

## AUDIT COMMITTEE

### MINUTES

10 April 2008

(REF: COMMITTEES-7711)

A meeting of the Audit Committee was held at the EMRC Administration Office, 1<sup>st</sup> Floor, 226 Great Eastern Highway, BELMONT WA 6104 on **Thursday, 10 April 2008**. The meeting commenced at **6:04pm**.

### TABLE OF CONTENTS

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1	<b>DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS</b>	1
2	<b>ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE PREVIOUSLY APPROVED</b>	1
3	<b>DISCLOSURE OF INTERESTS</b>	1
4	<b>ANNOUNCEMENT BY THE CHAIRMAN OR PERSON PRESIDING WITHOUT DISCUSSION</b>	2
4.1	<i>ELECTION OF A CHAIRMAN OF THE AUDIT COMMITTEE (Ref: Committees-7712)</i>	2
4.2	<i>ELECTION OF DEPUTY CHAIRMAN OF THE AUDIT COMMITTEE (Ref: Committees-7717)</i>	8
5	<b>APPLICATION FOR LEAVE OF ABSENCE</b>	14
6	<b>PRESENTATIONS</b>	14
7	<b>CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS</b>	14
7.1	<i>MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 13 SEPTEMBER 2007 (Ref: Committees-6745)</i>	
8	<b>QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN</b>	14
9	<b>QUESTIONS WITHOUT NOTICE</b>	14
10	<b>ANNOUNCEMENT OF CONFIDENTIAL MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC</b>	14
11	<b>BUSINESS NOT DEALT WITH FROM A PREVIOUS MEETING</b>	14
12	<b>REPORTS OF OFFICERS</b>	15
12.1	<i>AUDIT COMMITTEE TERMS OF REFERENCE REVIEW (Ref: Committees-7743)</i>	15
12.2	<i>BUDGET REVIEW 2007/2008 (Ref: Committees-7796)</i>	25
13	<b>REPORTS OF DELEGATES</b>	36
14	<b>CONFIDENTIAL MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC</b>	36
15	<b>GENERAL BUSINESS</b>	36
15.1	<i>INTERNAL AUDITORS</i>	36
16	<b>FUTURE MEETINGS OF THE AUDIT COMMITTEE</b>	36
17	<b>DECLARATION OF CLOSURE OF MEETING</b>	36

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## 1 DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

The Chief Executive Officer opened the meeting at 6:04pm.

## 2 ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE PREVIOUSLY APPROVED

### Councillor Attendance

Cr David Färdig	EMRC Member	City of Swan
Cr Tina Klein	EMRC Member	Town of Bassendean
Cr Lou Magro	EMRC Member	City of Bayswater
Cr David Lavell	EMRC Member	Shire of Mundaring

### Apologies

Cr Don McKechnie	EMRC Member	Shire of Kalamunda
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### EMRC Officers

Mr Gavin Watters	Chief Executive Officer
Mr Peter Schneider	Executive Manager, Corporate Services
Mr David Ameduri	Manager, Financial Services
Ms Terri-Ann Ashton (departed at 6:15pm)	Manager, Administration and Compliance
Ms Kelly Peydo	Personal Assistant to Executive Manager, Corporate Services (Minutes)

## 3 DISCLOSURE OF INTERESTS

Nil



## **4 ANNOUNCEMENT BY THE CHAIRMAN OR PERSON PRESIDING WITHOUT DISCUSSION ELECTION OF A CHAIRMAN AND DEPUTY CHAIRMAN OF THE AUDIT COMMITTEE**

### **4.1 ELECTION OF A CHAIRMAN OF THE AUDIT COMMITTEE**

**REFERENCE: COMMITTEES-7712**

#### **PURPOSE OF REPORT**

To provide for an election to be conducted for the office of Chairman of the Audit Committee.

#### **KEY ISSUES AND RECOMMENDATION(S)**

- It is a statutory requirement that a Committee elects a Chairman at the first meeting of the Committee.

#### **Recommendation(s)**

That the members of the Audit Committee elect a Chairman by secret ballot.

#### **SOURCE OF REPORT**

Executive Manager, Corporate Services

#### **BACKGROUND**

It is a requirement of Schedule 2.3 of the Local Government Act 1995 (the Act) that the election for Chairman is conducted by the Chief Executive Officer and the nominations for the Office are to be given to the Chief Executive Officer in writing before the meeting or during the meeting before the close of nominations. Furthermore, if a member is nominated by another member, the Chief Executive Officer is not to accept the nomination unless the nominee has advised the Chief Executive Officer, 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.

The procedure outlined in Schedule 2.3 of the Act will be followed if there is an equality of votes i.e. count to be discontinued and meeting adjourned for not more than 7 days. If there is still an equality of votes at the resumption of the meeting then lots will be drawn if there are only 2 candidates or candidates excluded and preferences transferred if there are more than 2 candidates.

#### **REPORT**

The Chief Executive Officer will preside at the meeting until the office of Chairman is filled.

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 Audit Committee.

1. A blank nomination form for the Office of Chairman of the Audit Committee, nominate oneself
2. A blank nomination form for the Office of Chairman of the Audit Committee, nominate another
3. A blank ballot paper for Election of Chairman of the Audit Committee

Ballot papers will be made available prior to voting.



*Item 4.1 continued*

The completed nomination forms are to be given to the Chief Executive Officer of the EMRC before the meeting or when the Chief Executive Officer calls for them when dealing with this item at the meeting.

**AUDIT COMMITTEE MEMBERS 2007/2009**

**The following Audit Committee members were appointed to the Audit Committee at the Special Meeting of Council held on 15 November 2007:**

EMRC Member	Cr David Färdig	City of Swan
EMRC Member	Cr Lou Magro	City of Bayswater
EMRC Member	Cr Don McKechnie	Shire of Kalamunda
EMRC Member	Cr Tina Klein	Town of Bassendean
EMRC Member	Cr Janet Powell	City of Belmont
EMRC Member	Cr David Lavell	Shire of Mundaring

**STRATEGIC/POLICY IMPLICATIONS**

Election of a Chairman is a statutory requirement.

**FINANCIAL IMPLICATIONS**

Nil

**SUSTAINABILITY IMPLICATIONS**

Nil

**MEMBER COUNCIL IMPLICATIONS**

<b>Member Council</b>	<b>Implication Details</b>
Town of Bassendean	} Nil
City of Bayswater	
City of Belmont	
Shire of Kalamunda	
Shire of Mundaring	
City of Swan	

ATTACHMENT(S)

1. A blank nomination form for the Office of Chairman of the Audit Committee, nominate oneself (Ref: Committees-7715)
2. A blank nomination form for the Office of Chairman of the Audit Committee, nominate another (Ref: Committees-7715)
3. Ballot Paper – Election of Audit Committee Chairman (Ref: Committees-7719)

VOTING REQUIREMENT

Secret Ballot by Audit Committee Members.



*Item 4.1 continued*

### **RECOMMENDATION(S)**

That the members of the Audit Committee elect a Chairman.

The Chief Executive Officer advised that two nominations for the Office of Chairman of the Audit Committee had been received, from Councillors David Färdig and Don McKechnie and called for any further nominations.

No further nominations were received.

A secret ballot was then conducted and votes counted by the Chief Executive Officer and Manager, Administration and Compliance.

### **ANNOUNCEMENT: RESULT OF BALLOT FOR OFFICE OF CHAIRMAN**

Cr Färdig was declared Chairman of the Audit Committee for the term commencing 10 April 2008 winning the election by four votes to nil.

