and Services	0	15,756	(15,756)	0
Income Tackling the Troublesome Two Project	Other Property and Services	0	65,775	(65,775)	0
Income Communities Environment Programme (CEO)	Other Property and Services	8,906	0	(8,906)	0
Income Regional Integrated Transport Strategy	Other Property and Services	20,000	0	(20,000)	0
Income Circular Economy Training and Capacity Building Project	Other Property and Services	0	50,000	(50,000)	0
Contributions					
Income Regional Integrated Transport Strategy	Other Property and Services	0	41,235	(41,235)	0
Income Environmental Building Benchmarking Project	Other Property and Services	71,738	35,476	(107,214)	0
Income Flood Risk Project	Other Property and Services	14,545	2,000	(16,545)	0
Income Eastern Region Catchment Management Program (ERCMP)	Other Property and Services	0	105,101	(105,101)	0
Income Environmental Sustainability Programs	Other Property and Services	0	115,416	(115,416)	0
Income Regional Development Business Unit	Other Property and Services	0	36,363	(36,363)	0
Income FOGO - Waste Education	Other Property and Services	0	31,848	(31,848)	0
		167,689	552,470	(720,159)	0

Notes:

- (1) Grants/contributions which were not expended at the close of the previous reporting period.
- (2) New grants/contributions which were received during the reporting period.
- (3) Grants/contributions which had expended in the current reporting period in the manner specified by the contributor.
- (4) The closing balance has been disclosed as Contract Liabilities in Note 15 - Trade and Other Payables. Balance as at 30 June 2019 has not been adjusted against opening retained surplus due to immateriality.

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

10. CASH AND CASH EQUIVALENTS

	Note	ACTUAL 2020/2021 \$	ACTUAL 2019/2020 \$
Cash and Cash Equivalents - Unrestricted		15,473,132	3,034,431
Cash and Cash Equivalents - Restricted		39,888,013	18,567,693
Total Cash and Cash Equivalents	25	<u>55,361,145</u>	<u>21,602,124</u>
Financial assets at amortised cost - term deposits	11	<u>32,500,000</u>	<u>64,500,000</u>
		<u>87,861,145</u>	<u>86,102,124</u>

The following restrictions have been imposed by regulations or other externally imposed requirements:

Plant and Equipment		749,821	141,856
Site Rehabilitation Red Hill - Post Closure		2,943,263	4,986,647
Future Development		11,460,995	18,263,389
Environmental Monitoring Red Hill		1,349,161	2,350,987
Environmental Insurance Red Hill		59,639	46,892
Risk Management		15,813	15,631
Class IV Cells Red Hill		600,945	649,866
Regional Development		0	321,608
Secondary Waste Processing		41,177,833	45,240,494
Class III Cells		1,158,161	2,873,244
Building Refurbishment (Ascot Place)		79,842	78,920
EastLink Relocation - Red Hill		5,325,000	0
Long Service Leave		1,033,136	998,556
	17	<u>65,953,610</u>	<u>75,968,090</u>
Add movement in accrued interest		123,503	324,607
Add unspent grants	9	0	167,689
		<u>66,077,112</u>	<u>76,460,386</u>

11. OTHER FINANCIAL ASSETS

Current Assets

Financial assets at amortised cost - term deposits			
- Unrestricted		6,310,901	6,607,306
- Restricted		26,189,099	57,892,694
Total Financial assets at amortised cost	25	<u>32,500,000</u>	<u>64,500,000</u>

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EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

12. PROPERTY, PLANT AND EQUIPMENT

Movements in Carrying Amounts

Movements in the carrying amount of each class of property, plant and equipment between the beginning and the end of the financial year are reflected as follows:

	Land	Buildings	Total Land & Buildings	Plant	Equipment	Furniture & Fittings	Artworks	Work in Progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019	50,570,000	7,282,047	57,852,047	10,479,108	310,204	59,402	83,800	5,947,195	74,731,756
Additions	0	76,023	76,023	3,591,962	224,265	25,037	0	2,876,166	6,793,453
WIP - Transfers in/(out)	0	47,344	47,344		73,508	0	0	(120,852)	0
(Disposals)	0	0	0	(173,601)	(1,406)	0	0	0	(175,007)
Revaluation	0	0	0	1,103,826	110,224	(24,210)	0	0	1,189,840
Impairment	0	0	0	(79,402)	0	0	0	0	(79,402)
Depreciation expense	0	(112,736)	(112,736)	(2,026,344)	(110,646)	(8,950)	0	0	(2,258,676)
Balance at 30 June 2020	50,570,000	7,292,678	57,862,678	12,895,549	606,149	51,279	83,800	8,702,509	80,201,964
Comprises:									
Gross Carrying Amount at 30 June 2020	50,570,000	7,624,820	58,194,820	12,895,549	606,149	51,279	83,800	8,702,509	80,534,106
Accumulated depreciation at 30 June 2020	0	(332,142)	(332,142)	0	0	0	0	0	(332,142)
Carrying amount at 30 June 2020	50,570,000	7,292,678	57,862,678	12,895,549	606,149	51,279	83,800	8,702,509	80,201,964
Additions	2,015,907	369	2,016,276	2,083,357	181,718	0	0	2,933,922	7,215,273
WIP - Transfers in/(out)	0	0	0	160,774	0	0	0	(160,774)	0
(Disposals)	0	0	0	(224,924)	0	0	0	0	(224,924)
Reclassification	0	(262,982)	(262,982)	0	0	0	0	0	(262,982)
Revaluation	(4,735,907)	(409,632)	(5,145,539)	0	0	0	0	0	(5,145,539)
Depreciation expense	0	(113,559)	(113,559)	(1,778,294)	(149,720)	(8,630)	0	0	(2,050,203)
Carrying amount at 30 June 2021	47,850,000	6,506,874	54,356,874	13,136,462	638,147	42,649	83,800	11,475,657	79,733,589
Comprises:									
Gross Carrying Amount at 30 June 2021	47,850,000	6,506,874	54,356,874	14,899,299	787,867	51,279	83,800	11,475,657	81,654,776
Accumulated depreciation at 30 June 2021	0	0	0	(1,762,837)	(149,720)	(8,630)	0	0	(1,921,187)
Carrying amount at 30 June 2021	47,850,000	6,506,874	54,356,874	13,136,462	638,147	42,649	83,800	11,475,657	79,733,589

EASTERN METROPOLITAN REGIONAL COUNCIL**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021****12. PROPERTY, PLANT AND EQUIPMENT (Continued)****Land and Buildings:**

Both land and buildings were revalued at 30 June 2021 by independent valuers as part of the mandatory requirements embodied in *Local Government (Financial Management) Regulations 1996, Reg.17A*.

The revaluation resulted in an overall decrease of \$5,145,539 in the net value of the EMRC's land and buildings. All of the decrease was debited to the revaluation surplus in the Council's equity and was recognised as changes on Revaluation of non-current assets in the Statement of Comprehensive Income.

They will next be revalued during the year ended 30 June 2025 in accordance with the mandatory asset measurement framework detailed in Note 1(c).

Furniture and Fittings, Plant and Equipment:

Furniture and fittings and plant and equipment assets were revalued during the 2019/2020 financial year as part of the mandatory requirements embodied in the previous *Local Government (Financial Management) Regulations 1996, Reg.17A*.

In accordance with the *Local Government (Financial Management) Regulations 1996, Reg.17A* the Council has adopted and applied the cost model effective from 30 June 2020.

The latest fair value has been used as the deemed cost of the assets effective from 30 June 2020.

Artworks:

The EMRC's artworks were revalued at 30 June 2018 as part of the mandatory requirements embodied in the previous *Local Government (Financial Management) Regulations 1996, Reg.17A*.

In accordance with the current *Local Government (Financial Management) Regulations 1996, Reg.17A* the Council has adopted and applied the cost model effective from 30 June 2020.

The latest fair value has been used as the deemed cost of the assets effective from 30 June 2020.

