



MINUTES

CERTIFICATION OF CONFIRMATION OF COMMITTEE MEETING MINUTES

10 SEPTEMBER 2009

I, Cr Janet Powell, hereby certify that the following minutes pages 1 to 65 of the Meeting of **AUDIT COMMITTEE** held on 10 September 2009 were confirmed at a meeting of the Committee held on 8 April 2010.



Signature

Cr Janet Powell
Name

Person presiding at the Committee Meeting held on 8 April 2010

AUDIT COMMITTEE

MINUTES

10 September 2009

(REF: COMMITTEES-9868)

A meeting of the Audit Committee was held at the EMRC Administration Office, 1st Floor, 226 Great Eastern Highway, BELMONT WA 6104 on **Thursday, 10 September 2009**. The meeting commenced at **6.31pm**.

TABLE OF CONTENTS

1	DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS	1
2	ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE PREVIOUSLY APPROVED	1
3	DISCLOSURE OF INTERESTS	1
4	ANNOUNCEMENT BY THE CHAIRMAN OR PERSON PRESIDING WITHOUT DISCUSSION	1
5	APPLICATION FOR LEAVE OF ABSENCE	1
6	PRESENTATIONS	1
7	CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS	2
	7.1 <i>MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 13 AUGUST 2009</i> <i>(Ref: Committees-9685)</i>	2
8	QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN	2
9	QUESTIONS WITHOUT NOTICE	2
10	ANNOUNCEMENT OF CONFIDENTIAL MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC	2
11	BUSINESS NOT DEALT WITH FROM A PREVIOUS MEETING	2
12	REPORTS OF OFFICERS/AUDITORS	3
	12.1 <i>ADOPTION OF RED HILL WASTE MANAGEMENT FACILITY ENVIRONMENTAL POLICY (Ref: Committees-9870)</i>	3
	12.2 <i>ANNUAL FINANCIAL REPORT AND AUDIT REPORT FOR YEAR ENDED 30 JUNE 2009 (Ref: Committees-9944)</i>	11
13	REPORTS OF DELEGATES	65
14	CONFIDENTIAL MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC	65
15	GENERAL BUSINESS	65
16	FUTURE MEETINGS OF THE AUDIT COMMITTEE	65
17	DECLARATION OF CLOSURE OF MEETING	65



1 DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

The Acting Chairman opened the meeting at 6.31pm.

2 ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE PREVIOUSLY APPROVED

Councillor Attendance

Cr Tina Klein (Acting Chairman)	EMRC Member	Town of Bassendean
Cr Janet Powell	EMRC Member	City of Belmont
Cr Don McKechnie	EMRC Member	Shire of Kalamunda
Cr David Lavell	EMRC Member	Shire of Mundaring

Apologies

Cr David Färdig (Chairman)	EMRC Member	City of Swan
Cr Lou Magro	EMRC Member	City of Bayswater

EMRC Officers

Mr Peter Schneider	Acting Chief Executive Officer
Mr David Ameduri	Manager, Financial Services
Mr Johan Le Roux	Acting Executive Manager Waste Management Services
Ms Rachael Lovegrove	Senior Environmental Co-ordinator
Ms Mary-Ann Winnett	Personal Assistant to Executive Manager, Corporate Services (Minutes)

Visitors

Mr Tony Macri, Partner	Macri Partners
Mr Terry Tan, Audit Manager Taxation Accountant	Macri Partners

3 DISCLOSURE OF INTERESTS

Nil

4 ANNOUNCEMENT BY THE CHAIRMAN OR PERSON PRESIDING WITHOUT DISCUSSION

Nil

5 APPLICATION FOR LEAVE OF ABSENCE

Nil

6 PRESENTATIONS

Nil



7 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

7.1 MINUTES OF AUDIT COMMITTEE MEETING HELD ON 13 AUGUST 2009

That the Minutes of the Audit Committee meeting held 13 August 2009, which have been distributed, be confirmed.

AC RESOLUTION(S)

MOVED CR LAVELL

SECONDED CR MCKECHNIE

THAT THE MINUTES OF THE AUDIT COMMITTEE HELD ON 13 AUGUST 2009, WHICH HAVE BEEN DISTRIBUTED, BE CONFIRMED.

CARRIED UNANIMOUSLY

8 QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN

Nil

9 QUESTIONS WITHOUT NOTICE

Nil

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

Nil

11 BUSINESS NOT DEALT WITH FROM A PREVIOUS MEETING

Nil



12 REPORTS OF OFFICERS/AUDITORS

12.1 ADOPTION OF RED HILL WASTE MANAGEMENT FACILITY ENVIRONMENTAL POLICY

REFERENCE: COMMITTEES-9870

PURPOSE OF REPORT

To seek Council endorsement of proposed amendments to the Red Hill Environmental Policy.

KEY ISSUES AND RECOMMENDATION(S)

- The EMRC is required to have an Environmental Management System (EMS) for the Red Hill Waste Management Facility.
- Part of the EMS is the Red Hill Environmental Policy. The current Red Hill Environmental Policy was endorsed by Council in 23 February 2006.
- Amendments to the Red Hill Environmental Policy are proposed to ensure the Environmental Policy meets ISO 14001 standards for Environmental Management Systems.

Recommendation(s)

That Council endorse the Red Hill Environmental Policy as amended.

SOURCE OF REPORT

Executive Manager, Waste Management Services
Senior Environmental Coordinator, Waste Management

BACKGROUND

In June 1997 the EMRC submitted a Consultative Environmental Review to the Environmental Protection Authority (EPA) for a proposal to construct Class IV Waste disposal cells at the Red Hill Waste Management Facility. Approval by the EPA was granted in November 1997 in accordance with certain ministerial conditions and proponent commitments. Ministerial conditions M4.1 and M4.2 specify that the EMRC shall develop and implement an Environmental Management System (EMS) for the Red Hill Waste Management Facility.

An EMS is best described as a system that an organisation puts in place to manage the environmental impacts of its operations. In addition, an EMS will achieve compliance with all relevant legal requirements and assist in continually improving environmental performance.

The EMRC has been preparing environmental procedures, systems and guidelines to support the framework of an EMS since 1997.

REPORT

The EMRC has decided to further progress Red Hill's EMS to International Standards for Environmental Management Systems – ISO 14001, and seek certification to this standard. The benefits of gaining ISO 14001 certification for the Red Hill facility include:

- Facilitates legislative permit and approval processes for future EMRC projects at Red Hill;
- Enhances business image and provides market advantage for various products and services offered by Red Hill by meeting customer and client certification criteria;
- Improves industry-government relations;



Item 12.1 continued

- Provides options for Best Practice Environmental Licensing from government regulators (DEC) which is a less prescriptive and more self-regulated form of operating licence;
- Fosters good public/community relations; and
- Provides the best framework for continually improving environmental performance on site.

An integral part of Red Hill's EMS is the Environmental Policy, as it establishes the environmental responsibility and performance expected by the EMRC. The policy will guide the preparation of measurable objectives and targets relevant to the Red Hill operations.

The EMRC has prepared draft changes to the previous Environmental Policy to meet the requirements of the ISO 14001 standard and better reflect the growing activities, products and services of the Red Hill operations. The policy review and update has undergone an extensive consultative process throughout the EMRC. More specifically, the amendments include additional environmental commitments, which are summarised as:

- Support community liaison programmes;
- Strive for continuous improvement;
- Be innovative through research;
- Support better waste management practices;
- Raise environmental awareness;
- Reduce greenhouse gas emissions;
- Evaluate climate change implications;
- Implement water conservation strategies; and
- Integrate environmental sustainability.

The draft policy content can be viewed in detail in Attachment 1.

The ISO 14001 standard requires that the policy be communicated to all employees and be made available to the public. To achieve this, the EMRC decided to improve the 'front-end' of the policy so it could be used at EMRC events such as public open days, tour groups, employee and contractor inductions, site training and awareness sessions. Graphic design work resulted in the policy being restyled into a mini-pocket booklet which outlines the EMRC's commitment, objectives and responsibilities towards environmental management and is displayed across background imagery of plant species selected from rehabilitated areas of Red Hill. This booklet now has the ability to serve both internal and external communication requirements. An example of the draft policy booklet will be provided in the meeting.

Overall the EMRC's proposed Environmental Policy for Red Hill has an effective structure and content by being brief, visionary, real and relevant, whilst being motivational and committed towards improving environmental performance. To ensure the policy has organisational support, the standard requires the policy to be endorsed by an organisation's "governing body". In the case of the EMRC, this is the Council.