The Chief Executive Officer vacated the Chair at 6:13pm.

At 6:13pm, Cr Färdig took the Chair and thanked Councillors for their support.



**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 terminated in accordance with the provisions of the Local Government Act 1995.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_



## 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 terminated in accordance with the provisions 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 Thursday, 10 April 2008**

**BALLOT PAPER FOR THE  
ELECTION OF THE AUDIT COMMITTEE CHAIRMAN**

***HOW TO VOTE***

***Please number all the boxes opposite the candidates' name in the order of your choice, using number 1 for your first choice, number 2 for your second choice, and so on. Remember to number every box to make your vote count. Do not make any other marks on the ballot paper.***

**Last name, First Name**

**Last Name, First Name**

**Last Name, First Name**



## **4.2 ELECTION OF A DEPUTY CHAIRMAN OF THE AUDIT COMMITTEE**

**REFERENCE: COMMITTEES-7717**

### **PURPOSE OF REPORT**

To provide for an election to be conducted for the office of Deputy Chairman of the Audit Committee.

### **KEY ISSUES AND RECOMMENDATION(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 by secret ballot.

### **SOURCE OF REPORT**

Executive Manager, Corporate Services

### **BACKGROUND**

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.

It is a requirement of Schedule 2.3 of the Local Government Act 1995 (the Act) that the election for Deputy Chairman is conducted by the Chairman and the nominations for the Office are to be given to the Chairman in writing before the meeting or 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.

The procedure outlined in Schedule 2.3 of the Act will be followed if there is an equality of votes i.e. count to be discontinued and meeting adjourned for not more than 7 days. If there is still an equality of votes at the resumption of the meeting then lots will be drawn if there are only 2 candidates or candidates excluded and preferences transferred if there are more than 2 candidates.

### **REPORT**

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 Audit Committee.

1. A blank nomination form for the Office of Deputy Chairman of the Audit Committee, nominate oneself
2. A blank nomination form for the Office of Deputy Chairman of the Audit Committee, nominate another
3. A blank ballot paper for Election of Deputy Chairman of the Audit Committee

Ballot papers will be made available prior to voting.

The completed nomination forms are to be given to the Chairman before the meeting or when the Chairman calls for them when dealing with this item at the meeting.



*Item 4.2 continued*

#### **AUDIT COMMITTEE MEMBERS 2007/2009**

**The following Audit Committee members were appointed to the Audit Committee at the Special Meeting of Council held on 15 November 2007:**

EMRC Member	Cr David Färdig	City of Swan
EMRC Member	Cr Lou Magro	City of Bayswater
EMRC Member	Cr Don McKechnie	Shire of Kalamunda
EMRC Member	Cr Tina Klein	Town of Bassendean
EMRC Member	Cr Janet Powell	City of Belmont
EMRC Member	Cr David Lavell	Shire of Mundaring

#### **STRATEGIC/POLICY IMPLICATIONS**

Election of a Deputy Chairman is permissible in accordance with section 5.12 (2) of the Local Government Act 1995.

#### **FINANCIAL IMPLICATIONS**

Nil

#### **SUSTAINABILITY IMPLICATIONS**

Nil

#### **MEMBER COUNCIL IMPLICATIONS**

<b>Member Council</b>	<b>Implication Details</b>
Town of Bassendean	} Nil
City of Bayswater	
City of Belmont	
Shire of Kalamunda	
Shire of Mundaring	
City of Swan	

#### **ATTACHMENT(S)**

1. A blank nomination form for the Office of Deputy Chairman of the Audit Committee, nominate oneself (Ref: Committees-7716)
2. A blank nomination form for the Office of Deputy Chairman of the Audit Committee, nominate another (Ref: Committees-7716)
3. Ballot Paper – Election of Audit Committee Deputy Chairman (Ref: Committees-7721)

#### **VOTING REQUIREMENT**

Secret Ballot by Audit Committee Members.



*Item 4.2 continued*

**RECOMMENDATION(S)**

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

The Chairman advised that one nomination for the Office of Deputy Chairman of the Audit Committee had been received, from Councillor Tina Klein and called for any further nominations.

No further nominations were received.

**ANNOUNCEMENT: OF THE OFFICE OF DEPUTY CHAIRMAN**

There being no further nominations Cr Klein was declared Deputy Chairman of the Audit Committee for the term commencing 10 April 2008.

The Manager Administration and Compliance departed the meeting at 6:15pm.



## **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 terminated in accordance with the provisions of the Local Government Act 1995.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_



## 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 terminated in accordance with the provisions 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 Thursday, 10 April 2008**

**BALLOT PAPER FOR THE  
ELECTION OF THE AUDIT COMMITTEE  
DEPUTY CHAIRMAN**

***HOW TO VOTE***

***Please number all the boxes opposite the candidates' name in the order of your choice, using number 1 for your first choice, number 2 for your second choice, and so on. Remember to number every box to make your vote count. Do not make any other marks on the ballot paper.***

**Last name, First Name**

**Last Name, First Name**

**Last Name, First Name**





## 12 REPORTS OF OFFICERS

### 12.1 AUDIT COMMITTEE TERMS OF REFERENCE REVIEW

REFERENCE: COMMITTEES-7743

#### PURPOSE OF REPORT

The purpose of this report is for the Audit Committee to review its terms of reference.

#### KEY ISSUES AND RECOMMENDATION(S)

- Council established an Audit Committee at its meeting held on 19 May 2005.
- The committee was established with a comprehensive terms of reference.
- At the committee meeting held on 14 June 2007, the committee indicated that they would like their terms of reference reviewed.
- A number of discretionary/optional matters contained within the terms of reference have been addressed and the report contains individual recommendations in relation to each.

#### Recommendation(s)

That the following amendments be incorporated into the terms of reference of the Audit Committee and the revised terms of reference be submitted to Council for adoption:

1. Annual budget – clause 2.5 be amended to include consideration of and recommendation of the annual budget to Council.
2. Allocation of finances and resources – clause 1.3 be amended by adding an additional dot point covering the allocation of the EMRC's finances and resources.
3. Ethical standards – existing provisions relating to ethical standards be removed.
4. Annual report of Audit Committee activities to Council – existing provisions relating to annual report to Council be removed.
5. Strategic and annual plans – existing provisions relating to strategic and annual plans be removed.
6. Internal auditor to attend all meetings – existing provisions be amended to reflect the internal auditor only being invited to attend meetings where their reports are being dealt with and at other times at the discretion of the committee Chairman or the committee.
7. Compliance with laws and regulations – clause 2.5 (a)(ii) Include reference to the annual audit compliance return.

#### SOURCE OF REPORT

Chief Executive Officer  
Executive Manager, Corporate Services

#### BACKGROUND

At its meeting held on 19 May 2005, Council established an Audit Committee (AC) in accordance with Part 7 of the Local Government Act 1995 (the Act). The terms of reference for the committee are as outlined in attachment 1 of this report.

At the committee meeting held on 14 June 2007, Cr Godfrey queried why the draft budget was being dealt with by the Audit Committee and the committee members indicated that they would like the terms of reference reviewed at some stage.