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

13. INFRASTRUCTURE

Movements in Carrying Amounts

Movements in the carrying amount of infrastructure between the beginning and the end of the financial year are reflected as follows:

	<u>Landfill Cells</u>	<u>Other Structures</u>	<u>Post Closure Asset</u>	<u>Work in Progress</u>	<u>Total</u>
	\$	\$		\$	\$
Balance at 1 July 2019	5,080,391	10,416,997	1,773,260	7,464,135	24,734,783
Additions	4,081,160	70,939	0	2,836,059	6,988,158
WIP - Transfers in/(out)	916,694	349,245	0	(1,265,939)	0
Depreciation expense	(1,002,617)	(507,948)	(55,101)	0	(1,565,666)
Balance at 30 June 2020	9,075,628	10,329,233	1,718,159	9,034,255	30,157,275
Comprises:					
Gross Carrying Amount at 30 June 2020	12,331,712	11,155,710	1,865,431	9,034,255	34,387,108
Accumulated depreciation at 30 June 2020	(3,256,084)	(826,477)	(147,272)	0	(4,229,833)
Carrying amount at 30 June 2020	9,075,628	10,329,233	1,718,159	9,034,255	30,157,275
Additions	3,240	94,300	0	4,669,756	4,767,296
(Disposals)	0	(512,287)	0	0	(512,287)
Reclassification	0	262,982	0	0	262,982
Revaluation - increments/(decrements)	1,987,197	(533,043)	3,953,704	0	5,407,858
Depreciation expense	(3,832,264)	(514,754)	(54,953)	0	(4,401,971)
Carrying amount at 30 June 2021	7,233,801	9,126,431	5,616,910	13,704,011	35,681,153
Comprises:					
Gross Carrying Amount at 30 June 2021	7,233,801	9,126,431	5,616,910	13,704,011	35,681,153
Accumulated depreciation at 30 June 2021	0	0	0	0	0
Carrying amount at 30 June 2021	7,233,801	9,126,431	5,616,910	13,704,011	35,681,153

EASTERN METROPOLITAN REGIONAL COUNCIL**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021****13. INFRASTRUCTURE (Continued)****Infrastructure:**

The EMRC's infrastructure assets were revalued during the 2020/2021 financial year as part of the mandatory requirements embodied in *Local Government (Financial Management) Regulations 1996, Reg.17A*.

The other structures were valued by an independent valuer whilst a Management valuation was undertaken for the EMRC's landfill cells and post closure asset.

The revaluation resulted in an overall increase of \$5,407,858 in the net value of the EMRC's infrastructure assets. The decrease of \$533,043 for other structures was debited to the revaluation surplus in the Council's equity and was recognised as changes on Revaluation of non-current assets in the Statement of Comprehensive Income. The increase in the value of landfill cells of \$1,987,197 and post closure asset of \$3,953,704 was recognised in profit and loss to the extent of \$4,271,604 that it reverses fair value adjustments of the provision for site rehabilitation and environmental monitoring previously recognised in profit and loss. The balance of \$1,669,297 was credited to the revaluation surplus in the Council's equity and was recognised as changes on Revaluation of non-current assets in the Statement of Comprehensive Income.

They will next be revalued during the year ended 30 June 2025 in accordance with the mandatory asset measurement framework detailed in Note 1(c).

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

14. REVALUATION SURPLUS

	ACTUAL 2020/2021 \$	ACTUAL 2019/2020 \$
Revaluation surpluses have arisen as a result of the revaluation of the following classes of non-current assets:		
Plant and Equipment and Furniture and Fittings		
Opening balance	5,123,295	4,239,210
Revaluation Increment/(decrement)	0	1,189,840
Revaluation writeback on disposals	(137,553)	(305,755)
Closing Balance	4,985,742	5,123,295
Land		
Opening balance	31,540,696	31,540,696
Revaluation Increment/(decrement)	(4,735,907)	0
Revaluation writeback on disposals	0	0
Closing Balance	26,804,789	31,540,696
Buildings		
Opening balance	1,699,769	1,699,769
Revaluation Increment/(decrement)	(409,632)	0
Revaluation writeback on disposals	0	0
Closing Balance	1,290,137	1,699,769
Artworks		
Opening balance	14,164	14,164
Revaluation Increment/(decrement)	0	0
Revaluation writeback on disposals	0	0
Closing Balance	14,164	14,164
Infrastructure - Other Structures		
Opening balance	3,753,241	3,753,241
Revaluation Increment/(decrement)	(533,043)	0
Revaluation writeback on disposals	(826,434)	0
Closing Balance	2,393,763	3,753,241
Infrastructure - Landfill Cells and Post Closure Asset		
Opening balance	0	0
Revaluation Increment/(decrement)	1,669,297	0
Closing Balance	1,669,297	0
Total Revaluation Surplus	37,157,892	42,131,165
Revaluation Surplus Summary		
Opening balance	42,131,165	41,247,080
Revaluation Increment/(decrement)	(4,009,286)	1,189,840
Revaluation writeback on disposals	(963,987)	(305,755)
Total Revaluation Surplus	37,157,892	42,131,165

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

15. TRADE AND OTHER PAYABLES	ACTUAL 2020/2021 \$	ACTUAL 2019/2020 \$
Current		
Payroll Accruals	184,265	158,234
GST Liability	264,894	0
Sundry Creditors	12,175,441	5,865,232
Contract Liabilities	0	167,689
	<u>12,624,600</u>	<u>6,191,155</u>
16. PROVISIONS	ACTUAL 2020/2021 \$	ACTUAL 2019/2020 \$
Current Employee Benefits Related Provisions		
Employees Annual Leave	838,772	877,541
Employees Long Service Leave	734,627	730,965
Employment On-Costs	241,345	226,749
	<u>1,814,744</u>	<u>1,835,255</u>
Non-current Employee Benefits Related Provisions		
Employees Long Service Leave	70,279	82,249
Employment On-Costs	10,940	12,128
	<u>81,219</u>	<u>94,377</u>
Total Employee Benefits Provisions	<u>1,895,963</u>	<u>1,929,632</u>
Non-current Other Provisions		
Red Hill Landfill Site Post Closure Rehabilitation	4,511,277	4,986,647
Red Hill Landfill Environmental Monitoring	2,114,665	2,350,987
Total Other Provisions	<u>6,625,942</u>	<u>7,337,634</u>
Total Provisions	<u>8,521,905</u>	<u>9,267,266</u>
Analysis of total provisions:		
Current	1,814,744	1,835,255
Non-current	6,707,161	7,432,011
	<u>8,521,905</u>	<u>9,267,266</u>

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Provision for Employment On-Costs \$	Provision for Site Rehabilitation \$	Provision for Environmental Monitoring \$	Total \$
Opening Balance as at 1 July 2019	729,196	779,287	223,611	2,859,911	1,530,736	6,122,741
Provisions movement	559,631	112,331	15,266	2,019,337	762,767	3,469,332
Amounts used	(411,286)	(78,404)	0	0	0	(489,690)
Unwinding of discount	0	0	0	107,399	57,484	164,883
Balance as at 1 July 2020	877,541	813,214	238,877	4,986,647	2,350,987	9,267,266
Provisions movement	609,377	90,878	13,408	(629,956)	(309,203)	(225,496)
Amounts used	(648,146)	(99,186)	0	0	0	(747,332)
Unwinding of discount	0	0	0	154,586	72,881	227,467
Balance as 30 June 2021	838,772	804,906	252,285	4,511,277	2,114,665	8,521,905

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

16. PROVISIONS (Continued)

Annual Leave Liabilities

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

	2020/2021	2019/2020
	\$	\$
Within 12 months of the end of the reporting period	599,574	635,614
More than 12 months after the end of the reporting period	239,198	241,927
	<u>838,772</u>	<u>877,541</u>

The provision for annual leave is calculated at the present value of expected payments to be made in relation to services provided by employees up to the reporting date.

Long Service Leave Liabilities

Unconditional long service leave provisions are classified as current liabilities as the EMRC does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the EMRC has an unconditional right to defer settlement of the liability until the employee has completed the requisite years of service.

Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2020/2021	2019/2020
	\$	\$
Within 12 months of the end of the reporting period	544,469	420,210
More than 12 months after the end of the reporting period	260,437	393,004
	<u>804,906</u>	<u>813,214</u>

The provision for long service leave is calculated at the present value as the EMRC does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, and discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

EASTERN METROPOLITAN REGIONAL COUNCIL
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FOR THE YEAR ENDED 30 JUNE 2021

16. PROVISIONS (Continued)

Employment On-Cost Provision

The settlement of annual leave and long service leave liabilities give rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments.

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Employee Costs' in the Statement of Comprehensive Income. The related liability is included in 'Employment On-Costs' provision.