STRATEGIC/POLICY IMPLICATIONS

Key Result Area 1 – Environmental Sustainability

- 1.5 To provide sustainable waste disposal operations

Key Result Area 4 – Good Governance

- 4.5 To provide responsible and accountable governance and management of the EMRC
-



Item 12.1 continued

FINANCIAL IMPLICATIONS

The cost of this project encompasses the graphic design work and printing requirements for the policy booklet. A total of \$700 has been spent to date on the graphic design work for the booklet, and a further \$800 is required for printing a supply of booklets for inductions, training sessions and open days from an allocated budget of \$2000. An A4 framed copy will also be prepared for display in the Red Hill training/meeting room.

SUSTAINABILITY IMPLICATIONS

The proposed amendments to Red Hill's Environmental Policy will have environmental sustainability implications by establishing guiding principles for best practice environmental management of the facility through preventing pollution, complying with all relevant legal requirements and committing to continual improvement in environmental performance.

MEMBER COUNCIL IMPLICATIONS

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

ATTACHMENT(S)

Draft Environmental Policy ([Ref: Committees-9940](#))

VOTING REQUIREMENT

Simple Majority

RECOMMENDATION(S)

That Council endorse the Red Hill Environmental Policy as amended.



Item 12.1 continued

The CEO advised that EMRC's licence at Red Hill could be at risk if not maintained to the required standard. This policy is part of a risk mitigation strategy and fits in with the Audit Committee's terms of reference. The CEO introduced the Mr Johan Le Roux, Acting Executive Manager Waste Management Services and Ms Rachael Lovegrove, Senior Environmental Co-ordinator.

The Senior Environmental Co-ordinator gave a brief summary of the report and explained the advantages of amending the environmental policy to ensure it meets ISO 14001 standards for Environmental Management Systems.

Discussion ensued, the following questions were asked:

Question 1. Is the environmental policy part of a major document and is it auditable?

Response: The attached Environmental Policy is part of an Environmental Management System (EMS) that sets up the framework for the implementation of that system, which is then auditable according to the standards and from which internal objectives and targets can be set.

Question 2. Isn't EMRC already running Red Hill to ISO standards?

Response: There is definitely an EMS in place at Red Hill, however it is not implemented to ISO 14001 standards, which came into place around 2004.

Question 3. Why has the EMRC decided to apply for the ISO 14001 standard now?

Response: The EMRC has an Environmental Team which has the capacity to develop and implement an EMS to ISO 14001 standards. The other reasons for gaining accreditation are outlined in the report.

Question 4. Which are the four groups mentioned in the report?

Response: The four groups consist of school groups, international visitors and other councils.

Question 5. Is the attached draft policy a summary of the Red Hill Environmental Management System?

Response: The attachment is the policy itself and not a summary of the entire EMS. The EMS has many other components such as procedures, registers and programmes related to site processes or activities that have the potential to impact on the environment.

Question 6. Are the Australian Standards for environmental management systems equivalent to ISO 14001?

Response: Australian Standards have adopted the ISO 14001 international standards for Environmental Management Systems.

Question 7. Has EMRC received support from the site staff?

Response: The policy is a necessary component of the EMS and is a requirement of the standard. The EMRC has received full support from site staff in moving towards ISO 14001. The Environmental Team has commenced environmental inductions and established training and awareness programmes with site staff. These environmental workshops have enabled operational staff to identify the potential environmental impacts of their daily tasks which is an integral part of implementing the EMS and its policy.



Item 12.1 continued

AC RECOMMENDATION(S)

MOVED CR POWELL

SECONDED CR LAVELL

That Council endorse the Red Hill Environmental Policy as amended.

CARRIED UNANIMOUSLY

EMRC
Red Hill Waste Management Facility
Environmental Policy
(Amended September 2009)

Commitment

The EMRC manages the Red Hill Waste Management Facility on behalf of its six member councils in the eastern region of the Perth metropolitan area. The EMRC is committed to minimising the environmental and social impacts of our operations by working towards best practice management.

Objectives

To fulfil these commitments the EMRC will:

Comply as a minimum with all applicable environmental **legal obligations** and internal EMRC standards;

Openly and transparently **report** our environmental performance;

Strive to meet **community** expectations through addressing concerns and providing avenues for them to liaise with EMRC staff and management;

Strive for **continuous improvement** by implementing and maintaining an EMS that is communicated and supported from management to operational staff and contractors (at all levels) to achieve best practice management;

Continue to be **innovative** by supporting research into the understanding of the environment which will enable us to use sound data as the basis for all environmental and operational decisions;

Encourage and support better waste management practices through education and waste diversion strategies;

Prevent pollution and environmental degradation by assessing the environmental implications of planning decisions associated with the design, construction and operation of the Red Hill Waste Management Facility;

Raise **environmental awareness** for staff and contractors to be aware of and accountable for their individual contributions to environmental performance and encourage every employee and contractor to demonstrate respect for the environment.

Be committed to reducing greenhouse emissions through appropriate mitigation and adaptation strategies and evaluate the climate change implications of operational and strategic decisions.

Maintain regular water quality monitoring to ensure sustainable use of groundwater and identify sources of contamination. Implement various water conservation measures to conserve water resources on site.

Focus on meeting the needs of current and future generations by integrating environmental sustainability, social opportunities and economic development into the Red Hill Waste Management Facility operations.

Our Responsibilities

Each employee and contractor has a personal obligation to comply with the EMRC Environmental Policy.

Management is responsible for taking this policy into consideration when making any planning or operational decisions. Management is also responsible for ensuring the policy is communicated to and implemented by all staff, contractors, suppliers, local community and visitors.

Our environmental program will be audited on a regular basis to confirm and improve our performance against the requirements of this policy.

The EMRC publicly reports its environmental performance in its annual monitoring and compliance report.

“Signature” “Date”
Chief Executive Officer

“Signature” “Date”
Chairman

DRAFT



12.2 ANNUAL FINANCIAL REPORT AND AUDIT REPORT FOR YEAR ENDED 30 JUNE 2009

REFERENCE: COMMITTEES-9944

PURPOSE OF REPORT

To review Council's draft Annual Financial Report for the Year Ended 30 June 2009 and to recommend adoption of the Annual Financial Report for the Year Ended 30 June 2009.

KEY ISSUES AND RECOMMENDATION(S)

The 'Terms of Reference of the Audit Committee' includes a list of duties and responsibilities. Among those duties and responsibilities is a requirement for the Committee to:

- Review Council's draft annual financial report; and
- Recommend adoption of the Annual Financial Report to Council.

Recommendation(s)

That:

1. The audited Annual Financial Report for the Year Ended 30 June 2009 and the report of the Auditor on that Annual Financial Report be adopted.
2. In accordance with Regulation 51(2) of the Local Government (Financial Management) Regulations 1996, a copy of the 2008/2009 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government, within 30 days of the receipt by the local government's CEO of the auditor's report on that financial report.

SOURCE OF REPORT

Acting Chief Executive Officer
Manager Financial Services

BACKGROUND

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.

REPORT

The 'Terms of Reference of the Audit Committee' includes a list of duties and responsibilities. Among those duties and responsibilities (clauses 2.5 (a) (v) and (vi)) are requirements for the Committee to:

- (i) 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.



Item 12.2 continued

- (ii) Recommend adoption of the annual financial report to Council.

Council's auditor, Mr A Macri of Macri Partners has completed the audit of the Eastern Metropolitan Regional Council Annual Financial Report for the year ended 30 June 2009.

The independent audit report on that Annual Financial Report is yet to be received. However, it is expected to be received early in the week commencing Monday 7 September 2009 and will be tabled at the Audit Committee meeting to be held on 10 September 2009.

Attached is a copy of the draft audited Annual Financial Report for the year ended 30 June 2009 (pages 1-45) for recommendation to Council for adoption (refer Attachment 1).

The Auditor will be represented as required by Clause 2.2 (e) of the Audit Committee Terms of Reference when the Committee is reviewing the draft Annual Financial Report.

The following comments are provided on key elements of the financial results for 2008/2009.

Income Statement (pg 6 - 7 of 45)

Total Revenue from Ordinary Activities of \$26,953,620 as at 30 June 2009 is \$1,734,757 greater than the 2007/2008 actual revenue from ordinary activities and \$314,808 below budget for 2008/2009.

Total Expenses from Ordinary Activities of \$20,739,137 are \$2,755,437 greater than the 2007/2008 actual expenses from ordinary activities and \$516,977 below budget for 2008/2009.