*Item 12.1 continued*

In accordance with regulation 16 of the Local Government (Audit) Regulations 1996 (the Regulations), the functions of the Audit Committee are as follows:

“An Audit Committee –

- (a) is to provide guidance and assistance to the local government –
  - (i) as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and
  - (ii) as to the development of a process to be used to select and appoint a person to be an auditor;and
- (b) may provide guidance and assistance to the local government as to –
  - (i) matters to be audited;
  - (ii) the scope of audits;
  - (iii) its functions under Part 6 of the Act; and
  - (iv) the carrying out of its functions relating to other audits and other matters related to financial management.”

(Part 6 of the Act relates to Financial Management provisions.)

Regulation 16 (a)(i)&(ii) are mandatory functions of the Audit Committee with 16 (b)(i)-(iv) being discretionary.

## **REPORT**

In addressing the specific issue raised by the Audit Committee in relation to its terms of reference, the only direct reference to the annual budget contained within the terms of reference is found within clause 2.3 Meetings, which states inter alia that the committee will meet to coincide with approval of the annual budget.

In accordance with Local Government Operational Guidelines – Number 09 Audit Committees in Local Government (revised March 2006), the committee’s effectiveness will be greater if it is also given responsibility for oversight of financial management processes within the local government, where Council does not have a finance committee.

Given the EMRC does not have a finance committee, it is suggested that it is appropriate for the Audit Committee to review the annual budget.

- Recommendations –
- 1) clause 2.5 Duties and Responsibilities of the terms of reference be amended to include the following sub-clause “To consider and recommend adoption of the annual budget to Council.”
  - 2) clause 1.3 (Objectives of the Audit Committee) be amended by adding an additional dot point as follows, “the allocation of the EMRC’s finances and resources.”

Other matters of a discretionary/optional nature contained within the terms of reference which the committee may wish to review include:

1. Internal Audit – clause 2.5 (a)(i)&(ii) of the terms of reference gives the Audit Committee a role in reviewing the scope of the internal audit plan and to analyse and follow up any internal audit report that raises significant issues.  
The essential role of the Audit Committee, in accordance with the Act and Regulations, pertains to matters of external audit. In accordance with departmental guidelines, the role of the Audit Committee in relation to the internal audit function is a matter of conjecture with most Chief Executive Officer’s arguing that it is an operational function and is their responsibility. The role of the Audit Committee may be to ensure that the internal audit’s processes are appropriate, accountable and transparent.



*Item 12.1 continued*

Recommendation – it is recommended that existing provisions within the terms of reference relating to internal audit are appropriate and not be amended.

2. Risk Management – clause 2.5 (a)(iii) of the terms of reference states that the Audit Committee has responsibility for monitoring the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems. In most organisational environments, the role of the governing body is to provide effective corporate governance and in that respect risk management is an essential element in that function. In many organisations, risk is addressed by the Audit Committee and in the absence of a committee established for the specific purpose, the Audit Committee is considered an appropriate venue for these matters to be discussed. In addition, advice from the external auditor may from time to time, address issues such as an assessment of risk.

Recommendation – it is recommended that existing provisions within the terms of reference relating to risk exposure are appropriate and not be amended.

3. Ethical Standards – clause 2.5 (a)(iv) of the terms of reference states that the Audit Committee has responsibility for monitoring ethical standards and related party transactions. It is not known what was actually contemplated by including this item in the terms of reference although further mention is made in clause 1.1 where the objective of the committee contains, inter alia, reference to facilitating the organisation's ethical development.

It would appear that with the introduction of the Local Government (Rules of Conduct) Regulations 2007, amendments to the Local Government (Administration) Regulations 1996 imposing new requirements on employees in relation to gifts and the disclosure of impartiality interests and the adoption of the EMRC's revised Code of Conduct in December 2007, that this discretionary function of the committee has been somewhat well addressed and catered for. In addition, if ethical matters were raised as an issue by either the external or internal auditors, they would automatically be referred to the committee, which would not require specific reference in the terms of reference in order to be addressed.

Recommendation – it is recommended that existing provisions within the terms of reference relating to ethical standards be removed.

4. Annual Report of Audit Committee Activities to Council – clause 2.5 (a)(iv) states that the Audit Committee has responsibility for providing an annual report to Council summarising the activities undertaken during the year. This is also covered in clause 2.4 (b) Reporting.

Clause 2.4 (a) states that the Audit Committee shall after every meeting forward the minutes of that meeting to the next ordinary meeting of Council. It is felt that this level of reporting is more than sufficient and is in keeping with the requirements of all other committees, making an annual report redundant.

Recommendation – it is recommended that existing provisions within the terms of reference relating to the provision of an annual report to Council be removed.

5. Strategic and Annual Plans – clause 2.3 Meetings states inter alia, that the committee will meet to coincide with approval of strategic and annual plans. Whilst the duties and responsibilities outlined in clause 2.5 do not make specific mention of it, it is inferred from this that the Audit Committee has some review responsibility in this regard. Reference to annual plans is a little vague but could be reference to the plan for the future or its predecessor, the principal activities plan.



*Item 12.1 continued*

As both the strategic plan and plan for the future have the involvement of the whole Council and with the plan for the future also requiring a public comment period, it is felt that the review process is adequately catered for outside of the committee.

Recommendation – it is recommended that existing provisions within the terms of reference relating to the need for the committee to deal with the strategic and annual plans be removed.

6. Membership – clause 2.2 (d) Membership states that the internal auditor (whether a member of staff of contractor) should attend all meetings. Whilst this might be desirable or practicable when the internal audit function is undertaken in house, it is not necessarily so when it is outsourced. That is to say, there may be meetings where the committee is dealing with a single issue such as the annual budget, where their attendance is not required and adds nothing to the process other than additional expense. It should of course be mandatory for the internal auditor to be invited to all meetings where their reports are being dealt with by the committee. It is felt that the wording of clause 2.2 (d) could be amended to make it mandatory for the internal auditor to be invited to committee meetings where their reports are being dealt with, whilst allowing more flexibility at other times.

Recommendation – it is recommended that existing provisions in the terms of reference relating to the requirement for the internal auditor to attend all meetings, be modified to reflect them only being invited to attend committee meetings where their reports are being dealt with and at other times at the discretion of the Chairman or Committee, as required.

7. Compliance with Laws and Regulations – clause 1.3 Objectives of the Audit Committee states that the committee was established to facilitate, inter alia, compliance with laws and regulations, however there is nothing mentioned in clause 2.5 Duties and Responsibilities specifically covering this point. It could be incorporated into clause 2.5 (a)(ii) by adding the annual local government compliance audit return to the items critically analysed and followed up where they raise significant issues relating to risk management, internal control etc.

Recommendation – it is recommended that clause 2.5 (a)(ii) in the terms of references be amended to include reference to the annual audit compliance return.

The above is a non-exclusive list of potential items for consideration as part of the requested review of the terms of reference of the Audit Committee. The committee members may have additional items they would like to raise when considering this report.

## **STRATEGIC/POLICY IMPLICATIONS**

Accords with the EMRC Enabler Objective of “Continue to improve corporate financial management,” also the Core Process Objective of “Maintain legislative compliance.”