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

17. RESERVES

	ACTUAL 2020/2021 \$	BUDGET 2020/2021 \$	ACTUAL 2019/2020 \$
(a) Plant and Equipment Reserve			
Opening balance	141,856	280,702	1,937,863
Transfer from retained surplus	3,026,207	3,612,668	5,282,609
Transfer to retained surplus	(2,419,899)	(3,639,000)	(7,134,542)
Interest	1,657	12,750	55,926
Closing Balance	749,821	267,120	141,856
(b) Site Rehabilitation Reserve - Post Closure			
Opening balance	4,986,647	2,912,029	2,709,862
Transfer from retained surplus	0	580,627	2,198,580
Transfer to retained surplus	(2,101,647)	0	0
Interest	58,263	32,600	78,205
Closing Balance	2,943,263	3,525,256	4,986,647
(c) Future Development Reserve			
Opening balance	18,263,389	16,851,075	20,180,980
Transfer from retained surplus	0	0	0
Transfer to retained surplus	(7,015,782)	(1,994,000)	(2,500,000)
Interest	213,388	215,500	582,409
Closing Balance	11,460,995	15,072,575	18,263,389
(d) Environmental Monitoring Reserve			
Opening balance	2,350,987	1,211,591	1,098,527
Transfer from retained surplus	0	320,031	1,220,757
Transfer to retained surplus	(1,029,295)	0	0
Interest	27,469	13,550	31,703
Closing Balance	1,349,161	1,545,172	2,350,987
(e) Environmental Insurance Reserve			
Opening balance	46,892	44,569	37,510
Transfer from retained surplus	50,000	50,000	45,000
Transfer to retained surplus	(37,801)	(37,801)	(36,700)
Interest	548	500	1,082
Closing Balance	59,639	57,268	46,892

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

17. RESERVES (Continued)

	ACTUAL 2020/2021 \$	BUDGET 2020/2021 \$	ACTUAL 2019/2020 \$
(f) Risk Management Reserve			
Opening balance	15,631	15,499	15,192
Transfer from retained surplus	0	0	0
Transfer to retained surplus	0	0	0
Interest	182	200	439
Closing Balance	15,813	15,699	15,631
(g) Class IV Reserve			
Opening balance	649,866	644,666	602,871
Transfer from retained surplus	93,486	58,429	59,597
Transfer to retained surplus	(150,000)	0	(30,000)
Interest	7,593	7,200	17,398
Closing Balance	600,945	710,295	649,866
(h) Regional Development Reserve			
Opening balance	321,608	318,911	312,587
Transfer from retained surplus	0	0	0
Transfer to retained surplus	(325,365)	0	0
Interest	3,757	3,600	9,021
Closing Balance	0	322,511	321,608
(i) Secondary Waste Reserve			
Opening balance	45,240,494	43,506,609	57,994,036
Transfer from retained surplus	4,985,988	4,738,691	4,989,166
Transfer to retained surplus	(9,577,234)	(4,022,965)	(19,219,825)
Interest	528,585	581,000	1,477,117
Closing Balance	41,177,833	44,803,335	45,240,494
(j) Class III Reserve			
Opening balance	2,873,244	2,821,212	6,031,536
Transfer from retained surplus	1,426,303	1,606,876	1,641,994
Transfer to retained surplus	(3,174,957)	(3,996,002)	(4,974,352)
Interest	33,571	50,600	174,066
Closing Balance	1,158,161	482,686	2,873,244

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

17. RESERVES (Continued)

	ACTUAL 2020/2021 \$	BUDGET 2020/2021 \$	ACTUAL 2019/2020 \$
(k) Building Refurbishment Reserve			
Opening balance	78,920	78,259	76,706
Transfer from retained surplus	0	0	0
Transfer to retained surplus	0	0	0
Interest	922	1,000	2,214
Closing Balance	79,842	79,259	78,920
(l) EastLink Relocation Reserve			
Opening balance	0	0	0
Transfer from retained surplus	5,325,000	0	0
Transfer to retained surplus	0	0	0
Interest	0	0	0
Closing Balance	5,325,000	0	0
(m) Long Service Leave Reserve			
Opening balance	998,556	990,270	960,622
Transfer from retained surplus	22,913	22,913	10,211
Transfer to retained surplus	0	0	0
Interest	11,667	11,500	27,723
Closing Balance	1,033,136	1,024,683	998,556
TOTAL RESERVES			
Opening balance	75,968,090	69,675,392	91,958,292
Transfer from retained surplus	14,929,897	10,990,235	15,447,914
Transfer to retained surplus	(25,831,980)	(13,689,768)	(33,895,419)
Interest	887,603	930,000	2,457,303
CLOSING BALANCE	65,953,610	67,905,859	75,968,090

All of the reserve accounts are supported by money and investments held in financial institutions and match the amount shown as restricted cash in Note 10 to this financial report.

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

17. RESERVES (Continued)

The purpose for which the Reserve funds are set aside are as follows and will be utilised in accordance with annual budgeted expenditure: -

Plant and Equipment Reserve (Ongoing Reserve)

This reserve was established to finance the replacement of major items of plant and equipment.

Site Rehabilitation Reserve - Post Closure (Ongoing Reserve)

This reserve was established to finance the rehabilitation of the Red Hill waste disposal site at time of decommissioning.

Future Development Reserve (Ongoing Reserve)

This reserve was established to finance future developments being undertaken by the EMRC. The reserve is also utilised to provide funds for projects that the EMRC is investigating and undertaking for the purpose of the long term future direction in the area of waste management for the benefit of the region.

Class IV Reserve (Ongoing Reserve)

This reserve was established to finance the construction of future Class IV cells and associated works at the Red Hill waste disposal site.

Class III Reserve (Ongoing Reserve)

This reserve was established to finance the construction of future Class III cells and associated works at the Red Hill waste disposal site.

Environmental Monitoring Reserve (Ongoing Reserve)

This reserve was established to provide funds for environmental monitoring after decommissioning of the Red Hill Waste disposal site.

Environmental Insurance Reserve (Ongoing Reserve)

This reserve was established to provide funds to enable the EMRC to immediately respond to the need for repairs to, or rectification of damage to the environment surrounding the Red Hill waste disposal site as a result of any incident not covered by the EMRC's existing insurance policies.

Risk Management Reserve (Ongoing Reserve)

This reserve was established to receive surpluses from the Risk Management Service and to fund future requirements of the service in subsequent financial years.

Secondary Waste Reserve (Anticipated date of Use - 2019/2020 to 2022/2023 financial years)

This reserve was established to accumulate and to make provision for Secondary Waste Treatment Technology in the future.

Regional Development Reserve (Ongoing Reserve)

This reserve was established to accumulate and provide funds to enable the EMRC to fund Regional Development activities.

Building Refurbishment Reserve (Ongoing Reserve)

This reserve was established to accumulate and provide funds for the refurbishment of the Ascot Place administration building.

EastLink Relocation Reserve (Ongoing Reserve)

This reserve was established to accumulate and provide funds for the relocation of EMRC's buildings and structures that will be impacted by the EastLink alignment route through the EMRC's Red Hill site.

Long Service Leave Reserve (Ongoing Reserve)

This reserve was established to accumulate and provide funds to enable the EMRC to fund staff long service leave.

EASTERN METROPOLITAN REGIONAL COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

18. NOTES TO THE STATEMENT OF CASH FLOWS

(i) Reconciliation of Cash

For the purpose of the Statement of Cash Flows, the EMRC considers cash and cash equivalents to include cash on hand, cash at bank and term deposits. Cash at the end of the reporting period as shown in the Statement of Cash Flows is as follows:

	ACTUAL	BUDGET	ACTUAL
	2020/2021	2020/2021	2019/2020
	\$	\$	\$
Cash and Cash Equivalents - Unrestricted	15,473,132	4,097,270	3,034,431
Cash and Cash Equivalents - Restricted	39,888,013	3,595,221	18,567,693
Total Cash and Cash Equivalents	55,361,145	7,692,491	21,602,124

(ii) Reconciliation of net cash provided by operating activities to Net Result

Net Result	10,296,371	5,652,514	(7,251,561)
<u>Non-Cash Flows in Net Result</u>			
Depreciation	6,452,173	5,537,697	3,824,342
Expected credit losses	90,739	0	84,151
Expected credit losses reversed	(10,674)	0	(6,474)
Increase/(Decrease) in Interest Expense on unwinding of discount	227,467	0	164,883
(Increase)/Decrease in revaluations - Landfill Cells & Post Closure Asset	(4,271,604)	0	0
(Profit)/Loss on sale of assets	460,575	(22,262)	(71,728)
<u>Changes in Assets and Liabilities</u>			
Increase/(Decrease) in provisions - Other	(939,158)	900,659	2,782,104
Increase/(Decrease) in provisions - Employee	(33,669)	29,913	197,538
Increase/(Decrease) in Sundry Creditors	6,168,550	0	644,592
Increase/(Decrease) in GST	295,751	0	(26,018)
(Increase)/Decrease in accrued interest earnings	201,106	0	574,393
(Increase)/Decrease in Receivables	(524,295)	0	(348,265)
(Increase)/Decrease in Inventory	2,610	0	15,705
(Increase)/Decrease in Prepayments	35,000	0	(24,827)
Net cash from operating activities	18,450,942	12,098,521	558,835

(iii) Undrawn Borrowing Facilities

Credit Standby Arrangements

There were no bank overdraft facilities in place for the EMRC at balance date.