An actual loss of \$4,946 has resulted from the Disposal of Assets as at 30 June 2009 and is \$29,186 lower than the 2007/2008 actual profit of \$24,240 and \$59,918 below the budget for 2008/2009 of \$54,972.

An Unrealised loss of \$3,250,474 has resulted from the change in the fair value of investments as at 30 June 2009 compared to an unrealised loss of \$4,180,201 as at 30 June 2008. Unrealised gains or losses represent a fair value measurement of the financial instruments during the period in which they are held, i.e. marked to market. It should be noted that actual gains or losses on financial instruments will not be realised until such time as the individual investments are sold.

The Actual Net Result of \$2,959,063 as at 30 June 2009 is \$120,139 below the level of 2007/2008 and \$3,108,223 below the 2008/2009 budget.

This variation to budget is principally a result of the unrealised loss of \$3,250,474 on the market value of investment as outlined above together with other variations to budget which were identified as part of the half year budget review process undertaken during March/April 2009 and submitted to Council via the Audit Committee meeting held on 16 April 2009.

Balance Sheet (pg 8 - 9 of 45)

Current assets as at 30 June 2009 have decreased \$2,400,115 in comparison to the level stated as at 30 June 2008. This is due to the application of funds to the purchase of fixed assets including the purchase of land adjacent the Ascot Place to the value of approximately \$2.6m.

The overall impact on cash and investments at the close of the financial year is a decrease of \$1,884,492 to \$24,006,292.

Current liabilities as at 30 June 2009 have decreased \$1,000,589 in comparison to the level stated as at 30 June 2008. This relates predominantly to the lower level of outstanding accounts payable as at the reporting year end.

The value of Reserves has increased by \$3,074,246 in comparison to the level stated as at 30 June 2008. This is primarily as a result of the lower level of funds required from Reserve funds together with funds transferred to Reserve funds during the 2008/2009 financial year.

Overall equity has increased during the 2008/2009 financial year by \$2,959,063 to \$46,050,330.



Item 12.2 continued

Cash Flow Statement (pg 10 of 45)

Net Cash provided by Operating Activities of \$7,494,133 reflects a decrease of \$2,434,611 from the 2007/2008 value of \$9,928,744.

The overall impact on the cash position at the close of the financial year is an increase of \$4,603,129 to \$15,098,546 from the 2007/2008 value of \$10,495,417.

The cash flows used in investing activities for 2008/2009 reflects capital expenditure totalling \$6,363,711 compared to capital expenditure totalling \$4,042,836 during 2007/2008.

Significant items of capital expenditure during the year included:

- Purchase land - Ascot Place (\$2,608,504);
- Purchase/replace vehicles - Ascot Place and Red Hill (\$441,062);
- Upgrade administration building - Ascot Place (\$110,870);
- Upgrade air conditioning equipment - Ascot Place (\$122,672);
- Construction of Class III Stage 12 waste disposal cell - Red Hill (\$157,429);
- Construction of roads/carparks - Red Hill Landfill facility (\$387,206);
- Construct perimeter fencing - Red Hill Farm (\$152,789);
- Construct greenwaste processing area - Red Hill Landfill facility (\$151,835);
- Complete construction of hardstand and road at the Hazelmere site (\$166,869);
- Purchase/replace minor plant and equipment - Red Hill (\$199,106);
- Purchase/replace plant - Hazelmere (\$939,716); and
- Purchase/replace plant - Red Hill (\$677,549).

Significant capital items that were budgeted but not purchased, constructed below budget or construction not completed during the year included (to the nearest thousand dollars):

- Information technology purchases - Ascot Place (\$284,000);
- Upgrade administration building - Ascot Place (\$639,000);
- Upgrade air conditioning equipment - Ascot Place (\$77,000);
- Preliminary works for the construction of a Resource Recovery Park (\$2,000,000);
- Construction of waste management facility buildings - Red Hill Landfill facility (\$60,000);
- Construction of Class III Stage 12 waste disposal cell - Red Hill Landfill facility (\$243,000);
- Construction of a weighbridge - Hazelmere (\$150,000);
- Construct perimeter fencing - Red Hill Farm (\$63,000);
- Purchase/Replace Plant - Red Hill Landfill facility (\$588,000); and
- Purchase/replace plant - Hazelmere (\$54,000);

Funding for the majority of the capital items listed above has been carried forward into the 2009/2010 financial year.



Item 12.2 continued

Reserves (pg 30 - 33 of 45)

During the 2008/2009 financial year the amount held in Reserves (page 32 of 45, Note 15) increased by \$3,074,246 to a balance of \$26,536,398. This is \$3,458,042 more than the original budgeted 2008/2009 closing balance of \$23,078,356. As previously stated, this is primarily as a result of the low level of funds utilised from Reserve funds together with the high level of funds transferred to Reserve funds during the 2008/2009 financial year.

STRATEGIC/POLICY IMPLICATIONS

Addresses the following:

Key Result Area 3 - Economic Development

- 3.4 - To improve member Council and EMRC financial viability

Key Result Area 4 - Good Governance

- 4.6 - To continue to improve financial and asset management.

FINANCIAL IMPLICATIONS

As outlined in the report and attachments

SUSTAINABILITY IMPLICATIONS

Nil

MEMBER COUNCIL IMPLICATIONS

Member Council	Implication Details
Town of Bassendean	} Proportional share of increase in the total equity of the EMRC from 2007/2008 to 2008/2009 as advised under separate cover.
City of Bayswater	
City of Belmont	
Shire of Kalamunda	
Shire of Mundaring	
City of Swan	

ATTACHMENT(S)

1. Annual Financial Report for the Year Ended 30 June 2009 including tabled Independent Audit Report from Macri Partners (Ref: Committees-9961)
2. Tabled at the meeting – Interim Audit Report for Year Ended 30 June 2009 (Ref: Committees-10004)

VOTING REQUIREMENT

Simple Majority



Item 12.2 continued

RECOMMENDATION(S)

That:

1. The audited Annual Financial Report for the Year Ended 30 June 2009 and the report of the Auditor on that Annual Financial Report be adopted.
2. In accordance with Regulation 51(2) of the Local Government (Financial Management) Regulations 1996, a copy of the 2008/2009 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government, within 30 days of the receipt by the local government's CEO of the auditor's report on that financial report.

Discussion ensued

The CEO referred to the replacement attachments to this report and advised that after submitting the statements to the auditors they had requested minor changes, but not to any of the figures. The CEO further advised that the auditors had finalised their interim audit report, which had also been tabled.

The CEO referred to page 6 of 45 of attachment 1 to report and noted that on adding back the unrealised gain/loss figure of \$3.25M to the actual net result figure of \$2.9M, the result was within approximately \$142,000 of the budgeted figure of approximately \$6.07M. This was a good result for the organisation, given that it was not possible to predict unrealised gains or losses for budget purposes.

There was considerable discussion relating to the market value of EMRC's investments and unrealised gains and losses. Mr Tan and Mr Macri advised that some of EMRC's investments, in particular CDO's, had been written down but not written off as it was still impossible to predict market movement. Mr Macri advised that in recognition of the possibility that funds could be recovered, unless a company has been declared bankrupt, it was decided to write down the loss. This was in accordance with International Accounting Standards.

Cr McKechnie asked why the reserves were falling short of being cash backed and queried how the EMRC could have money available on 30 June 2009 but when reported back was not backed by cash. The CEO advised that it was the difference between the cash backing and the writedown of the CDO's and was an accounting treatment as required by accounting standards.

Cr Lavell stated that EMRC officers had done everything they could to mitigate the loss and should be applauded for their effort.

Cr Powell thanked the auditors for their report.

AC RECOMMENDATION(S)

MOVED CR POWELL

SECONDED CR LAVELL

That:

1. The audited Annual Financial Report for the Year Ended 30 June 2009 and the report of the Auditor on that Annual Financial Report be adopted.
2. In accordance with Regulation 51(2) of the Local Government (Financial Management) Regulations 1996, a copy of the 2008/2009 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government, within 30 days of the receipt by the local government's CEO of the auditor's report on that financial report.