## **FINANCIAL IMPLICATIONS**

Nil

## **SUSTAINABILITY IMPLICATIONS**

Nil



Item 12.1 continued

## MEMBER COUNCIL IMPLICATIONS

Member Council	Implication Details
Town of Bassendean	} Has no direct member Council implications.
City of Bayswater	
City of Belmont	
Shire of Kalamunda	
Shire of Mundaring	
City of Swan	

## ATTACHMENT(S)

Audit Committee Terms of Reference (Ref: Committees-7781)

## VOTING REQUIREMENT

Simple Majority

## **RECOMMENDATION(S)**

That the following amendments be incorporated into the terms of reference of the Audit Committee and the revised terms of reference be submitted to Council for adoption:

1. Annual budget – clause 2.5 be amended to include consideration of and recommendation of the annual budget to Council.
2. Allocation of finances and resources – clause 1.3 be amended by adding an additional dot point covering the allocation of the EMRC's finances and resources.
3. Ethical standards – existing provisions relating to ethical standards be removed.
4. Annual report of Audit Committee activities to Council – existing provisions relating to annual report to Council be removed.
5. Strategic and annual plans – existing provisions relating to strategic and annual plans be removed.
6. Internal auditor to attend all meetings – existing provisions be amended to reflect the internal auditor only being invited to attend meetings where their reports are being dealt with and at other times at the discretion of the committee Chairman or the committee.
7. Compliance with laws and regulations – clause 2.5 (a)(ii) Include reference to the annual audit compliance return.

## Discussion ensued:

Cr Lavell queried the removal of the Ethical Standards and why it was being recommended to be removed. In response the Executive Manager, Corporate Services advised that with the introduction of the Local Government (Rules of Conduct) Regulations 2007, amendments to the Local Government (Administration) Regulations 1996 and the adoption of the EMRC revised Code of Conduct by Council in December 2007, ethical matters had been well addressed and catered for. In addition ethical matters raised by either external or internal auditors, would automatically be referred to the Audit Committee.



*Item 12.1 continued*

In response to Cr Färdig's query the Executive Manager, Corporate Services advised that the main reason for the suggestion that the annual budget be reviewed by the Audit Committee was due to the fact that the EMRC did not have a dedicated finance committee. The Department of Local Government has produced Operational Guidelines – Number 09 Audit Committees in Local Government which states that the committee's effectiveness will be greater if it has responsibility for financial management processes, where Council does not have a finance committee.

In response to Cr Färdig's query the Executive Manager, Corporate Services advised that it isn't a statutory requirement that there be a Budget Committee and added that having the annual budget reviewed by the Audit Committee would potentially allow for a more detailed examination of the costings, should it be felt necessary.

Cr Magro advised members that he thought it was very beneficial having a committee that hones in on the financials and highlights important matters that then proceed to Council.

Cr Klein queried the amount of work it adds to the EMRC Officers having the annual budget reviewed by the Audit Committee and whether it resulted in time saving when going to Council. In response the Executive Manager, Corporate Services advised that there are other committees that do review elements of the budget and in terms of workload, it hasn't resulted in a lot more work.

Cr Lavell and Cr Magro advised members that they would like to keep the budget review as part of the Audit Committee's terms of reference, if it doesn't take up much time and isn't too much extra work.

**AUDIT COMMITTEE RECOMMENDATION(S)**

MOVED CR LAVELL

SECONDED CR MAGRO

That the following amendments be incorporated into the terms of reference of the Audit Committee and the revised terms of reference be submitted to Council for adoption:

1. Annual budget – clause 2.5 be amended to include consideration of and recommendation of the annual budget to Council.
2. Allocation of finances and resources – clause 1.3 be amended by adding an additional dot point covering the allocation of the EMRC's finances and resources.
3. Ethical standards – existing provisions relating to ethical standards be removed.
4. Annual report of Audit Committee activities to Council – existing provisions relating to annual report to Council be removed.
5. Strategic and annual plans – existing provisions relating to strategic and annual plans be removed.
6. Internal auditor to attend all meetings – existing provisions be amended to reflect the internal auditor only being invited to attend meetings where their reports are being dealt with and at other times at the discretion of the committee Chairman or the committee.
7. Compliance with laws and regulations – clause 2.5 (a)(ii) Include reference to the annual audit compliance return.

CARRIED UNANIMOUSLY



*Item 12.1 continued*

**COUNCIL RESOLUTION(S)**

MOVED CR MAGRO

SECONDED CR ALBERT

THAT THE FOLLOWING AMENDMENTS BE INCORPORATED INTO THE TERMS OF REFERENCE OF THE AUDIT COMMITTEE AND THE REVISED TERMS OF REFERENCE BE SUBMITTED TO COUNCIL FOR ADOPTION:

1. ANNUAL BUDGET – CLAUSE 2.5 BE AMENDED TO INCLUDE CONSIDERATION OF AND RECOMMENDATION OF THE ANNUAL BUDGET TO COUNCIL.
2. ALLOCATION OF FINANCES AND RESOURCES – CLAUSE 1.3 BE AMENDED BY ADDING AN ADDITIONAL DOT POINT COVERING THE ALLOCATION OF THE EMRC'S FINANCES AND RESOURCES.
3. ETHICAL STANDARDS – EXISTING PROVISIONS RELATING TO ETHICAL STANDARDS BE REMOVED.
4. ANNUAL REPORT OF AUDIT COMMITTEE ACTIVITIES TO COUNCIL – EXISTING PROVISIONS RELATING TO ANNUAL REPORT TO COUNCIL BE REMOVED.
5. STRATEGIC AND ANNUAL PLANS – EXISTING PROVISIONS RELATING TO STRATEGIC AND ANNUAL PLANS BE REMOVED.
6. INTERNAL AUDITOR TO ATTEND ALL MEETINGS – EXISTING PROVISIONS BE AMENDED TO REFLECT THE INTERNAL AUDITOR ONLY BEING INVITED TO ATTEND MEETINGS WHERE THEIR REPORTS ARE BEING DEALT WITH AND AT OTHER TIMES AT THE DISCRETION OF THE COMMITTEE CHAIRMAN OR THE COMMITTEE.
7. COMPLIANCE WITH LAWS AND REGULATIONS – CLAUSE 2.5 (A)(II) INCLUDE REFERENCE TO THE ANNUAL AUDIT COMPLIANCE RETURN.

**CARRIED UNANIMOUSLY**

## Eastern Metropolitan Regional Council

### TERMS OF REFERENCE – AUDIT COMMITTEES

#### 1 Objectives of the Audit Committee

- 1.1 The primary objective of the Audit Committee is to assist Council in the effective conduct of its responsibilities for financial reporting, management of risk, maintaining a reliable system of controls and facilitating the organisation's ethical development.
- 1.2 The Audit Committee is established to assist the co-ordination of relevant activities of management, the compliance and internal audit function and the external auditor and to facilitate achieving overall organisational objectives in an efficient and effective manner.
- 1.3 As part of Council's governance obligations to its member councils, Council has constituted an Audit Committee to facilitate:
- 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.

#### 2.1 General

- (a) The Audit Committee is a formally appointed committee of Council and is responsible to that body. The Audit Committee will only have those executive powers as specifically delegated to it and does not have authority to implement actions in areas over which management has responsibility and does not have any delegated financial responsibility. The Audit Committee does not have any management functions and is therefore independent of management.

The Committee's role is to:

- report to Council and provide appropriate advice and recommendations on matters relevant to its terms of reference in order to facilitate decision-making by Council in relation to the discharge of its responsibilities; and
- carry out its functions and fulfil its responsibilities as required by the Local Government Act 1995 and regulations.

#### 2.2 Membership

- (a) The Audit Committee will comprise six members, one from each member Council.
- (b) A quorum shall be four for a Committee with a membership of six.
- (d) The Chief Executive Officer, the Executive Manager Corporate Services and the internal auditor (whether a member of staff or contractor) should attend all meetings, except when the Committee chooses to meet in camera. Other members of Council or Council staff may be invited to attend at the discretion of the Committee to advise and provide information when required.