Credit Card Limits	58,000	59,000
Credit Utilised at Balance Date	(9,120)	(14,488)
Total amount of credit unutilised	48,880	44,512

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

19. EMPLOYEE ENTITLEMENTS

The aggregate employee entitlements liability recognised and included in the financial report is as follows:

Provision for Employee Entitlements (Refer to Note 16)	ACTUAL 2020/2021 \$	ACTUAL 2019/2020 \$
- Current	1,814,744	1,835,255
- Non-current	81,219	94,377
Total Employee Entitlements	<u>1,895,963</u>	<u>1,929,632</u>
	ACTUAL FTE's 2020/2021	ACTUAL FTE's 2019/2020
Total number of (FTE) employees at end of financial year	<u>91</u>	<u>94</u>

20. COUNCILLORS FEES AND ALLOWANCES

ACTUAL 2020/2021 \$	BUDGET 2020/2021 \$	ACTUAL 2019/2020 \$
--	--	--

The following fees, expenses and allowances were paid to council members and the Chairman:

Councillors' meeting fees	116,232	116,160	113,520
Chairman's meeting fees	15,839	15,839	18,479
Deputy Councillors' meeting fees	2,429	15,765	3,359
Chairman's Local Government fee	20,063	20,063	20,063
Deputy Chairman's Local Government fee	5,016	5,016	5,016
	<u>159,578</u>	<u>172,843</u>	<u>160,437</u>

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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20. COUNCILLORS FEES AND ALLOWANCES (Continued)

NAME	MEETING FEE \$	LOCAL GOVT FEE \$	TRAVEL EXPENSES \$	TOTAL 2020/2021 \$	TOTAL 2019/2020 \$
<u>Current Councillors</u>					
Cr J Wilson ^{1, 2}	15,839	20,063		35,902	29,567
Cr D Jeans ^{3, 4}	10,560	5,016		15,576	11,682
Cr K Hamilton ^{4, 5}	10,560			10,560	8,158
Cr L Clarke ⁵	10,560			10,560	7,920
Cr G Johnson ⁵	10,560			10,560	7,920
Cr J Powell	10,560			10,560	10,560
Cr P Marks ^{6, 7}	5,114			5,114	476
Cr D O'Connor ⁸	10,560			10,560	11,814
Cr L Boyd ⁵	10,560			10,560	7,920
Cr J Daw	10,560			10,560	10,560
Cr C Zannino ⁵	10,560		530	11,090	7,920
Cr M Congerton ⁵	10,560		421	10,981	7,920
Cr H MacWilliam ⁹	238			238	238
Cr F Piffaretti ⁹	238			238	1,190
Cr R Rossi ¹⁰	238			238	
Cr A Collins ⁹	476			476	
Cr I Johnson ⁹	476		49	525	741
Cr C Blair ⁹					476
<u>Former Councillors</u>					
Cr S Wolff ¹¹	5,280			5,280	10,560
Cr D McDonnell ¹²					8,976
Cr M Mykytiuk ¹³					2,640
Cr S Palmer ¹³					2,640
Cr B McKenna ¹³					2,640
Cr B Lavell ¹³					2,640
Cr G Stallard ¹³					2,640
Cr A Kovalevs ¹³					2,640
	133,499	25,079	1,000	159,578	160,437

¹ Councillor prior to October 2019.

² Chairman from October 2019.

³ Deputy Chairman from October 2019.

⁴ Deputy Councillor prior to October 2019.

⁵ Councillor from October 2019.

⁶ Councillor from January 2021

⁷ Deputy Councillor prior to January 2021.

⁸ Deputy Chairman to September 2019.

⁹ Deputy Councillor

¹⁰ Deputy Councillor from January 2021.

¹¹ Councillor to December 2020.

¹² Chairman to September 2019.

¹³ Councillor to September 2019.

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

21. ASSETS CLASSIFIED BY TYPE AND LOCAL GOVERNMENT PROGRAM

	ACTUAL 2020/2021 \$	ACTUAL 2019/2020 \$
CURRENT ASSETS		
General Purpose Funding	26,157,450	11,206,617
Governance	1,252,293	794,535
Community Amenities	64,074,998	77,228,304
Economic Services	0	321,607
TOTAL CURRENT ASSETS	91,484,741	89,551,063
NON-CURRENT ASSETS		
Land		
Governance	5,230,000	5,450,000
Community Amenities	42,620,000	45,120,000
Buildings		
Governance	3,439,716	3,806,227
Community Amenities	3,067,158	3,486,451
Structures		
Governance	0	9,471
Community Amenities	21,977,142	21,113,549
Plant		
Governance	156,212	224,420
Community Amenities	12,980,251	12,671,129
Equipment		
Governance	408,104	330,565
Community Amenities	230,043	275,584
Furniture and Fittings		
Governance	126,449	135,079
Work In Progress		
Unclassified	25,179,667	17,736,764
TOTAL NON CURRENT ASSETS	115,414,742	110,359,239
TOTAL ASSETS	206,899,483	199,910,302

22. DISPOSAL OF ASSETS

	ACTUAL 2020/2021			BUDGET 2020/2021			ACTUAL 2019/2020		
	Net Book Value \$	Sale Price \$	Gain (Loss) \$	Net Book Value \$	Sale Price \$	Gain (Loss) \$	Net Book Value \$	Sale Price \$	Gain (Loss) \$
Plant	224,924	276,636	51,712	252,738	275,000	22,262	253,002	326,136	73,134
Structures	512,287	0	(512,287)	0	0	0	0	0	0
Equipment	0	0	0	0	0	0	1,406	0	(1,406)
Total Assets Disposed	737,212	276,636	(460,575)	252,738	275,000	22,262	254,408	326,136	71,728

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

23. INFORMATION ON BORROWINGS

(a) Borrowings

The EMRC does not have any loans or borrowings.

(b) New Borrowings

There were no new borrowings during the 2020/2021 financial year.

(c) Unspent Loans

There were no unspent loans during the 2020/2021 financial year.

24. INTEREST IN THE EMRC

The following table shows the total interest in the EMRC as at year end:

Member Council	2020/2021		2019/2020	
	%	\$	%	\$
Town of Bassendean	4.22	7,835,333	4.26	7,852,617
City of Bayswater	18.23	33,869,872	18.40	33,926,600
City of Belmont	11.31	21,000,517	11.32	20,882,412
City of Kalamunda	15.67	29,106,170	15.86	29,257,611
Shire of Mundaring	10.33	19,187,760	10.52	19,404,495
City of Swan	40.24	74,753,326	39.64	73,128,146
Total Equity	100.00	185,752,978	100.00	184,451,881

The EMRC participating Member Councils' interest distributions have been calculated in accordance with clause 9.4 of the Eastern Metropolitan Regional Council Establishment Agreement.

The City of Belmont issued its Notice of Withdrawal from the EMRC on 23 December 2020. The effective date of the withdrawal is after the 30 June 2021. Consequently, the withdrawal takes effect from 1 July 2021. The financial report is prepared on the basis that the City of Belmont is a Participant of the EMRC as at balance date, 30 June 2021 and its share of the equity is represented in the notes to the accounts. The value of the City of Belmont's equity is indicative only and not necessary equal to the value it is entitled to in withdrawal. The City of Belmont's equity entitlement is subject to a different valuation methodology and process prescribed in the Establishment Agreement for withdrawing participants. At present, a separate process is in progress and the value is not finalised.

EASTERN METROPOLITAN REGIONAL COUNCIL
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FOR THE YEAR ENDED 30 JUNE 2021

25. FINANCIAL RISK MANAGEMENT

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

Council engages in transactions expressed in foreign currencies with respect to equipment purchases or for legal representation on a minor scale only and therefore not subject to foreign currency risk.

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

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2020/2021	2019/2020	2020/2021	2019/2020
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	55,361,145	21,602,124	55,361,145	21,602,124
Financial assets at amortised costs:				
- Term deposits	32,500,000	64,500,000	32,500,000	64,500,000
- Receivables *	3,554,790	3,311,666	3,554,790	3,311,666
	<u>91,415,935</u>	<u>89,413,790</u>	<u>91,415,935</u>	<u>89,413,790</u>
Financial Liabilities				
Financial liabilities at amortised cost:				
- Payables *	12,359,706	6,023,467	12,359,706	6,023,467
	<u>12,359,706</u>	<u>6,023,467</u>	<u>12,359,706</u>	<u>6,023,467</u>

Fair value is determined as follows:

Cash and Cash Equivalents, Receivables, Payables - estimated to the carrying value which approximates net market value.