CARRIED 3/1

**ANNUAL
FINANCIAL
REPORT**

**For the Year Ended
30 June 2009**

EASTERN METROPOLITAN REGIONAL COUNCIL

2008/2009 ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

DETAILS	PAGE NO
Statement by Chief Executive Officer	4
Financial Statements	
Income Statement - By Program	6
Income Statement - By Nature and Type	7
Balance Sheet	8
Statement of Changes in Equity	9
Cash Flow Statement	10
Notes to and forming part of the Financial Statements	12-42
Independent Audit Report	44-45

STATEMENT BY CHIEF EXECUTIVE OFFICER



**For the Year Ended
30 June 2009**

EASTERN METROPOLITAN REGIONAL COUNCIL

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2009

**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 being the annual financial report and supporting notes and other information for the financial year ended 30 June 2009 are in my opinion properly drawn up to present fairly the financial position of the Eastern Metropolitan Regional Council at 30 June 2009 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed on the 1st day of September 2009



PETER B. SCHNEIDER
Acting Chief Executive Officer

FINANCIAL STATEMENTS



**For the Year Ended
30 June 2009**

EASTERN METROPOLITAN REGIONAL COUNCIL
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

INCOME STATEMENT BY PROGRAM	NOTE	ACTUAL 2008/2009 \$	BUDGET 2008/2009 \$	ACTUAL 2007/2008 \$
REVENUE FROM ORDINARY ACTIVITIES				
Governance		263,435	332,482	344,399
General Purpose Funding		1,553,493	1,711,100	1,573,532
Community Amenities		23,725,834	23,594,908	21,775,881
Other Property and Services		1,410,858	1,629,938	1,525,051
TOTAL REVENUE FROM ORDINARY ACTIVITIES		26,953,620	27,268,428	25,218,863
EXPENSES FROM ORDINARY ACTIVITIES				
Governance		1,817,810	2,207,725	1,849,140
Community Amenities		15,866,276	15,742,387	13,267,634
Other Property and Services		3,055,051	3,306,002	2,866,926
TOTAL EXPENSES FROM ORDINARY ACTIVITIES		20,739,137	21,256,114	17,983,700
INCREASE / (DECREASE)		6,214,483	6,012,314	7,235,163
DISPOSAL OF ASSETS				
Proceeds from Sale of Assets		235,560	479,735	363,136
Less Carrying Amount of Assets Disposed		(240,506)	(424,763)	(338,896)
PROFIT / (LOSS) ON DISPOSALS	22	(4,946)	54,972	24,240
UNREALISED GAIN/(LOSS) FROM CHANGE IN FAIR VALUE OF INVESTMENTS				
General Purpose Funding	7(c)	(3,250,474)	0	(4,180,201)
GAIN / (LOSS)		(3,250,474)	0	(4,180,201)
NET RESULT		2,959,063	6,067,286	3,079,202

The income statement is to be read in accordance with the attached
notes to the financial statements.

EASTERN METROPOLITAN REGIONAL COUNCIL
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

INCOME STATEMENT BY NATURE AND TYPE	NOTE	ACTUAL 2008/2009 \$	BUDGET 2008/2009 \$	ACTUAL 2007/2008 \$
REVENUE FROM ORDINARY ACTIVITIES				
Fees and Charges	4	21,984,286	22,110,993	21,972,639
Contributions and Reimbursements		2,131,753	1,537,968	597,747
Operating Grants	5	783,161	1,155,153	828,602
Interest Earnings	19	1,553,492	1,711,100	1,573,532
Other Revenue		500,928	753,214	246,343
TOTAL REVENUE FROM ORDINARY ACTIVITIES		26,953,620	27,268,428	25,218,863
EXPENSES FROM ORDINARY ACTIVITIES				
Employee Costs		6,437,307	6,869,432	5,438,029
Materials and Contracts		8,581,082	7,515,188	5,240,463
Utility Expenses		69,406	107,900	96,806
Insurance Expenses		155,255	157,255	174,863
Finance Fees and Interest Expenses		12,224	10,300	18,659
Other Expenditure		3,876,720	4,455,802	3,693,619
Depreciation Expenses	2	1,607,143	2,140,237	3,321,261
TOTAL EXPENSES FROM ORDINARY ACTIVITIES		20,739,137	21,256,114	17,983,700
DISPOSAL OF ASSETS				
Proceeds from Sale of Assets		235,560	479,735	363,136
Less Carrying Amount of Assets Disposed		(240,506)	(424,763)	(338,896)
PROFIT / (LOSS) ON DISPOSALS	22	(4,946)	54,972	24,240
UNREALISED GAIN/LOSS FROM CHANGE IN FAIR VALUE OF INVESTMENTS				
Unrealised Gain/(Loss)	7(c)	(3,250,474)	0	(4,180,201)
		(3,250,474)	0	(4,180,201)
NET RESULT		2,959,063	6,067,286	3,079,202

The income statement is to be read in accordance with the attached
notes to the financial statements.

EASTERN METROPOLITAN REGIONAL COUNCIL

BALANCE SHEET AS AT 30 JUNE 2009

	NOTE	ACTUAL 2008/2009 \$	ACTUAL 2007/2008 \$
CURRENT ASSETS			
Cash and Cash Equivalents	7(a)	15,098,546	10,495,417
Investments	7(b)	8,907,746	15,395,367
Trade and Other Receivables	9	2,376,503	2,897,243
Inventories	11	30,680	35,645
Other Assets	10	50,882	40,800
TOTAL CURRENT ASSETS		<u>26,464,357</u>	<u>28,864,472</u>
CURRENT LIABILITIES			
Trade and Other Payables	13	1,762,406	2,856,943
Provisions	14	902,420	808,472
TOTAL CURRENT LIABILITIES		<u>2,664,826</u>	<u>3,665,415</u>
NET CURRENT ASSETS		<u>23,799,531</u>	<u>25,199,057</u>
NON CURRENT ASSETS			
Property, Plant and Equipment	12	23,534,793	18,698,399
Work in Progress		33,903	354,235
TOTAL NON CURRENT ASSETS		<u>23,568,696</u>	<u>19,052,634</u>
NON CURRENT LIABILITIES			
Provisions	14	1,317,897	1,160,424
TOTAL NON CURRENT LIABILITIES		<u>1,317,897</u>	<u>1,160,424</u>
NET ASSETS		<u>46,050,330</u>	<u>43,091,267</u>
EQUITY			
Retained Surplus		19,513,932	19,629,115
Reserves	15	26,536,398	23,462,152
TOTAL EQUITY		<u>46,050,330</u>	<u>43,091,267</u>

The balance sheet is to be read in accordance with the attached notes to the financial statements.

EASTERN METROPOLITAN REGIONAL COUNCIL
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	ACTUAL 2008/2009 \$	ACTUAL 2007/2008 \$
RETAINED SURPLUS			
Balance at the beginning of the year		19,629,115	22,777,014
Net Result		2,959,063	3,079,202
Transfers from Reserves		6,394,464	3,515,552
Transfers to Reserves		(9,468,710)	(9,742,653)
Balance at the end of the year		<u>19,513,932</u>	<u>19,629,115</u>
RESERVES			
Balance at the beginning of the year		23,462,152	17,235,051
Amount transferred from retained surplus		9,468,710	9,742,653
Amount transferred to retained surplus		(6,394,464)	(3,515,552)
Balance at the end of year	15	<u>26,536,398</u>	<u>23,462,152</u>
TOTAL EQUITY		<u>46,050,330</u>	<u>43,091,267</u>

The statement of changes in equity is to be read in accordance with the attached notes to the financial statements.

EASTERN METROPOLITAN REGIONAL COUNCIL
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	ACTUAL 2008/2009 \$	BUDGET 2008/2009 \$	ACTUAL 2007/2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Flows from Normal Operating Activities				
Cash receipts in the course of normal operations		24,020,603	21,126,732	20,446,557
Cash payments in the course of normal operations		(21,937,184)	(17,674,386)	(15,896,699)
Interest receipts - Municipal Cash		277,182	318,000	297,906
Interest payments - Loan Ascot Place	23	0	0	(15,235)
Net Cash Provided by Normal Operating Activities		2,360,601	3,770,346	4,832,529
Cash Flows from Other Operating Activities				
<u>Resource Recovery</u>				
Cash receipts from secondary waste charge		4,424,697	4,430,596	4,569,240
Cash receipts from resource recovery project		24,771	0	482
Cash payments for resource recovery project		(664,323)	(1,274,935)	(556,211)
Interest receipts - secondary waste investment		847,617	747,980	693,174
<u>Other Activities</u>				
Interest receipts - other restricted investments		500,770	645,120	389,530
Net Cash Provided by Other Operating Activities		5,133,532	4,548,761	5,096,215
NET CASH PROVIDED BY OPERATING ACTIVITIES	16(ii)	7,494,133	8,319,107	9,928,744
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash receipts from sale of assets		235,560	479,735	363,136
Cash payments for acquisition of assets		(6,363,711)	(13,370,669)	(4,042,836)
NET CASH PROVIDED BY INVESTING ACTIVITIES		(6,128,151)	(12,890,934)	(3,679,700)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash payments - loan principal repayments	23	0	0	(321,804)
Cash receipts from sale of investments		3,237,147	0	4,240,552
Cash payments for acquisition of investments		0	0	(455,730)
NET CASH USED IN FINANCING ACTIVITIES		3,237,147	0	3,463,018
SUMMARY OF CASH FLOWS				
Cash at the beginning of the year		10,495,417	14,711,379	783,355
Net Increase (Decrease) in Cash Held		4,603,129	(4,571,827)	9,712,062
CASH AT THE END OF THE YEAR	16(i)	15,098,546	10,139,552	10,495,417

The cash flow statement is to be read in accordance with the attached
notes to the financial statements.