- (e) Representatives of the external auditor should be invited to attend at the discretion of the Committee but **must** attend meetings considering the draft annual financial report and results of the external audit.
- (f) Council shall provide secretarial and administrative support to the Committee.

### **2.3 Meetings**

The committee meet as required at the discretion of the chairman of the committee at least three (3) times per year to coincide with approval of strategic and annual plans, the annual budget and the auditor's report on the annual financial report.

*(Amended by Council on 8 December 2005)*

Additional meetings shall be convened at the discretion of the Chairman or at the written request of any member of the Committee or external auditor.

### **2.4 Reporting**

- (a) The Audit Committee shall after every meeting forward the minutes of that meeting to the next ordinary meeting of the Council, including a report explaining any specific recommendations and key outcomes.
- (b) The Committee shall report annually to the Council summarising the activities of the Committee during the previous financial year.

### **2.5 Duties and Responsibilities**

- (a) The duties and responsibilities of the Audit Committee will include the following:
  - (i) 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:
    - internal controls over revenue, expenditure, assets and liability processes;
    - the efficiency, effectiveness and economy of significant Council programs; and
    - compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.
  - (ii) 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.
  - (iii) Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems.
  - (iv) Monitor ethical standards and related party transactions by determining whether the systems of control are adequate.
  - (v) 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;
    - Significant variances from prior years.

- (vi) 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.
  - (vii) Discuss with the external auditor the scope of the audit and the planning of the audit.
  - (viii) 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.
  - (ix) 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.
  - (x) Report to Council after each meeting, in the form of minutes or otherwise, and as necessary and provide an annual report to Council summarising the activities undertaken during the year.
  - (xi) The Audit Committee in conjunction with Council and the Chief Executive Officer developing the Committee's performance indicators.
- (b) The Audit Committee, through the Chief Executive Officer and following authorisation from the Council, and within the scope of its responsibilities, may seek information or obtain expert advice on matters of concern.



## **12.2 BUDGET REVIEW 2007/2008**

**REFERENCE: COMMITTEES-7796**

### **PURPOSE OF REPORT**

The purpose of this report is to provide Council, via the Audit Committee, with an overview of the Eastern Metropolitan Regional Council's (EMRC's) 2007/2008 budget review for adoption and subsequent submission to the Department of Local Government and Regional Development.

### **KEY ISSUES AND RECOMMENDATION(S)**

- It is a requirement of the Local Government (Financial Management) Regulations 1996 (Clause 33A) that a Local Government, between 1 January and 31 March in each year, is to carry out a review of its annual budget for that year.
- Council receives monthly financial reports inclusive of end of year forecasts. Forecasts have been constantly monitored and reviewed based on current information and circumstances available to provide a more accurate forecast of the year end result.
- Accounts identified for revised budget provisions are contained within the body of the report.

#### **Recommendation(s)**

That:

1. The report on the review of the 2007/2008 budget be received.
2. The Forecast Budgets as specified within the body of the report be adopted, by an absolute majority in accordance with Financial Management regulation 33A, as the revised budget provisions for the 2007/2008 financial year.
3. The review of the 2007/2008 budget be adopted and submitted to the Department of Local Government and Regional Development within 30 days in accordance with the provisions of Local Government (Financial Management) Regulation 33A.

### **SOURCE OF REPORT**

Manager, Financial Services

### **BACKGROUND**

It is a requirement of the Local Government (Financial Management) Regulations 1996 (Clause 33A) that a Local Government, between 1 January and 31 March in each year, is to carry out a review of its annual budget for that year.

Clause 33A also states that within 30 days after a review of the annual budget of a local government is carried out it is to be submitted to the Council who is to consider the review submitted to it and is to determine, by absolute majority, whether or not to adopt the review, any parts of the review or any recommendation made to the review.

The EMRC's budget is presented in a format that separates operating income and expenditure from other revenue and expenses to provide improved disclosure of Council's underlying operating result.



*Item 12.2 continued*

Submitted to each meeting of Council is a financial report and summaries which provide an overview of year to date budget performance for operating activities and capital works. Variances greater than 10% or a dollar value of \$20,000, whichever is the greater, within each nature and type category on the Statement of Financial Performance are reported on in the body of the report. Also included are end of year forecasts by nature and type for operating activities and end of year forecasts for each capital works project. These forecasts are reviewed regularly in order to provide an accurate forecast end of year result.

## **REPORT**

As outlined within the background of this report it is a requirement of the Local Government (Financial Management) Regulations 1996 (Clause 33A) that a Local Government, between 1 January and 31 March in each year, is to carry out a review of its annual budget for that year.

The EMRC currently undertakes a budget review on a quarterly basis and this is incorporated within the financial report required to be submitted to Council at its next ordinary meeting.

### **Format of Budget Review**

The format of the review undertaken is based on a review by officers of all EMRC accounts (operating income, operating expenditure and capital expenditure accounts) within their area of responsibility.

Also undertaken is a review of the tonnages budgeted to be received at the Red Hill waste disposal facility. Tonnage budgets are reviewed to provide a forecast of volumes expected to be received by 30 June 2008. These forecasts when calculated against the appropriate disposal rates provide financial forecasts relating to the following:

- Base Income (including landfill levy) from Tonnages Analysis;
- Secondary Waste Income;
- Landfill Levy Expenditure;
- Waste Education Charge Income; and
- Cell Depreciation/Usage.

All forecasts, which are an actual review of the budgets set against each account, are then loaded into the financial management system in order to provide a more accurate forecast of the end of year result.

Financial reports produced and referred to Council on a monthly basis, include the following:

- Statement of Financial Performance by Nature and Type;
- Capital Expenditure Statement;
- Statement of Financial Position; and
- Cash and Investments Summary.

The year to date monthly budget allocations are also reviewed in order to match the appropriate timing for the various projects budgeted to be undertaken. Significant effort is undertaken to ensure that the year to date budget allocations best reflect the timing applicable either to expenditure expected to be incurred or income to be received. This process commences immediately following adoption of the budget and is constantly being monitored and reviewed based on current information and circumstances available. This process provides a better comparison between the year to date actual and year to date budget figures.



*Item 12.2 continued*

### **Adjustments resulting from Budget Review**

EMRC Officers undertook the latest review based on the actual financial data provided for the period ended 31 December 2007. The financial report relating to the period ended 31 January 2008 was submitted to Council at its meeting held on 20 March 2008 (refer Item 14.2). Variances were reported in that report, in accordance with Council's adopted criteria, as part of the EMRC's ongoing budget and forecast review process.

In accordance with the process followed in previous years, the original budget is not updated with the revised forecasts except for significant items listed below. This is due to the current inability of the financial system to retain the "budget spreads" that have been manually adjusted since adoption of the budget.

Each nature and type code within the financial system is allocated a default spread depending on the general nature of the expenditure or income. For example, salaries budgets are spread in accordance with the timing of the actual fortnightly payroll, telephone expenses are spread evenly throughout the year to reflect the nature of the billing, insurance premiums are usually allocated to the months of August and October reflecting the periods for when premiums are payable, whilst vehicle registration costs are spread to July and December.

Whilst it is accepted that many costs are incurred generally within a specific pattern as outlined in the above examples, many are not. These may include costs incurred relating to operating and capital projects, for which the EMRC have many, and depend solely on the timing of when the project is undertaken.