Financial Assets at Amortised Cost - based on market interest rates.

* The amount of receivables/payables excludes the GST recoverable from/payable to the ATO (statutory receivable/payable)

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

25. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash and investments portfolio with the assistance of independent advisers. Council has an investment policy and the policy is subject to review by Council.

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

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

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

Council seeks advice from an independent adviser before placing any cash and investments.

	2020/2021	2019/2020
	\$	\$
Impact of a +10% movement in price of investments:		
- Equity	0	0
- Statement of Comprehensive Income	0	0
Impact of a +1% movement in interest rates on cash and investments:		
- Equity	58,571	10,982
- Statement of Comprehensive Income	58,571	10,982

(b) Receivables

Council's major receivables comprise user charges and fees. The major risk associated with these receivables is credit risk - the risk that the debts may not be repaid. Council manages this risk by monitoring outstanding debt and employing debt recovery policies.

Council makes suitable allowance for impairment of receivables as required and carries out credit checks on all debtors.

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

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

25. FINANCIAL RISK MANAGEMENT (Continued)

(c) Ageing Analysis of Receivables

	Gross Carrying Amount	Not Past due and not Impaired	Past due but not Impaired					Impaired Receivables
			Up to 1 month	1 - 3 Months	> 3 Months to 1 Year	> 1 - 5 Years	More than 5 Years	
	\$	\$	\$	\$	\$	\$	\$	\$
<u>2020/2021</u>								
Receivables *	3,570,123	3,294,521	256,736	3,533	0	0	0	15,333
Loan receivable	1,180,687	0	0	0	0	0	0	1,180,687
	4,750,810	3,294,521	256,736	3,533	0	0	0	1,196,020
<u>2019/2020</u>								
Receivables *	3,337,672	3,173,884	135,182	2,601	0	0	0	26,006
Loan receivable	1,089,949	0	0	0	0	0	0	1,089,949
	4,427,621	3,173,884	135,182	2,601	0	0	0	1,115,955

* The amount of receivables excludes the GST recoverable from the ATO (statutory receivable)

EASTERN METROPOLITAN REGIONAL COUNCIL
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25. FINANCIAL RISK MANAGEMENT (Continued)

(d) Payables

Payables and borrowings are both subject to liquidity risk - that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2020/2021</u>					
Payables *	12,359,706	0	0	12,359,706	12,359,706
	12,359,706	0	0	12,359,706	12,359,706
<u>2019/2020</u>					
Payables *	6,023,467	0	0	6,023,467	6,023,467
	6,023,467	0	0	6,023,467	6,023,467

* The amount of payables excludes the GST payable to the ATO (statutory payable)

(e) Borrowings

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

Council does not have any borrowings or loans.

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

25. FINANCIAL RISK MANAGEMENT (Continued)

(f) Liquidity Risk and Interest Rate Exposure

The following table details the EMRC's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The interest rate exposure section analyses the carrying amounts of each item.

Interest Rate Exposure and Maturity Analysis of Financial Assets and Financial Liabilities

	Interest Rate Exposure					Maturity Dates				
	Weighted Average Effective Interest Rate	Carrying Amount	Fixed Interest Rate	Variable Interest Rate	Non-Interest Bearing	Nominal Amount	Up to 1 month	1 - 3 Months	3 Months to 1 Year	More than 1 Year
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
2020/2021										
Financial Assets										
Cash and cash equivalents	0.59%	15,473,132	9,611,987	5,857,095	4,050	15,473,132	9,453,504	6,019,628	0	0
Restricted cash and cash equivalents	0.92%	39,888,013	39,888,013	0	0	39,888,013	14,907,641	24,980,372	0	0
Financial Assets at amortised cost										
Term Deposits - Unrestricted	0.92%	6,310,901	6,310,901	0	0	6,310,901	0	0	6,310,901	0
Term Deposits - Restricted	0.92%	26,189,099	26,189,099	0	0	26,189,099	0	0	26,189,099	0
Loans and Receivables *	8.00%	3,554,790	1,180,687	0	2,374,103	3,554,790	2,374,103	0	1,180,687	0
		91,415,935	83,180,687	5,857,095	2,378,153	91,415,935	26,735,248	31,000,000	33,680,687	0
Financial Liabilities										
Payables *	-	12,359,706	0	0	12,359,706	12,359,706	12,359,706	0	0	0
		12,359,706	0	0	12,359,706	12,359,706	12,359,706	0	0	0
2019/2020										
Financial Assets										
Cash and cash equivalents	1.54%	3,034,431	2,099,997	930,484	3,950	3,034,431	1,753,946	1,280,485	0	0
Restricted cash and cash equivalents	2.12%	18,567,693	18,400,004	167,689	0	18,567,693	7,348,178	11,219,515	0	0
Financial Assets at amortised cost										
Term Deposits - Unrestricted	2.12%	6,607,306	6,607,306	0	0	6,607,306	0	0	6,607,306	0
Term Deposits - Restricted	2.12%	57,892,694	57,892,694	0	0	57,892,694	0	0	57,892,694	0
Loans and Receivables *	8.00%	3,311,666	1,089,949	0	2,221,717	3,311,666	2,221,717	0	1,089,949	0
		89,413,790	86,089,950	1,098,173	2,225,667	89,413,790	11,323,841	12,500,000	65,589,949	0
Financial Liabilities										
Payables *	-	6,023,467	0	0	6,023,467	6,023,467	6,023,467	0	0	0
		6,023,467	0	0	6,023,467	6,023,467	6,023,467	0	0	0

* The amount of receivables/payables excludes the GST recoverable/payable from/to the ATO (statutory receivable/payable)

EASTERN METROPOLITAN REGIONAL COUNCIL
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26. COMMITMENTS FOR CAPITAL EXPENDITURE	ACTUAL 2020/2021 \$	ACTUAL 2019/2020 \$
Commitments for the acquisition of assets contracted for at the reporting date but not recognised as liabilities:		
- Payable not longer than one year	1,818,673	4,174,920
Total Capital Commitments	1,818,673	4,174,920

27. CONTINGENT LIABILITIES

Contingent liabilities at balance date, not otherwise provided for in the financial statements, relate to an action by Lehman Brothers in the United States Bankruptcy Court.

On 9 May 2007 EMRC invested \$450,000 into Federation notes.

On 30 Oct 2008, in common with hundreds of other investors in the Federation notes, this investment of \$450,000 was fully repaid to the EMRC.

Subsequently Lehman Brothers Special Financing Inc. commenced an action in the United States Bankruptcy Court, Southern District of New York, No. 10 - 803547 applying for an order for all investors to repay the amounts paid.

It is the opinion of the attorney representing the EMRC in this action that the claim will not be decided until post 2021.

28. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events after the reporting period required to be included in the 2020/2021 Annual Financial Report, other than as disclosed in Note 24 - Interest in EMRC.

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

29. FINANCIAL RATIOS	ACTUAL 2020/2021	ACTUAL 2019/2020	ACTUAL 2018/2019
<i>Liquidity Ratio</i>			
Current Ratio ^{(1)*}	1.85	1.82	2.40
<u>Current Assets less Restricted Current Assets</u>			
Current Liabilities less Liabilities Associated with Restricted Assets			
<i>Debt Ratio</i>			
Debt Service Cover Ratio ⁽²⁾	Not Applicable	Not Applicable	Not Applicable
<u>Operating Surplus before Interest and Depreciation Expenses</u>			
Principal and Interest Repayments			
<i>Coverage Ratio</i>			
Own Source Revenue Coverage Ratio ^{(3)*}	1.22	0.83	1.20
<u>Own Source Operating Revenue</u>			
Operating Expense			
<i>Financial Performance Ratio</i>			
Operating Surplus Ratio ^{(4)**}	0.24	(0.17)	0.20
<u>Operating Revenue less Operating Expense</u>			
Own Source Operating Revenue			
<i>Asset Management Ratio</i>			
Asset Sustainability Ratio ⁽⁵⁾	0.51	1.20	1.02
<u>Capital Renewal and Replacement Expenditure</u>			
Depreciation Expense			
Asset Consumption Ratio ⁽⁶⁾	0.94	0.96	0.81
<u>Depreciated Replacement Cost of Depreciable Assets</u>			
Current Replacement Cost of Depreciable Assets			
Asset Renewal Funding Ratio ⁽⁷⁾	1.00	1.00	1.00
<u>NPV of planned Capital renewals over 10 years</u>			
NPV of required Capital expenditure over 10 years			

Notes

(1) This is a modified commercial ratio designed to focus on the liquidity position of the Council that has arisen from past year's transactions.