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



**For the Year Ended
30 June 2009**

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of these financial statements are:

Basis of Accounting

This financial report is a general purpose financial report which has been drawn up in accordance with applicable Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996. They have been prepared on the accrual basis under the convention of historical cost accounting.

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.

(a) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits 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 Cash Flow Statement, 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 balance sheet.

(b) Fixed Assets

Initial Recognition

All assets are initially recognised at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed includes the cost of all materials, direct labour and variable and fixed overheads.

Revaluation

Certain asset classes may be revalued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on a basis to reflect the already consumed or expired future economic benefits.

Those assets carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses, are to be revalued with sufficient regularity to ensure the carrying amount does not differ significantly from that determined using fair value at reporting date.

Land Under Roads

The roads on the land owned by the EMRC are private roads. The land under these private roads has already been recognised as part of the land cost shown in the Balance Sheet.

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Depreciation of Non-Current Assets

All non-current assets having a limited useful life are separately and systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets.

Depreciation is recognised on a straight-line basis, using rates which are reviewed each reporting period, as follows:

· Buildings	2-10%
· Structures	
General	2-10%
Class III and IV Waste Cells	% of actual usage
· Plant	15-40%
· Furniture and fittings	10-40%
· Equipment	10-40%

(d) Rates

The Eastern Metropolitan Regional Council does not levy rates. Accordingly rating information as required under the Local Government (Financial Management) Regulations 1996 has not been presented in these financial statements.

(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 6. 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 are carried at amortised cost. They 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 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 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 in the Income Statement.

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Revenue Recognition

Sale of Goods and Disposal of Assets

Revenue from the sale of goods and disposal of other assets is recognised when the Council has passed control of the goods or other assets to the buyer.

Rendering of Services

Revenue from the provision of services is recognised on an accrual basis.

Royalties

Royalty revenue is recognised on an accrual basis.

(i) 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.

Inventories held from trading are classified as current even if not expected to be realised in the next 12 months.

Land Held for Resale

Land purchased for development and/or resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development and interest incurred on the financing of that land during its development. Interest and holding charges incurred after development is complete are recognised as expenses.

(j) Financial Assets and Financial Liabilities

Council's financial assets and financial liabilities fall into loans and receivables categories and are measured at their initial recognition amount.

(k) 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 Balance Sheet are stated inclusive of applicable GST.

Cash flows are included in the cash flow statement 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.

(l) Trade and Other Receivables

Trade receivables, which generally have 30 - 90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any allowance for uncollectible amounts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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 not recognised for future operating losses.

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

(n) Provision for Site Rehabilitation

The estimated closure and post-closure site rehabilitation cost is charged to the income statement on a volumetric basis over the life of the landfill site.

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 cost is based on estimated current costs, determined on a non-discounted basis.

The estimated remaining capacity of the site as at 30 June 2009 is 1,227,299 m³.

(o) Provision for Environmental Monitoring

The estimated closure and post-closure environmental monitoring cost is charged to the income statement on a volumetric basis over the life of the landfill site.

The nature of work planned by Council includes monitoring of groundwater, surface water, leachate and landfill gas generation. The cost is based on estimated current costs, determined on a non-discounted basis.

The estimated remaining capacity of the site as at 30 June 2009 is 1,227,299 m³.

(p) Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

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

Borrowing Costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset.

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) 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.

(r) Employee Entitlements

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

(i) Wages, Salaries, Annual Leave and Long Service Leave (Short-term Benefits):

The provision for employees' benefits to wages, salaries, annual leave and long service leave expected to be settled within 12 months represents the amount the municipality has a present obligation to pay resulting from employees services provided to balance date. The provision has been calculated at nominal amounts based on remuneration rates the Council expects to pay and includes related on-costs.

(ii) Long Service Leave (Long-term Benefits):

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on government bonds with terms to maturity and currency that match as closely as possible, the estimated future cash outflows. Where Council does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

(ii) 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% for 2008/09). It also contributes to the LGSP and other choice funds for full scheme members (5% for 2008/09).

Contributions to defined contribution plans are recognised as an expense as they become payable.

(s) Rounding Of Amounts

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

(t) Comparative Figures

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

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the Council, are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are amortised over their estimated useful lives. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

(v) Investments and Other Financial Assets

Classification

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

(i) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and Derecognition

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

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

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Investments and Other Financial Assets (Continued)

Subsequent measurement

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

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when Council's right to receive payments is established. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss- measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(w) Estimation of Fair Value

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New Accounting Standards and Interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Council for the annual reporting period ending 30 June 2009.

Council's assessment of these new standards and interpretations is set out below:

	Title and Topic	Issued	Applicable ⁽¹⁾	Impact
(i)	AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8	February 2007	1 January 2009	Nil – The Standard is not applicable to not-for-profit entities.
(ii)	Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	June 2007	1 January 2009	Nil – The revised Standard has removed the option to expense all borrowing costs and, when adopted, will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Council as the council already capitalises borrowing costs relating to qualifying assets.
(iii)	Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 and AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101	September 2007 and December 2007	1 January 2009	Nil – The revised Standard requires the presentation of a statement of comprehensive income and make changes to the Statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If Council has made a prior period adjustment or has reclassified items in the financial statements, it is likely it will need to disclose a third balance sheet (Statement of financial position), being as at the beginning of the comparative period.

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New Accounting Standards and Interpretations (Continued)

Title and Topic	Issued	Applicable ⁽¹⁾	Impact
(iv) AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project	July 2008	1 January 2009	Nil – The revisions are part of the AASBs annual improvement project to help ensure consistency with presentation, recognition and measurement criteria of IFRSs.
AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	July 2008	1 July 2009	The revisions embodied in these standards relate largely to terminology or editorial comments and will have a minimal effect on the accounting practices of the Council. It is not anticipated the more significant change will have any effect on the financial report as the topics are not relevant to the operations of the Council.
(v) AASB 2008-11 Amendments to Australian Accounting Standard - Business Considerations Among Not-for-Profit Entities	November 2008	1 July 2009	Nil - Whilst this standard has the effect of applying AASB 3 Business Combinations to the Not-for-Profit sector, specific provisions are provided in respect of local government. These provisions are very similar to the previous requirements of AAS 27.
(vi) AASB 2008-1 Amendments to Australian Accounting Standard - Share Based Payments: Vesting Conditions and Cancellations	February 2008	1 January 2009	Nil - None of these amendments will have any effect on the financial reports as none of the topics are relevant to the operations of the Council.
AASB 2008-2 Amendments to Australian Accounting Standards Puttable Financial Instruments and Obligations Arising on Liquidation	March 2008	1 January 2009	

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New Accounting Standards and Interpretations (Continued)

Title and Topic	Issued	Applicable ⁽¹⁾	Impact
(vi) (Continued)			
AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	March 2008	1 January 2009	Nil - None of these amendments will have any effect on the financial reports as none of the topics are relevant to the operations of the Council.
AASB 2007-7 Amendments to Australian Accounting Standards - Cost of an Investment in Subsidiary, Jointly Controlled Entity or Associate	July 2008	1 January 2009	
AASB 2008-8 Amendments to Australian Accounting Standards - Eligible Hedged Items	August 2008	1 July 2009	
AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101	September 2008	1 January 2009	
AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 - Distributions of Non- Cash Assets to Owners	December 2008	1 July 2009	

EASTERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New Accounting Standards and Interpretations (Continued)

Title and Topic	Issued	Applicable ⁽¹⁾	Impact
(vi) (Continued)			
Interpretation 1- Changes in Existing, Decommissioning, Restoration and Similar Liabilities	June 2007	1 January 2009	Nil - None of these amendments will have any effect on the financial reports as none of the topics are relevant to the operations of the Council.
Interpretation 12 - Service Concession Arrangements	June 2007	1 January 2009	
Interpretation 15 - Agreements for the Construction of Real Estate	August 2008	1 July 2009	
Interpretation 16 - Hedges of a Net Investment in a Foreign Operation	August 2008	1 October 2008	
Interpretation 17 - Distributions of Non-Cash Assets to Owners	December 2008	1 July 2009	
Interpretation 18 - Transfer of Assets from Customers	March 2009	Ending 1 July 2009	

Notes:

(1) Applicable to reporting periods commencing on or after the given date.