As outlined earlier in the report significant time and effort is allocated throughout the year following adoption of the annual budget to ensure that the year to date monthly budget allocations reflect the actual timing of expenditure to be incurred and income to be received. Should the total original budget be updated to reflect the end of year forecasts as outlined in the financial reports, much of the time and effort allocated to ensuring the correct monthly spread of the budget allocation will be lost, as each nature and type budget allocation will be spread in accordance with the default allocated to it.

This will result in highlighting unnecessary variances, due to the incorrect monthly budget spread, and an inaccurate comparison between the year to date actual and year to date budget figures.

It is recommended however, that certain significant budget provisions within the EMRC Budget be adjusted to reflect the forecast as at year end. The monthly budget spread on these will need to be readjusted manually to ensure the correct timing. However, due to the small amount of adjustments required this should not provide too many difficulties.

Furthermore, it should be noted that regardless of half year budget adjustments adopted by Council it is still a requirement of Financial Management Regulation 36 (2)(b) that the annual financial reports be reported against the original budget adopted by Council in August 2007.

Outlined below is a summary of the changes required to be made to the original adopted budget for the operating and capital accounts listed below:

• Operating Income (net reduction to budget provisions):	\$2,485,163
• Less Operating Expenditure (net reduction to budget provisions):	<u>(\$1,098,770)</u>
• Change in net assets from operations (net reduction to operating surplus):	\$1,386,393
• Less Capital Expenditure (net reduction to budget provisions):	<u>(\$2,711,878)</u>
Overall net reduction in expenditure:	(\$1,325,485)



*Item 12.2 continued*

Provided below is a list of accounts to be considered for the budget provision to be changed to reflect the forecast as at 30 June 2008:

**Operating Income**

User Charges

- A/C 53310/00 - Income Class III Cells - Red Hill Landfill Facility  
Current Budget: \$16,205,049 Forecast Budget: \$15,915,899 Variation: (\$289,150)  
Due predominantly to the combination of a high level of Class III commercial tonnages expected to be received by year end and a lower level of Class III contaminated tonnages not expected to be received by year end. It was originally budgeted for contaminated tonnages to be received from the Subiaco and Midland Redevelopment Authorities, however, this material was either remediated on site or disposed of elsewhere.
- A/C 53330/00 - Income Class IV Cells - Red Hill Landfill Facility  
Current Budget: \$1,725,000 Forecast Budget: \$414,000 Variation: (\$1,311,000)  
Due to the significantly lower level of Class IV material expected to be received by year end.
- A/C 53330/01 - Income Encapsulate Class IV Material in Concrete - Red Hill Landfill Facility  
Current Budget: \$96,600 Forecast Budget: \$Nil Variation: (\$96,600)  
It is not expected that any Class IV material to be encapsulated in concrete will be received by year end.
- A/C 58857/00 - Income Waste Transfer Station Operations - Red Hill Landfill Facility  
Current Budget: \$437,270 Forecast Budget: \$725,500 Variation: \$288,230  
Due to the high level of Class III commercial tonnages expected to be received by year end.
- A/C 58888/01 - Income Woodwaste Project  
Current Budget: \$743,993 Forecast Budget: \$150,000 Variation: (\$593,993)  
Due particularly to a 5 month delay in the commencement of the Project. The expectation is that higher levels of income will be generated toward the later part of the year as more material is made available for processing and on-sold to purchasers (e.g. Laminex).

Operating Grants

- A/C 53221/00 - Income Hazelmere Site  
Current Budget: \$Nil Forecast Budget: \$72,000 Variation: \$72,000  
Grant received following successful application for project funding.

Reimbursements

- A/C 52240/01.EB - Income Administration Building - Ascot Place  
Current Budget: \$4,000 Forecast Budget: \$21,350 Variation: \$17,350  
Reimbursement of costs relating to an insurance claim for damage to the administration building by a third party.
- A/C 58939/01.EZ - Income Engineering / Waste Management Special Projects  
Current Budget: \$Nil Forecast Budget: \$22,500 Variation: \$22,500  
Reimbursement of partial costs from Landfill Gas and Power for the construction of horizontal pipes at the Red Hill waste disposal site.



*Item 12.2 continued*

- A/C 58866/00.EZ - Income Household Hazardous Waste  
Current Budget: \$5,500      Forecast Budget: \$20,500      Variation: \$15,000  
Reimbursement of costs from the Department and Conservation relating to the collection of various household hazardous wastes.
- A/C 58864/00.EZ - Income Greenwaste Operations  
Current Budget: \$Nil      Forecast Budget: \$19,500      Variation: \$19,500  
Reimbursement of transportation costs for the delivery of mulch and compost from the Red Hill waste disposal site.

Other

- A/C 58862/00.FA - Sale of Laterite  
Current Budget: \$114,000      Forecast Budget: \$35,000      Variation: (\$79,000)  
Revised forecast for the sale of laterite/ferricrete from the Red Hill waste disposal site as a result of material of this nature being made available more economically from an alternative source.

Secondary Waste Charge (Other Revenues)

- A/C 58986/00. ZH - Income Resource Recovery Project - Commercial Tonnages  
Current Budget: \$1,550,000      Forecast Budget: \$2,000,000      Variation: \$450,000  
Attributable to the anticipated increase in commercial tonnages expected to be received by year end.

Proceeds from Sale of Assets (Other Revenues)

- A/C 82110/02.UA - Income Disposal of Farm Land - Part Lot 12 Toodyay Road (Hills Spine Rd Reserve)  
Current Budget: \$1,000,000      Forecast Budget: \$Nil      Variation: (\$1,000,000)  
Budget provision for the sale of EMRC land associated with the Hills Spine Road carried forward into the 2008/2009 financial year.

**Operating Expenditure**

Salary Expenses

- A/C 73943/00.GA - Provide Financial Services - Salary Expenses  
Current Budget: \$154,628      Forecast Budget: \$124,628      Variation: (\$30,000)
- A/C 73944/00.GA - Provide Purchasing Services - Salary Expenses  
Current Budget: \$Nil      Forecast Budget: \$30,000      Variation: \$30,000
- A/C 73943/00.GC - Provide Financial Services - Superannuation Expenses  
Current Budget: \$25,849      Forecast Budget: \$21,849      Variation: (\$4,000)
- A/C 73944/00.GC - Provide Purchasing Services - Superannuation Expenses  
Current Budget: \$Nil      Forecast Budget: \$4,000      Variation: \$4,000

Budget reallocations for salary and superannuation expenses as outlined above are required to recognise costings between internal cost centres.



*Item 12.2 continued*

- A/C 72986/00.GA - Manage Resource Recovery Project - Salary Expenses  
Current Budget: \$157,649      Forecast Budget: \$97,649      Variation: (\$60,000)  
This is due to the delay in appointing a Project Development Assistant Engineer that was budgeted to be appointed during the 2007/2008 financial year.
- A/C 72986/00.GC - Manage Resource Recovery Project - Superannuation Expenses  
Current Budget: \$26,355      Forecast Budget: \$18,355      Variation: (\$8,000)  
This is due to the delay in appointing a Project Development Assistant Engineer that was budgeted to be appointed during the 2007/2008 financial year.

Contract Expenses

- A/C 72888/01 - Manage Woodwaste Project  
Current Budget: \$1,299,735      Forecast Budget: \$708,787      Variation: (\$590,948)  
Due particularly to the delay in the commencement of the Project. This reduction in expenses is off set by the reduction in the level of income relating to the project.