(2) This ratio is the measurement of Council's ability to repay its debt including lease payments.

(3) This ratio is the measurement of Council's ability to cover its costs through its own revenue efforts.

* The lower ratio in 2019/2020 is as a result of the FOGO Contribution to Member Councils totalling \$13,789,200.

(4) This ratio is a measure of Council's ability to cover its operational costs and have revenues available for capital funding or other purposes.

** The negative ratio in 2019/2020 is as a result of the FOGO Contribution to Member Councils totalling \$13,789,200.

(5) This ratio indicates whether Council is replacing or renewing existing non-financial assets at the same rate that its overall asset stock is wearing out.

(6) This ratio measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost.

(7) This ratio is a measure of the ability of Council to fund its projected asset renewal / replacements in the future.

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

30. FAIR VALUE MEASUREMENT

The EMRC measures the following assets at fair value on a recurring basis after initial recognition:

- Financial Assets at fair value through profit or loss
- Land and buildings
- Infrastructure

The following table provides the fair values of the EMRC's assets measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy [refer to Note 1(d)]:

Recurring Fair Value Measurements

		30 June 2021			
	Note	Level 1	Level 2	Level 3	Total
		\$	\$	\$	\$
Financial Assets	10	0	0	0	0
Total financial assets recognised at fair value on a recurring basis					
Non-Financial Assets					
Land	12	0	30,200,000	17,650,000	47,850,000
Buildings	12	0	3,439,716	3,067,158	6,506,874
Infrastructure	13	0	0	21,977,142	21,977,142
Total non-financial assets recognised at fair value on a recurring basis					
		0	33,639,716	42,694,300	76,334,016

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

30. FAIR VALUE MEASUREMENT (Continued)

Recurring Fair Value Measurements

	Note	30 June 2020			Total
		Level 1	Level 2	Level 3	
		\$	\$	\$	
Financial Assets	10	0	0	0	0
Total financial assets recognised at fair value on a recurring basis		0	0	0	0
Non-Financial Assets					
Land	12	0	50,570,000	0	50,570,000
Buildings	12	0	3,806,227	3,486,451	7,292,678
Infrastructure	13	0	0	21,123,020	21,123,020
Total non-financial assets recognised at fair value on a recurring basis		0	54,376,227	24,609,471	78,985,698

(a) Transfers Policy

The policy of the EMRC is to recognise transfers into and transfers out of the fair value hierarchy levels as at the end of the reporting period.

There was a transfer between level 2 and 3 for Land totaling \$17,650,000 during the current year.

(b) Highest and Best Use

There were no assets valued where it was assumed that the highest and best use was other than their current use.

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

30. FAIR VALUE MEASUREMENT (Continued)

(c) Valuation techniques and Inputs used to derive fair values

The following table summarises valuation inputs and techniques used to determine the Fair value for each asset class.

Asset	Level of Valuation Input	Fair Value at 30 June 2021 \$	Valuation Technique(s)	Inputs Used
Non-Financial Assets subject to revaluation				
Land	2	30,200,000	Market approach	Price per square metre.
	3	17,650,000	Cost Approach	Price per square metre.
Buildings	3	3,067,158	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount.
	2	3,439,716	Market and income approach	Rental yields and price per square metre.
Infrastructure	3	21,977,142	Cost approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount.
TOTAL		76,334,016		

EASTERN METROPOLITAN REGIONAL COUNCIL

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30. FAIR VALUE MEASUREMENT (Continued)

(c) Valuation techniques and Inputs used to derive fair values (Continued)

Recurring fair value measurements

Land

Where there is an active and liquid market as evidenced by sales transactions of similar property types, a Market Approach by way of Direct Comparison or Income Capitalisation methods can be utilised. These are accepted valuation methodologies under AASB13. If a Market Approach is adopted, the valuation is deemed to be based on Level 2 inputs.

The Direct Comparison method, which is generally considered a Level 2 input on the Fair Value Hierarchy, involves the analysis of sales evidence and comparisons with the subject land, taking into account matters such as whether an active market can be established and there are no unreasonable restrictions as to use and/or sale, area, location and other general site characteristics. The Direct Comparison approach has been utilised in the assessment for some assets, however the Fair Value measurement has been based on either Level 2 or 3 inputs, depending on additional assumptions as to:

- Whether the land is subject to restrictions as to use and/or sale;
- Whether there is an active market or not.

If these assumptions apply to any land or buildings, the Fair Value has been measured based on Level 3 inputs. Assets having a Parkland zoning, land that is utilised for footpath or access restriction purposes, land that is a volumetric title, or due to its general characteristics land that has no observable active market, have been assessed based on Level 3 inputs.

The valuation techniques used to measure Fair Value maximise the use of observable data where it is available and relies as little as possible on entity specifics. The disclosure of valuation estimates is designed to provide users with an insight into the judgements that have been made in the determination of Fair Values.

Buildings

Level 2 valuation inputs

These were used to determine the fair value of a range of properties. This included the bulk of residential and commercial properties. The residential properties fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Commercial buildings have been generally derived using a combination of sales direct comparison approach and capitalisation of income approach. Fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are rental yields and price per square metre.

Level 3 valuation inputs

The level of evidence used to support the critical assumptions of some commercial buildings was considered to be highly variable due to high levels of variability in the market for rental yields and future demand. As such the level of valuation input for these properties was considered level 3.

EASTERN METROPOLITAN REGIONAL COUNCIL**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021****30. FAIR VALUE MEASUREMENT (Continued)****(c) Valuation techniques and Inputs used to derive fair values (Continued)****Recurring fair value measurements****Infrastructure**Road and Civil Assets

All road and civil assets were valued using the cost approach.

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

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 Eastern Metropolitan Regional Council's own engineers, asset management and finance staff. The results of the valuation were further evaluated by confirmation against Eastern Metropolitan Regional Council's own understanding of the assets and the level of remaining service potential.

(d) Valuation processes

The EMRC engages external, independent and qualified valuers to determine the fair value of the Council's land, buildings and other infrastructure on a regular basis in line with Regulation 17A(4) of the *Local Government (Financial Management) Regulations 1996*.

Management carried out an assessment of the revaluation work performed by the external valuers, which included review of the valuer's methodology, limitations, algorithms, key assumptions and inputs used in applying the valuation methodology to ensure they were appropriate prior to their application. Changes in fair values were analysed at the end of the reporting period. Consequently, management is satisfied with the results of the valuations undertaken and confirm that the movement in the asset values are reasonable.

A Management valuation was undertaken for the EMRC's landfill cells and post closure asset.

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

31. RELATED PARTY TRANSACTIONS

Key Management Personal (KMP) Compensation Disclosure

The total remuneration for KMP of the Council during the year are as follows:

	2020/2021	2019/2020
	\$	\$
Short-term employee benefits	1,010,347	904,878
Post-employment benefits	133,200	112,817
Other long term benefits	125,096	102,370
Termination benefits	0	0
	<u>1,268,643</u>	<u>1,120,065</u>

Short-term employee benefits

These amounts include all salary, fringe benefits and cash bonuses awarded to KMP except for details in respect of fees and benefits paid to elected members which may be found at Note 20.

Post-employment benefits

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

Other long-term benefits

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

Termination benefits

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

Related Parties

The Council's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

The associate person of Key Management Personnel employed by the Council under normal employment terms and conditions, and all the close family members and the controlled or jointly controlled entities of the key management personnel.

iii. Entities subject to significant influence by the Council or have significant influence on the Council

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

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

31. RELATED PARTY TRANSACTIONS (Continued)

Related Parties (Continued)

Transactions with related parties

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

The following transactions occurred with related parties:

	2020/2021	2019/2020
	\$	\$
Member Councils:		
• Sale of goods and services	30,872,716	28,520,361
• FOGO contribution to member Councils	0	13,789,200
• Dividend distribution to member Councils	4,985,988	5,000,000
Amounts outstanding from related parties:		
• Trade and other receivables	2,491,745	2,113,528

32. NET CURRENT ASSET POSITION

The net current asset position balance carried forward from the previous financial year after adjustment for Restricted Assets for the purpose of the 2020/2021 budget was \$5,195,835.

The actual net current asset position balance shown in the audited financial report as at 30 June 2020 and after adjustment for Restricted Assets was \$5,231,956.

INDEPENDENT AUDITOR'S REPORT



**For the Year Ended
30 June 2021**



Auditor General

INDEPENDENT AUDITOR'S REPORT 2021 Eastern Metropolitan Regional Council

To the Councillors of the Eastern Metropolitan Regional Council

Report on the audit of the annual financial report

Opinion

I have audited the financial report of the Eastern Metropolitan Regional Council (Council) which comprises:

- the Statement of Financial Position at 30 June 2021, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information
- the Statement by the Chief Executive Officer.