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

2. DEPRECIATION AND AMORTISATION EXPENSE	ACTUAL 2008/2009	BUDGET 2008/2009	ACTUAL 2007/2008
	\$	\$	\$
Depreciation and amortisation expense for the reporting period was charged in respect of:			
Buildings	136,593	141,300	132,006
Structures	290,435	943,247	2,214,234
Plant	1,029,871	895,820	821,751
Equipment	130,039	146,520	138,014
Furniture and Fittings	20,205	13,350	15,256
	1,607,143	2,140,237	3,321,261

3. COMPONENT FUNCTIONS/ACTIVITIES

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

Governance

Records income and expenditure relating to the administration and operation of facilities and services to members of Council together with other administrative governance costs.

General Purpose Funding

Records interest revenue as well as other general purpose revenue.

Community Amenities

Records income and expenditure associated with the Red Hill Waste Disposal Facility - Class III cell, Class IV cell, weighbridge, transfer station and Hazelmere Site.

Other Property and Services

Records income and expenditure for public works overheads, plant operation, materials, salaries and wages. It also records income and expenditure for the Risk Management and Environmental Service departments (incorporating various Environmental Projects), the operations of the Ascot Place activity, and income and expenditure relating to the Regional Development activity incorporating various projects.

EMRC MISSION STATEMENT

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

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

4. FEES AND CHARGES SUMMARY BY PROGRAM	ACTUAL 2008/2009 \$	BUDGET 2008/2009 \$	ACTUAL 2007/2008 \$
Governance	4,483	12,000	13,420
Community Amenities	21,644,934	21,793,336	21,567,095
Other Property and Services	334,869	305,657	392,124
Total Statutory Fees and Charges	21,984,286	22,110,993	21,972,639

5. GRANT REVENUE BY PROGRAM	ACTUAL 2008/2009 \$	ACTUAL 2007/2008 \$
Community Amenities	184,995	133,932
Other Property and Services	598,166	694,670
Total Statutory Fees and Charges	783,161	828,602

6. CONTROL OVER CONTRIBUTIONS	ACTUAL 2008/2009 \$	ACTUAL 2007/2008 \$
Conditions Over Contributions		
(1) Grants which were recognised as revenue during the year but have yet to be applied in that manner at the reporting date were:		
Earth Carers Volunteer Program	5,850	0
Watsonia OMCF Project	0	275
Swan View Primary School Creekline Rehab. Project	0	9,494
Salinity Management in Wooroloo Demonstrations Project	0	21,089
(2) Grants which were recognised as revenue in a previous year and have not yet been applied in the manner specified by the grantor were:		
	0	0
(3) Grants which were recognised as revenue in a previous year and were expended in the current year in the manner specified by the grantor were:		
Watsonia OMCF Project	275	0
Swan View Primary School Creekline Rehab. Project	9,494	0
Salinity Management in Wooroloo Demonstrations Project	21,089	16,234
Total	36,708	47,092

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

7(a). CASH AND CASH EQUIVALENTS

	ACTUAL	ACTUAL
	2008/2009	2007/2008
	\$	\$
Cash and Cash Equivalents - Unrestricted	4,388,088	6,185,312
Cash and Cash Equivalents - Restricted	10,710,458	4,310,105
	15,098,546	10,495,417
	15,098,546	10,495,417

7(b). INVESTMENTS

Investments - Unrestricted	0	0
Investments - Restricted	8,907,746	15,395,367
	8,907,746	15,395,367
	8,907,746	15,395,367

Financial Assets at fair value through profit or loss

At the beginning of the year	15,395,367	23,360,390
Additions	0	455,730
Disposals	(3,237,147)	(4,240,552)
Unrealised gain/(loss) from change in fair value of investments	(3,250,474)	(4,180,201)
Value at the end of the year	8,907,746	15,395,367
	8,907,746	15,395,367

Held for Trading

- Financial Instruments	8,907,746	13,117,052
- Managed Funds	0	2,278,315
Value at the end of the year	8,907,746	15,395,367
	8,907,746	15,395,367

The following Cash and Investments have restrictions imposed by regulation or other externally imposed requirements:

Plant and Equipment	776,748	435,809
Site Rehabilitation Red Hill	2,635,734	2,484,346
Future Development	2,946,239	2,772,925
Environmental Monitoring Red Hill	281,405	264,852
Environmental Insurance Red Hill	238,367	246,554
Risk Management	10,522	9,903
Class IV Cells Red Hill	87,232	60,475
Regional Development	412,501	571,244
Secondary Waste Processing	16,080,560	14,669,799
Class III Cells	3,013,965	1,896,245
Building Refurbishment (Ascot Place)	53,125	50,000
Long Service Leave	512,481	423,521
	27,048,879	23,885,673
Less unrealised gain/(loss) from changes in fair value of Investments	(7,430,675)	(4,180,201)
	19,618,204	19,705,472
	19,618,204	19,705,472

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

7(c). UNREALISED GAIN/(LOSS) FROM CHANGE IN FAIR VALUE OF INVESTMENTS

	ACTUAL 2008/2009	ACTUAL 2007/2008
General Purpose Funding	<u>(3,250,474)</u>	<u>(4,180,201)</u>

The unrealised gains/(losses) from the change in fair value of the investments of Council funds in financial instruments each year is taken up in the relevant Income Statement for those years.

The unrealised gains/(losses), of the investments existing as at 30 June 2009, reflected in the Income Statements are summarised as follows:

Year	\$
2004/2005	158,146
2005/2006	91,810
2006/2007	62,821
2007/2008	(4,180,201)
2008/2009	(3,250,474)
Net	(\$7,117,898)

Unrealised gains/(losses) represent a fair value measurement of the financial instruments during the period in which they are held, i.e. marked to market. It should be noted that actual gains/(losses) on financial instruments will not be realised until such time as the individual investments are sold.

8. 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 2008/2009 budget was \$5,336,422.

The actual net current asset position balance shown in the audited financial report as at 30 June 2008 and after adjustment for Restricted Assets was \$5,493,585.

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

9. TRADE AND OTHER RECEIVABLES

	ACTUAL 2008/2009	ACTUAL 2007/2008
	\$	\$
General	2,286,396	2,688,558
Administration Office Property Management	7,528	251
Miscellaneous	7,432	15,511
Accrued Interest Earnings	120,847	192,923
Provision for Impairment of Receivables	(45,700)	0
	<u>2,376,503</u>	<u>2,897,243</u>

10. OTHER ASSETS

	ACTUAL 2008/2009	ACTUAL 2007/2008
	\$	\$
Prepayment - General	30,442	20,540
Prepayment - Insurance	11,344	11,345
Prepayment - Miscellaneous	9,096	8,915
	<u>50,882</u>	<u>40,800</u>

11. INVENTORIES

	ACTUAL 2008/2009	ACTUAL 2007/2008
	\$	\$
Distillate	19,218	21,192
Oils	2,761	2,614
Unleaded Fuel	8,701	11,839
	<u>30,680</u>	<u>35,645</u>

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

12. NON CURRENT ASSETS MOVEMENTS - PROPERTY, PLANT AND EQUIPMENT

	LAND	BUILDINGS	STRUCTURES	PLANT	EQUIPMENT	FURNITURE and FITTINGS	TOTAL
	\$	\$	\$	\$	\$	\$	\$
Carrying Amount at Cost							
Balance 30 June 2008	5,031,413	3,663,132	15,728,689	6,684,958	1,621,549	403,920	33,133,661
Additions	2,608,504	304,975	1,382,144	2,278,785	86,580	23,054	6,684,042
Disposals	0	0	0	(596,275)	(100,839)	(450)	(697,564)
Balance 30 June 2009	<u>7,639,917</u>	<u>3,968,107</u>	<u>17,110,833</u>	<u>8,367,468</u>	<u>1,607,290</u>	<u>426,524</u>	<u>39,120,139</u>

Accumulated Depreciation / Amortisation

Balance 30 June 2008	0	(1,322,096)	(7,777,248)	(3,703,008)	(1,323,220)	(309,690)	(14,435,262)
Disposals	0	0	0	361,332	95,727	0	457,059
Depreciation Expense	0	(136,593)	(290,435)	(1,029,871)	(130,039)	(20,205)	(1,607,143)
Balance 30 June 2009	<u>0</u>	<u>(1,458,689)</u>	<u>(8,067,683)</u>	<u>(4,371,547)</u>	<u>(1,357,532)</u>	<u>(329,895)</u>	<u>(15,585,346)</u>

Net Book Value

As at 30 June 2008	<u>5,031,413</u>	<u>2,341,036</u>	<u>7,951,441</u>	<u>2,981,950</u>	<u>298,329</u>	<u>94,230</u>	<u>18,698,399</u>
As at 30 June 2009	<u>7,639,917</u>	<u>2,509,418</u>	<u>9,043,150</u>	<u>3,995,921</u>	<u>249,758</u>	<u>96,629</u>	<u>23,534,793</u>

Assets at cost are subject to an annual assessment as to whether there is any indication an asset may have been impaired in accordance with AASB 136: "Impairment of Assets".