The following Resource Recovery Contract expenses have been forecast to be over or below the budget provisions as at year end by \$71,000. These accounts relate specifically to the Resource Recovery project consultancy contractual timings, with unexpended funds being carried forward into the 2009/2010 financial year. Accounts should be adjusted as outlined below:

- A/C 72889/03. JF - Undertake Community Consultation (Task 3)  
Current Budget: \$31,000      Forecast Budget: \$20,000      Variation: (\$11,000)
- A/C 72889/05. JF - Undertake Preliminary Assessment of Sites and Technology (Task 5)  
Current Budget: \$8,000      Forecast Budget: \$30,000      Variation: \$22,000
- A/C 72889/07. JF - Develop Financial Models (Task 7)  
Current Budget: \$29,000      Forecast Budget: \$40,000      Variation: \$11,000
- A/C 72889/10. JF - Review Waste Collection Systems (Task 10)  
Current Budget: \$9,000      Forecast Budget: \$30,000      Variation: \$21,000
- A/C 72889/22. JF - Prepare Project Progress Reports (Task 22)  
Current Budget: \$12,000      Forecast Budget: \$40,000      Variation: \$28,000

Budget reallocations as outlined below are required to provide for alternative expenditure requirements for the Regional Waste Education programme.

- A/C 72873/05.JH - Conduct Trial Regional Waste Education Annual Reuse Activity  
Current Budget: \$5,000      Forecast Budget: \$Nil      Variation: (\$5,000)
- A/C 72873/03.JH - Conduct Trial Regional Waste Education Annual Reuse Activity  
Current Budget: \$2,000      Forecast Budget: \$7,000      Variation: \$5,000



*Item 12.2 continued*

Material Expenses

- A/C 73939/00.KC - Undertake Engineering / Waste Management Special Projects  
Current Budget: \$Nil                      Forecast Budget: \$65,000      Variation: \$65,000  
Purchase of various materials for Red Hill waste disposal site special projects (drainage and gas extraction). Costs have been partially recouped from Landfill Gas and Power.

Fuel Expenses

- A/C 65410/00.MA - Operate and Maintain Plant – Red Hill Landfill Facility  
Current Budget: \$290,000              Forecast Budget: \$350,000      Variation: \$60,000  
This is as a result of an increase in the utilisation of plant due to the higher level of commercial tonnages expected to be received at the Red Hill waste disposal site by year end.

Insurance Expenses

- A/C 63240/01.OA - Operate and Maintain Administration Building - Ascot Place  
Current Budget: \$Nil                      Forecast Budget: \$21,230      Variation: \$21,230  
Costs relating to damage to the administration building by a third party. Amount has been reimbursed from third party insurance company.

Depreciation Expenses

A review of depreciation expenses to year end have resulted in adjustments required to the following accounts:

- A/C 66550/00.QA - Operate and Maintain Information Technology PC's and Printers  
Current Budget: \$90,000              Forecast Budget: \$60,000      Variation: (\$30,000).
- A/C 66550/00.QA - Operate and Maintain Office Furniture and Fittings - Corporate Services  
Current Budget: \$32,000              Forecast Budget: \$500          Variation: (\$31,500).

As a result of total expected Cell usage by year end adjustments are required to the following accounts:

- A/C 64310/08.QB - Operate and Maintain Class III Cells - Cell Usage (Airspace Consumption)  
Current Budget: \$931,448              Forecast Budget: \$905,458      Variation: (\$25,990).
- A/C 64330/08.QB - Operate and Maintain Class IV Cells - Cell Usage (Airspace Consumption)  
Current Budget: \$193,536              Forecast Budget: \$70,140      Variation: (\$123,396).

Miscellaneous Expenses

- A/C 72829/01.PB - Support Avon Descent - Advertising Expenses  
Current Budget: \$58,450              Forecast Budget: \$41,284      Variation: (\$17,166).  
This relates to less than budgeted advertising costs for the 2007 Avon Descent.

The forecast advertising costs for the following accounts total \$71,000 above budget provisions and should be adjusted accordingly:



*Item 12.2 continued*

- A/C 73918/01.PB - Recruit Staff - Corporate Services  
Current Budget: \$10,000      Forecast Budget: \$20,000      Variation: \$10,000.
- A/C 73918/03.PB - Recruit Staff - Rill Hill  
Current Budget: \$5,000      Forecast Budget: \$25,000      Variation: \$20,000.
- A/C 73918/03.PB - Recruit Staff - Environmental Services  
Current Budget: \$8,000      Forecast Budget: \$16,000      Variation: \$8,000.
- A/C 72873/04.PB - Produce Regional Waste Education Marketing Material  
Current Budget: \$10,000      Forecast Budget: \$16,000      Variation: \$6,000.
- A/C 72818/01.PB - Support Regional Tourism Promotion  
Current Budget: \$8,000      Forecast Budget: \$24,000      Variation: \$16,000.
- A/C 73962/01.PB - Develop Regional Identity  
Current Budget: \$Nil      Forecast Budget: \$11,000      Variation: \$11,000.

Carrying Amount of Assets Disposed Of

- A/C 83110/02.VA - Disposal of Farm Land - Part Lot 12 Toodyay Road (Hills Spine Rd Reserve)  
Current Budget: \$500,000      Forecast Budget: \$Nil      Variation: (\$500,000)  
Budget provision for the carrying amount of non-current assets disposed of, relating to the sale of EMRC land associated with the Hills Spine Road, carried forward into the 2008/2009 financial year.

**Capital Expenditure**

- A/C 24240/01 – Upgrade Administration Building - Ascot Place  
Current Budget: \$300,000      Forecast Budget: \$Nil      Variation: (\$300,000)  
Budget provision carried forward into the 2008/2009 financial year.
- A/C 24240/02 – Upgrade Air Conditioning Equipment - Ascot Place  
Current Budget: \$159,462      Forecast Budget: \$Nil      Variation: (\$159,462)  
Budget provision carried forward into the 2008/2009 financial year.
- A/C 24399/00 - Construct and Commission Resource Recovery Facility  
Current Budget: \$2,000,000      Forecast Budget: \$2,000,000      Variation: (\$2,000,000)  
Budget provision for preliminary works carried forward into the 2008/2009 financial year.
- A/C 24310/06 - Construct Class III Cell Stage 11- Red Hill Landfill Facility  
Current Budget: \$Nil      Forecast Budget: \$77,200      Variation: \$77,200  
This variance relates to additional costs of completing the construction of the Class III cell that was undertaken during 2006/2007. A budget provision was not provided for the 2007/2008 financial year.
- A/C 24330/04 - Construct Class IV Cell Stage 2 - Red Hill Landfill Facility  
Current Budget: \$1,276,516      Forecast Budget: \$1,500,000      Variation: \$223,484  
This variance relates to additional costs of completing the construction of the Class IV cell that commenced during 2006/2007. This includes works required to be undertaken for the repair and replacement of faulty sumps.