In my opinion the financial report of the Eastern Metropolitan Regional Council:

- is based on proper accounts and records
- fairly represents, in all material respects, the results of the operations of the Council for the year ended 30 June 2021 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for opinion

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

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

The Chief Executive Officer (CEO) of the Council is responsible for the preparation and fair presentation of the financial report in accordance with the requirements of the Act, the Regulations and Australian Accounting Standards. The CEO is also responsible for managing internal control (as required by the CEO) to ensure the financial report is free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibility for the audit of the financial report

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

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

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

Report on other legal and regulatory requirements

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

- (i) All required information and explanations were obtained by me.
- (ii) All audit procedures were satisfactorily completed.
- (iii) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the financial report were supported by verifiable information and reasonable assumptions.

Other information

The other information is the information in the entity's annual report for the year ended 30 June 2021, but not the financial report and my auditor's report. The CEO is responsible for the preparation and the Council for overseeing the other information.

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

Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the Eastern Metropolitan Regional Council for the year ended 30 June 2021 included on the Council's website. The Council's management is responsible for the integrity of the Council's website. This audit does not provide assurance on the integrity of the Council's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



Grant Robinson
Assistant Auditor General Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
17 November 2021



Our Ref: 7911

7th Floor, Albert Facey House
469 Wellington Street, Perth

Mr Marcus Geisler
Chief Executive Officer
Eastern Metropolitan Regional Council
PO Box 234
BELMONT WA 6984

Mail to: Perth BC
PO Box 8489
PERTH WA 6849

Tel: 08 6557 7500
Email: info@audit.wa.gov.au

Dear Mr Geisler

**ANNUAL FINANCIAL REPORT
INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2021**

We have completed the interim audit for the year ending 30 June 2021. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to evaluate your overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report.

Management Control Issues

I would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the course of the interim audit. These matters have been discussed with management and their comments have been included on the attachment. The matters reported are limited to those deficiencies that were identified during the interim audit that we have concluded are of sufficient importance to merit being reported to management. Some of the matters may be included in our auditor's report in accordance with section 7.9(2) of the *Local Government Act 1995* or regulation 10(3)(a) and (b) of the *Local Government (Audit) Regulations 1996*. If so, we will inform you before we finalise the report.

An audit is not designed to identify all internal control deficiencies that may require management attention. It is possible that irregularities and deficiencies may have occurred and not been identified as a result of our audit.

This letter has been provided for the purposes of the Council and may not be suitable for other purposes.

We have forwarded a copy of this letter to the Chairman. A copy will also be forwarded to the Minister for Local Government when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Feel free to contact me on 6557 7542 if you would like to discuss these matters further.

Yours faithfully

LIANG WONG
ASSISTANT DIRECTOR FINANCIAL AUDIT
22 July 2021

Attach

EASTERN METROPOLITAN REGIONAL COUNCIL
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Current Year Issues			
1. Tenders register not in compliance with the Regulations		✓	
2. Lack of sufficient quotes for purchases		✓	
3. Purchase orders dated after invoice dates		✓	

KEY TO RATINGS

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

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

EASTERN METROPOLITAN REGIONAL COUNCIL
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. Tenders register not in compliance with the Regulations

Finding

During our tenders testing, we noted the Council's tenders register does not include information required by Regulation 17 of the Local Government (Functions and General) Regulations 1996 as follows:

- particulars of any notice by which expressions of interests from prospective tenderers was sought - Regulation 17(2)(c)(i)
- particulars of any person who submitted an expression of interest - Regulation 17(2)(c)(ii)
- particulars of any list of acceptable tenderers that was prepared under regulation 23(4) - Regulation 17(2)(c)(iii)
- a copy of the notice of the invitation to tender - Regulation 17(2)(d)
- the name of each tenderer whose tender has been opened - Regulation 17(2)(e).

Rating: Moderate

Implication

Non-compliance with the Local Government (Functions and General) Regulations 1996.

Recommendation

The Council should review its tenders register to ensure compliance with the requirements of Local Government (Functions and General) Regulations 1996 as stated above.

Management's comments

The requirement to include a tenders register on the Local Government's website is a recent amendment to the Local Government (Functions and General) Regulations 1996 and the EMRC has been working to ensure compliance with the regulations for any items that have been flagged (as above). The EMRC tender register is now fully compliant with the new regulation 17 of the Local Government (Functions and General) Regulations 1996.

A website link to the updated and compliant tenders register is below:

<https://www.emrc.org.au/documents/1310/emrc-tender-register>

Responsible person: *Izabella Krzysko*

Completion date: *Completed*

EASTERN METROPOLITAN REGIONAL COUNCIL
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

2. Lack of sufficient quotes for purchases

Finding

The Council's purchasing policy states that quotes are to be obtained in accordance with the following purchasing threshold bands:

Amount of Purchases	Form of Quotation (Minimum Requirements)
Up to \$5,000	A single written or verbal quotation must be obtained
\$5,000 to \$10,000	Obtain 2 written quotes
\$10,001 to \$49,999	Obtain 3 written quotes
\$50,000 to \$249,999	Obtain at least 3 written quotes containing price and specification of goods or services.

From our payments testing of 65 samples, we noted that there was no documented evidence that the required number of quotes was obtained for 6 samples in the range up to \$5,000 band and 1 sample in the range of \$5,000 to \$10,000.

Rating: Moderate

Implication:

If purchases are made without obtaining sufficient quotes, there is a risk of favouritism of suppliers and not obtaining value for money.

Recommendation:

1. For purchases below the tender threshold, quotes should be obtained, in accordance with the Council's purchasing policy.
2. If instances arise where it is impractical to obtain the requisite number of quotations, the reasons should be recorded and attached to the purchase order at the time of the purchase being made.

Management's comments

The EMRC purchasing policy specifies that for purchases under \$5,000 one single written or verbal quote is required. The 6 samples in the range up to \$5,000 required 1 verbal quote under the EMRC purchasing policy. Staff are requested to complete a record of verbal quotations form which in these instances may not have been completed. This will be addressed by ongoing staff training and refresher training.

In relation to the sample in the range between \$5,000 and \$10,000, one incident was identified. In this instance the officer advised that the tube stocks (seedlings) to be used as part of the Red Hill rehabilitation was sourced from a number of suppliers. All the suppliers provided specific species of tube stock. In this case the value of the tube stock on the purchase order for this specific supplier exceeded \$5,000. Unfortunately, an exception for obtaining 2 written quotes was not sought.

Through ongoing training and refresher training, staff will be reminded to either obtain the correct number of quotations as outlined in the Management Guideline, or, in the case where there is a single supplier of the goods/services required, that an exemption to obtain multiple quotations be sought from the CEO.

Responsible person: *Izabella Krzysko*

Completion date: *Immediate*

EASTERN METROPOLITAN REGIONAL COUNCIL
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

3. Purchase orders dated after invoice dates

Finding

From our payments testing, we noted 3 purchase orders out of a sample of 65 purchases tested were dated after the date of the suppliers' tax invoice.

Rating: Moderate

Implication:

There is no evidence that the ordering of goods was approved prior to ordering.

Management has not adhered to the Purchasing Policy and as a result may commit to expenditure which has not been appropriately authorised and may not represent valid business related expenditure of the Council. This may potentially result in financial loss to the Council.

Recommendation:

Purchase orders should be approved for all applicable items prior to ordering.

The management should ensure that purchase orders are obtained prior to the purchase of goods and services as required per the Purchasing Policy and that the purchase order number be referenced on receipt of the supplier's tax invoice.

Management's comments

PO 54313 (Chief Project Officer) – The purchase order was originally raised ahead of the invoice from Kott Gunning Lawyers, however subsequent requests for legal advice in relation to the same matter resulted in additional expenses. The initial purchase order could have been utilised and authorised with the additional expenses on the same task. However, a new purchase order was raised after the invoice was received resulting in a late purchase order being raised.

PO 53171 & PO 53253 (Manager Human Resources) – This related to an ongoing HR legal matter and as the situation was evolving the purchase orders were out of sync with the monthly invoices from Minter Ellison. Again, the initial purchase order could have been utilised and authorised with the additional expenses for the same task as a variation. However, new purchase orders were raised after the invoices were received resulting in late purchase orders being raised.

This will be addressed by issuing staff with further instructions and training.

Responsible person: *Izabella Krzysko*

Completion date: *Immediate*



**ANNUAL AUDIT
COMPLETION REPORT**

**EASTERN METROPOLITAN
REGIONAL COUNCIL**

11 November 2021

Real People.
Better **Better Business**

www.butlersettineri.com.au

Introduction

From our Engagement Partner

Eastern Metropolitan Regional Council for
the year ended 30 June 2021.