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

13. TRADE AND OTHER PAYABLES	ACTUAL 2008/2009 \$	ACTUAL 2007/2008 \$
Current - Creditors		
Payroll Accruals	112,683	76,613
Payroll PAYG Tax	93,225	78,769
Amounts Received in Advance	216,746	133,856
GST Liability	230,387	309,274
Sundry Creditors	1,109,365	2,258,431
	<u>1,762,406</u>	<u>2,856,943</u>

14. PROVISIONS		
Current		
Employees Annual Leave	653,374	511,585
Employees Long Service Leave	249,046	296,887
	<u>902,420</u>	<u>808,472</u>

PROVISIONS

Non-current

Employees Long Service Leave	88,063	51,216
Red Hill Landfill Site Rehabilitation	1,118,033	1,008,373
Red Hill Landfill Environmental Monitoring	111,801	100,835
	<u>1,317,897</u>	<u>1,160,424</u>

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

15. RESERVES

	ACTUAL 2008/2009 \$	BUDGET 2008/2009 \$	ACTUAL 2007/2008 \$
(a) Plant and Equipment Reserve			
Opening balance as at 1 July	435,809	435,809	446,776
Transfer from retained surplus	2,164,279	2,044,820	891,685
Transfer to retained surplus	(1,845,200)	(2,434,932)	(929,600)
Interest	21,860	30,507	26,948
Closing Balance as at 30 June	776,748	76,204	435,809
(b) Site Rehabilitation Reserve			
Opening balance as at 1 July	2,484,346	2,484,346	2,227,376
Transfer from retained surplus	100,000	100,000	100,000
Transfer to retained surplus	(48,885)	(52,121)	0
Interest	100,273	173,904	156,970
Closing Balance as at 30 June	2,635,734	2,706,129	2,484,346
(c) Future Development Reserve			
Opening balance as at 1 July	2,772,925	2,772,925	1,766,384
Transfer from retained surplus	0	1,000,000	900,000
Transfer to retained surplus	0	0	0
Interest	173,314	194,105	106,541
Closing Balance as at 30 June	2,946,239	3,967,030	2,772,925
(d) Environmental Monitoring Reserve			
Opening balance as at 1 July	264,852	264,852	249,786
Transfer from retained surplus	0	0	0
Transfer to retained surplus	0	0	0
Interest	16,553	18,540	15,066
Closing Balance as at 30 June	281,405	283,392	264,852
(e) Environmental Insurance Reserve			
Opening balance as at 1 July	246,554	246,554	255,782
Transfer from retained surplus	0	0	0
Transfer to retained surplus	(24,001)	(24,656)	(24,656)
Interest	15,814	17,260	15,428
Closing Balance as at 30 June	238,367	239,158	246,554

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

15. RESERVES (Continued)

	ACTUAL 2008/2009 \$	BUDGET 2008/2009 \$	ACTUAL 2007/2008 \$
(f) Risk Management Reserve			
Opening balance as at 1 July	9,903	9,903	9,339
Transfer from retained surplus	0	0	0
Transfer to retained surplus	0	0	0
Interest	619	700	564
Closing Balance as at 30 June	10,522	10,603	9,903
(g) Class IV Reserve			
Opening balance as at 1 July	60,475	60,475	85,197
Transfer from retained surplus	23,371	93,520	70,140
Transfer to retained surplus	0	0	(100,000)
Interest	3,386	4,233	5,138
Closing Balance as at 30 June	87,232	158,228	60,475
(h) Regional Development Reserve			
Opening balance as at 1 July	571,244	571,244	637,879
Transfer from retained surplus	250,000	250,000	250,000
Transfer to retained surplus	(447,781)	(801,941)	(355,109)
Interest	39,038	39,987	38,474
Closing Balance as at 30 June	412,501	59,290	571,244
(i) Secondary Waste Reserve			
Opening balance as at 1 July	14,669,800	14,669,800	11,492,413
Transfer from retained surplus	4,424,740	5,330,596	4,513,200
Transfer to retained surplus	(3,861,597)	(8,649,254)	(2,028,987)
Interest	847,617	747,980	693,173
Closing Balance as at 30 June	16,080,560	12,099,122	14,669,799
(j) Class III Reserve			
Opening balance as at 1 July	1,896,246	1,896,246	64,120
Transfer from retained surplus	1,183,332	1,796,717	1,905,458
Transfer to retained surplus	(167,000)	(400,000)	(77,200)
Interest	101,387	132,737	3,867
Closing Balance as at 30 June	3,013,965	3,425,700	1,896,245

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

15. RESERVES (Continued)

	ACTUAL 2008/2009 \$	BUDGET 2008/2009 \$	ACTUAL 2007/2008 \$
(k) Building Refurbishment Reserve			
Opening balance as at 1 July	50,000	50,000	0
Transfer from retained surplus	0	0	50,000
Transfer to retained surplus	0	0	0
Interest	3,125	3,500	0
Closing Balance as at 30 June	53,125	53,500	50,000
RESERVES AT END OF FINANCIAL YEAR	26,536,398	23,078,356	23,462,152

FUNDS SET ASIDE FOR :

Long Service Leave Reserve

Opening balance as at 1 July	423,521	423,521	340,428
Transfer from retained surplus	63,560	23,560	62,560
Transfer to retained surplus	0	0	0
Interest	25,400	29,647	20,533
Closing Balance as at 30 June	512,481	476,728	423,521

Fair value of investments at balance date has resulted in an unrealized loss of \$7,430,675 (refer Note 7:- 2007/2008 - 2008/2009). This had the effect of Reserves falling short of being cash backed by the unrealized loss of \$7,430,675.

The crystallization of the unrealized losses may only occur at such time as the individual investments are sold and may be at an amount different from that disclosed above.

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

15. 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

To finance the replacement of major items of plant and equipment.

Site Rehabilitation Reserve

To finance the rehabilitation of the completed cells at the Red Hill waste disposal site and the rehabilitation of the site at time of decommissioning.

Future Development Reserve

To finance future developments being undertaken by the Eastern Metropolitan Regional Council.

The reserve is also utilised to provide funds for projects that the Eastern Metropolitan Regional Council 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

To finance the capping of the existing Class IV cells and the construction of future Class IV cells and associated works at the Red Hill waste disposal site.

Class III Reserve

To finance the capping of the existing Class III cells and the construction of future Class III cells and associated works at the Red Hill waste disposal site.

Environmental Monitoring Reserve

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

Environmental Insurance 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 Eastern Metropolitan Regional Council's existing insurance policies.

Risk Management Reserve

This reserve has been established to receive surpluses from the Risk Management Service. This reserve is to be utilised in funding the future requirements of the service in subsequent financial years.