*Item 12.2 continued*

- A/C 24393/00 - Construct Water Storage Dams - Red Hill Landfill Facility  
Current Budget: \$446,908      Forecast Budget: \$98,908      Variation: (\$350,000)  
Budget provision carried forward into the 2008/2009 financial year.
- A/C 24397/00 - Construct Perimeter Bunds - Red Hill Landfill Facility  
Current Budget: \$245,200      Forecast Budget: \$20,000      Variation: (\$225,200)  
Budget provision carried forward into the 2007/2008 financial year.
- A/C 24610/03 - Purchase Office Furniture and Fittings - Engineering and Waste Management  
Current Budget: \$Nil      Forecast Budget: \$14,500      Variation: \$14,500  
Relates to furniture and fittings required for new Engineering and Waste Management staff.
- A/C 24394/03 - Construct Perimeter Fencing - Hazelmere  
Current Budget: \$Nil      Forecast Budget: \$7,600      Variation: \$7,600  
Budget provision for fencing was previously provided for as an operating cost. Adjustment required to recognise correct classification of expenditure.

**Transfer to/from Reserve Funds**

- A/C 02022/03.1G - Transfer to Future Development Reserve  
Current Budget: \$2,050,000      Forecast Budget: \$1,050,000      Variation: (\$1,000,000)  
This relates to the reduction in proceeds from the sales of assets (income from the disposal of farm land - Part Lot 12 Toodyay Road) which was budgeted to be transferred to the Future Development reserve.
- A/C 02022/07.1G - Transfer to Class IV Cells Reserve  
Current Budget: \$193,536      Forecast Budget: \$70,140      Variation: (\$123,396)  
This reflects the lower than budgeted Class IV tonnages expected to be received by year end and consequently a lower cell usage for which a provision is transferred to the Class IV Cells reserve for the construction of the next Class IV cell.
- A/C 02022/09.1G - Transfer to the Secondary Waste Reserve  
Current Budget: \$4,056,547      Forecast Budget: \$4,513,200      Variation: \$456,653  
This reflects the increase in commercial tonnages expected to be received by year end for which a levy per tonne received is transferred to the Secondary Waste reserve.
- A/C 02022/09.1H - Transfer from the Secondary Waste Reserve  
Current Budget: (\$4,113,856)      Forecast Budget: (\$2,388,051)      Variation: \$1,725,805  
This principally reflects the preliminary works on the Resource Recovery Facility carried forward into the 2008/2009 financial year. This amount was budgeted to be funded from the Secondary Waste reserve.  
  
As previously reported to Council at the meeting held on 7 December 2006 (refer TAC Item 9.5), this variation is also due to the additional cash required to fund the shortfall in the Class IV Reserves in relation to the construction of the Class IV landfill cell. Funds utilised for this purpose have been budgeted to be returned in subsequent financial years.
- A/C 02022/10.1H - Transfer from the Class III Cells Reserve  
Current Budget: \$Nil      Forecast Budget: (\$77,200)      Variation: (\$77,200)  
This variance relates to additional funding required to complete the construction of the Class III cell.



*Item 12.2 continued*

### **Summary**

The EMRC financial reporting format is such that all forecasts entered into the financial system actually represent a review of budget provisions and form the basis for all future years financial planning.

Due to the current inability of the financial system to retain the “budget spreads” that have been manually adjusted since adoption of the budget, and the fact that year end financials are still required under legislation to be reported against the original budget adopted by Council, it is recommended that, except for those significant items as outlined in the body of the report, no changes be made to the original adopted budget to reflect the forecasts to 30 June 2008.

### **STRATEGIC/POLICY IMPLICATIONS**

The report has been prepared as part of the objective of “Continuing to improve corporate financial management”.

### **FINANCIAL IMPLICATIONS**

Nil

### **SUSTAINABILITY IMPLICATIONS**

Nil

### **ATTACHMENT(S)**

Nil

### **VOTING REQUIREMENT**

Absolute Majority

### **RECOMMENDATION(S)**

That:

1. The report on the review of the 2007/2008 budget be received.
2. The Forecast Budgets as specified within the body of the report be adopted, by an absolute majority in accordance with Financial Management regulation 33A, as the revised budget provisions for the 2007/2008 financial year.
3. The review of the 2007/2008 budget be adopted and submitted to the Department of Local Government and Regional Development within 30 days in accordance with the provisions of Local Government (Financial Management) Regulation 33A.

### **Discussion ensued**

In response to Cr Lavell’s question regarding the large variation in the Income Class III Cells – Red Hill Landfill Facility budget on Page 26 the Executive Manager, Corporate Services advised that there is a large variation due to anticipated material not coming from Subiaco and Midland Redevelopment Authorities which has either gone elsewhere or been remediated on site.



*Item 12.2 continued*

In response to Cr Färdig's question regarding large variations with the first two items in Depreciation Expenses on Page 29 the Executive Manager, Corporate Services advised that expenditure on I.T. equipment would take place in the second half of the year which would affect the depreciation expense for the year and that office furniture and fittings had been fully depreciated.

**AUDIT COMMITTEE RECOMMENDATION(S)**

MOVED CR KLEIN

SECONDED CR LAVELL

That:

1. The report on the review of the 2007/2008 budget be received.
2. The Forecast Budgets as specified within the body of the report be adopted, by an absolute majority in accordance with Financial Management regulation 33A, as the revised budget provisions for the 2007/2008 financial year.
3. The review of the 2007/2008 budget be adopted and submitted to the Department of Local Government and Regional Development within 30 days in accordance with the provisions of Local Government (Financial Management) Regulation 33A.

CARRIED UNANIMOUSLY

**COUNCIL RESOLUTION(S)**

MOVED CR MAGRO

SECONDED CR ALBERT

THAT:

1. THE REPORT ON THE REVIEW OF THE 2007/2008 BUDGET BE RECEIVED.
2. THE FORECAST BUDGETS AS SPECIFIED WITHIN THE BODY OF THE REPORT BE ADOPTED, BY AN ABSOLUTE MAJORITY IN ACCORDANCE WITH FINANCIAL MANAGEMENT REGULATION 33A, AS THE REVISED BUDGET PROVISIONS FOR THE 2007/2008 FINANCIAL YEAR.
3. THE REVIEW OF THE 2007/2008 BUDGET BE ADOPTED AND SUBMITTED TO THE DEPARTMENT OF LOCAL GOVERNMENT AND REGIONAL DEVELOPMENT WITHIN 30 DAYS IN ACCORDANCE WITH THE PROVISIONS OF LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATION 33A.

CARRIED UNANIMOUSLY



## 13 REPORTS OF DELEGATES

Nil

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

Nil

## 15 GENERAL BUSINESS

### 15.1 INTERNAL AUDITORS

The Executive Manager, Corporate Services advised that the internal auditors have completed year one audits from the audit program previously approved by the Audit Committee, consisting of four main areas being Procurement, Contract Management, Information Technology and Payroll. Finalised reports on the internal audit are expected to be referred to either the June or August Audit Committee meeting.

## 16 FUTURE MEETINGS OF THE AUDIT COMMITTEE

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

### “2.3 Meetings

*The committee meet as required at the discretion of the chairman of the committee at least three (3) times per year to coincide with approval of strategic and annual plans, the annual budget and the auditor’s report on the annual financial report.*

*Additional meetings shall be convened at the discretion of the Chairman or at the written request of any member of the Committee or external auditor.”*

### **Future Meetings 2008**

Thursday	10 April	at	EMRC Administration Office
Thursday	5 June (if required)	at	EMRC Administration Office
Thursday	7 August	at	EMRC Administration Office
Thursday	4 September (if required)	at	EMRC Administration Office
Thursday	9 October (if required)	at	EMRC Administration Office

## 17 DECLARATION OF CLOSURE OF MEETING

There being no further business the meeting was closed at 6:32pm.