We would like to take this opportunity to
thank the management team for their
assistance during the audit process. If
you have any queries on the report,
please feel free to contact me.



MARCIA JOHNSON

Director

B.Com (Hons) CA
mjohnson@butlersettineri.com.au

LIANG WONG

Assistant Director Financial Audit

OAG Representative
Liang.wong@audit.wa.gov.au

EXECUTIVE SUMMARY

- Butler Settineri (Audit) Pty Ltd was appointed as the contract auditor by the Office of the Auditor General for the year ended 30 June 2021.
- Butler Settineri (Audit) Pty Ltd has completed the external statutory audit for the year ended 30 June 2021 as contract auditor on behalf of the Office of the Auditor General.
- We intend to recommend to the Auditor General to issue an unqualified audit opinion in relation to the financial statements.
- Our findings are included in this report.



INDEPENDENCE

We are independent of the Regional Council in accordance with the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants.

Threats to independence include the following:

- ① SELF INTEREST THREATS
- ① SELF REVIEW THREATS
- ① ADVOCACY THREATS
- ① FAMILIARITY THREATS
- ① INTIMIDATION THREATS

What we do to remain independent:

- All team members sign an independence declaration at the commencement of the audit;
- We monitor our individual independence throughout the audit;
- All team members sign off an independence declaration at the completion of the audit.

COMPLIANCE WITH LAWS & REGULATIONS & FRAUD

Laws and Regulations applicable to the Regional Council include the following:

- ✔ Local Government Act 1995;
- ✔ Local Government (Financial Management) Regulations 1996;
- ✔ Local Government (Audit) Regulations 1996;
- ✔ Australian Tax Office (GST / FBT / PAYG) Compliance;
- ✔ Compliance with conditions of program funding arrangements.

During the audit process there have been:

- ✔ No non-compliance issues to report.
- ✔ No findings or indications of suspected fraud.

As far as the external audit relates to the matters noted above.

Key Audit Matters and Audit Outcomes



During the planning phase of the audit, we identified the following issues and key areas of audit risk.

Details of Risk / Issue	Audit Approach
Audit findings reported in the previous audit	We followed up on last year's audit issues during the audit. Where issues were not resolved it has been re-reported.
Changes to accounting standards: AASB 1059 – Service Concession Arrangement: Grantors	We reviewed management's assessment of the impact of the new accounting standard on the financial statements and agree that the adoption of the accounting standard has no impact on the financial statements.
<p>Changes to <i>Local Government (Financial Management) Regulations</i> :</p> <p>Regulation 44 - Fees etc. to council members, information about in annual financial report</p> <p>In relation to fees, expenses or allowances paid to council members, the mayor or the president the annual financial report is to include, for each person —</p> <p>(a) the nature of the fee, expense or allowance; and</p> <p>(b) the total amount or value of each class of fee, expense or allowance.</p>	We reviewed the financial statements and confirmed that management has complied with the regulation as per note 20 to the financial statements.
Potential impact of the Federal Court judgement about casual employment classification in the <i>WorkPac Pty Ltd v Rossato</i> on Council.	We reviewed management's assessment and agree that the judgement does not have an impact on the financial statements.
<p><i>Long Service Leave Act 1958</i></p> <p>Long service leave is a paid leave entitlement for employees who have worked continuously in a business for a specified period of time. Full time, part time and casual employees are entitled to long service leave.</p>	We performed audit procedures on the long service leave provision recognised by management and found that the Council complied with the Long Service Leave Act.

<p>We have identified the following areas that we consider require additional focus during our 2019-20 local government audits:</p> <ul style="list-style-type: none"> • Related party disclosures • Revenue recognition • Unauthorised expenditure • Unrecorded liabilities and expenses • Fictitious employees • Valuation and estimation on rehabilitation of landfill cells and site usage. • Revaluation of Land and Buildings and Structures 	<p>We reviewed the related audit evidence as part of our audit testing and confirmed that appropriate recognition and measurement and disclosures have been made in the financial statements in relation to the risks identified.</p>
<p>The following annual financial report items are derived from accounting estimates and hence will receive specific audit attention:</p> <ul style="list-style-type: none"> • Provision for annual and long service leave • Provision for landfill rehabilitation and environmental monitoring • Impairment of assets • Revaluation of land and buildings • Revaluation of Structures 	<p>We reviewed the methodology and underlying data that management used when determining critical accounting estimates. We confirmed the reasonableness of the assumptions and corroborating representations.</p>
<p>Important changes in management or the control environment.</p>	<p>None during the financial year.</p>

SIGNIFICANT AUDIT FOCUS

- ▀ **Provision for Landfill Rehabilitation and Environmental Monitoring Provision**
We reviewed the assumptions and inputs used to calculate the site rehabilitation and environmental monitoring provisions and identified that the discount rates used was the WATC Lease lending rate which is not in line with EMRC's borrowing risk profile. We established that the Treasury Long-term bond rate would be a more appropriate rate, this resulted in a change in estimate when calculating the provision at 30 June 2021.

We also reviewed the subsequent accounting treatment of the provision and found that the unwinding of the discount was not recognised correctly in previous years and the current year. This did not have an impact on the surplus recognised in the prior year and therefore did not result in the restatement of comparative balances in the financial statements.

- ▀ **Revaluation of Land, Buildings and Infrastructure Assets – Structures, Landfill Cells and Post Closure Asset**
We reviewed the methodology and underlying data that management's expert used and performed procedures in relation to the experience and qualification of management's expert in order to place reliance on the valuation performed by the expert.

AUDIT MISSTATEMENTS

- ▀ There were no uncorrected misstatements this year.

AUDIT FINDINGS

- ▀ *Per the Interim Management Letter:*
 1. Tenders register not in compliance with the Regulations
 2. Lack of sufficient quotes for purchases
 3. Purchase orders dated after invoice dates

- ▀ *Per the Final Management Letter:*

None

Key Changes for next year

Changes in regulations

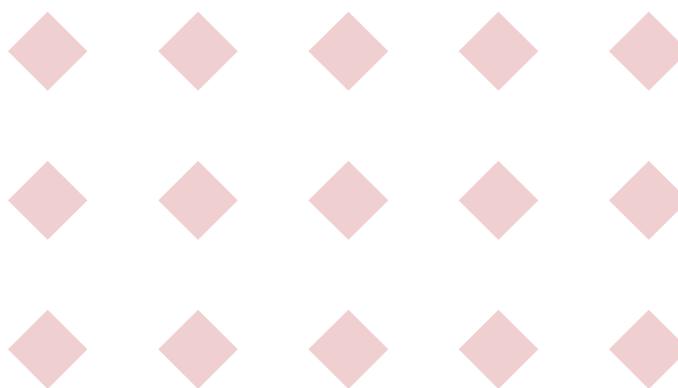
- None anticipated.

Accounting Issues for 2022

- None anticipated that would have a significant impact on the financial statements for the year ending 30 June 2022.

THANK YOU

We would like to take this opportunity to once again thank the management team for their assistance during the audit process, in particular we would like to thank Hua Jer Liew, David Ameduri and Le Truong and the finance team for their support.



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13 REPORTS OF DELEGATES

Nil

14 NEW BUSINESS OF AN URGENT NATURE APPROVED BY THE CHAIRMAN OR PRESIDING MEMBER OR BY DECISION OF MEETING

Nil

15 CONFIDENTIAL MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC

Nil

16 FUTURE MEETINGS OF THE AUDIT COMMITTEE

Meetings of the Audit Committee are covered under the Audit Committee Terms of Reference as follows:

“4 Meetings

- 4.1 The Audit Committee will meet as required at the discretion of the chairperson of the committee and at least three times per year to coincide with:
- a. Approval of strategic and annual plans;
 - b. Approval of the annual budget; and
 - c. The auditor’s report on the annual financial report.”

Future Meetings 2022

Thursday	3	March		at	EMRC Administration Office
Thursday	7	April	(if required)	at	EMRC Administration Office
Thursday	5	May	(if required)	at	EMRC Administration Office
Thursday	2	June		at	EMRC Administration Office
Thursday	7	July	(if required)	at	EMRC Administration Office
Thursday	4	August	(if required)	at	EMRC Administration Office
Thursday	1	September	(if required)	at	EMRC Administration Office
Thursday	6	October	(if required)	at	EMRC Administration Office
Thursday	3	November	(if required)	at	EMRC Administration Office

17 DECLARATION OF CLOSURE OF MEETING

The Chairman declared the meeting closed at 5.15pm.