Secondary Waste Reserve

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

Regional Development Reserve

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

Building Refurbishment Reserve

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

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

16. NOTES TO THE CASH FLOW STATEMENT

(i) Reconciliation of Cash

For the purpose of the Cash Flow Statement, the Eastern Metropolitan Regional Council considers cash to include cash on hand, cash at bank and term deposits. Cash at the end of the reporting period as shown in the Cash Flow Statement is as follows:

	ACTUAL	BUDGET	ACTUAL
	2008/2009	2008/2009	2007/2008
	\$	\$	\$
Cash and Cash Equivalents - Unrestricted	4,388,088	1,979,836	6,185,312
Cash and Cash Equivalents - Restricted	10,710,458	8,159,716	4,310,105
Total Cash	15,098,546	10,139,552	10,495,417

(ii) Reconciliation of net cash used in operating activities to Net Result

Net Result	2,959,063	6,067,286	3,079,202
Depreciation	1,607,142	2,140,237	3,321,261
(Profit)/Loss on sale of assets	4,946	(54,972)	(24,241)
Increase/(Decease) in provisions - Redhill	120,627	134,473	131,728
Increase/(Decease) in accrued interest on Loans	0	0	(8,597)
Increase/(Decease) in provisions - Staff	130,794	32,083	25,105
Increase/(Decease) in Sundry Creditors	(1,015,651)	0	(584,037)
Increase/(Decease) in GST	(78,886)	0	509,308
(Increase)/Decease in accrued interest earnings	72,076	0	(192,923)
(Increase)/Decease in Receivables	448,664	0	(481,487)
(Increase)/Decease in Inventory	4,965	0	(21,596)
(Increase)/Decease in Prepayments	(10,081)	0	(5,180)
Increase/(Decease) in unrealised gain/loss from change in fair value of investments	3,250,474	0	4,180,201
Net cash from operating activities	7,494,133	8,319,107	9,928,744

(iii) Financing Facilities

There were no bank overdraft facilities in place for the Eastern Metropolitan Regional Council at balance date.

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

17. EMPLOYEE ENTITLEMENTS

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

Provision for Employee Entitlements (Refer to Note 14)	ACTUAL 2008/2009	ACTUAL 2007/2008
	\$	\$
- Current	902,420	808,472
- Non-current	88,063	51,216
Total Employee Entitlements	<u>990,483</u>	<u>859,688</u>
	ACTUAL FTE's 2008/2009	ACTUAL FTE's 2007/2008
Total number of (FTE) employees at end of financial year	<u>91</u>	<u>83</u>

18. COUNCILLORS FEES AND ALLOWANCES

ACTUAL 2008/2009	BUDGET 2008/2009	ACTUAL 2007/2008
\$	\$	\$

The following fees, expenses and allowances were paid to council members and/or the chairman.

Councillors' meeting fees	75,396	77,000	57,750
Chairman's meeting fees	13,708	14,000	10,500
Deputy Councillors' meeting fees	1,680	3,360	1,260
Chairman's Local Government fee	5,625	6,000	1,500
Deputy Chairman's Local Government fee	1,406	1,500	375
	<u>97,815</u>	<u>101,860</u>	<u>71,385</u>

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

19. EARNINGS ON INVESTMENTS

The total earnings from Interest on Investments for the 2008/2009 financial year is made up as follows: -

	ACTUAL 2008/2009 \$	BUDGET 2008/2009 \$	ACTUAL 2007/2008 \$
Interest on Municipal Cash and Investments	277,182	318,000	297,906
Accrued Interest Earnings	(72,077)	0	192,923
Interest on Other Restricted Cash (LSL)	25,400	29,647	20,533
Interest on funds held in Reserves	1,322,987	1,363,453	1,062,170
	1,553,492	1,711,100	1,573,532

20. FINANCIAL RATIOS

	ACTUAL 2008/2009	ACTUAL 2007/2008	ACTUAL 2006/2007
Current Ratio	2.83 : 1.00	2.72 : 1.00	2.34 : 1.00
Debt Ratio	8.0%	10.0%	11.2%
Debt Service Ratio	Not Applicable	1.3%	1.6%
Gross Debt to Revenue Ratio	Not Applicable	Not Applicable	1.6%
Untied Cash to Trade Creditors Ratio	1.94 : 1.00	2.74 : 1.00	2.23 : 1.00
Gross Debts to Economically Realisable Assets Ratio	Not Applicable	Not Applicable	0.7%
Rate Coverage Ratio	Not Applicable	Not Applicable	Not Applicable
Outstanding Rates Ratio	Not Applicable	Not Applicable	Not Applicable

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

21. ASSETS CLASSIFIED BY TYPE AND LOCAL GOVERNMENT PROGRAM	ACTUAL 2008/2009 \$	ACTUAL 2007/2008 \$
Current Assets		
General Purpose Funding	7,622,901	9,594,808
Governance	576,128	483,424
Community Amenities	17,852,827	18,214,996
Economic Services	412,501	571,244
Land		
Governance	3,022,392	413,888
Community Amenities	4,617,525	4,617,524
Buildings		
Governance	2,067,316	1,920,520
Community Amenities	442,102	420,517
Structures		
Community Amenities	9,043,150	7,951,441
Plant		
Governance	674,326	677,781
Community Amenities	3,321,595	2,304,169
Equipment		
Governance	197,974	244,979
Community Amenities	51,784	53,351
Furniture and Fittings		
Governance	96,629	94,230
Work In Progress		
Unclassified	33,903	354,234
	50,033,053	47,917,106

22. DISPOSAL OF ASSETS	BUDGET 2008/2009 \$			ACTUAL 2008/2009 \$		
	Net Book Value	Sale Price	Gain (Loss)	Net Book Value	Sale Price	Gain (Loss)
Plant	424,763	479,735	54,972	234,943	235,273	330
Equipment	0	0	0	5,113	287	(4,826)
Furniture and Fittings	0	0	0	450	0	(450)
Total Assets Disposed	424,763	479,735	54,972	240,506	235,560	(4,946)

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

23. INFORMATION ON BORROWINGS

(a) Borrowings

The EMRC currently do not have any loans or borrowings.

(b) New Borrowings

There were no new borrowings during the 2008/09 financial year.

(c) Unspent Loans

There were no unspent loans during the 2008/09 financial year.

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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

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

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2009	2008	2009	2008
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	15,098,546	10,495,417	15,098,546	10,495,417
Receivables	2,376,503	2,897,243	2,376,503	2,897,243
Financial Assets at fair value through profit and loss	8,907,746	15,395,367	8,907,746	15,395,367
	<u>26,382,795</u>	<u>28,788,027</u>	<u>26,382,795</u>	<u>28,788,027</u>
Financial Liabilities				
Payables	1,762,406	2,856,943	1,762,406	2,856,943
	<u>1,762,406</u>	<u>2,856,943</u>	<u>1,762,406</u>	<u>2,856,943</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables - estimated to the carrying value which approximates net market value.
- Borrowings - estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Financial Assets at Fair Value through profit and loss - based on market valuations and verified by independent financial advisors.

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

24. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit or loss

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 (where applicable). 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 independent advisers (where applicable) before placing any cash and investments.

	2009	2008
	\$	\$
Impact of a 10% movement in price of investments:		
- Equity	890,775	1,539,537
- Income Statement	890,775	1,539,537
Impact of a 1% movement in interest rates on cash and investments:		
- Equity	240,063	258,908
- Income Statement	240,063	258,908

(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 provision 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.

The profile of the Council's credit risk at balance date was:

	2009	2008
	\$	\$
Percentage of Other Receivables		
- Current	88.36%	76.17%
- Overdue	11.64%	23.83%
	<u>100.00%</u>	<u>100.00%</u>

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009

24. FINANCIAL RISK MANAGEMENT (Continued)

(c) 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. Payment terms can be extended and overdraft facilities drawn upon if required.

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2009</u>					
Payables	1,762,406	0	0	1,762,406	1,762,406
	<u>1,762,406</u>	<u>0</u>	<u>0</u>	<u>1,762,406</u>	<u>1,762,406</u>
<u>2008</u>					
Payables	2,856,943	0	0	2,856,943	2,856,943
	<u>2,856,943</u>	<u>0</u>	<u>0</u>	<u>2,856,943</u>	<u>2,856,943</u>

(d) 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 currently do not have any borrowings or loans.

EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

25. COMMITMENTS FOR CAPITAL EXPENDITURE	ACTUAL	ACTUAL
	2008/2009	2007/2008
	\$	\$
Commitments for the acquisition of assets contracted for at the reporting date but not recognised as liabilities, payable:		
- not longer that one year	1,110,528	196,943
Total Capital Commitments	1,110,528	196,943

26. AUDITORS' REMUNERATION	ACTUAL	ACTUAL
	2008/2009	2007/2008
	\$	\$
Auditing and Financial Reporting	5,900	4,100
Other	5,075	250
Total Auditors' Remuneration	10,975	4,350

27. CONTINGENT LIABILITIES

Nil

28. EMPLOYEES' REMUNERATION

Set out below, in bands of \$10,000, is the number of employees of the Eastern Metropolitan Regional Council entitled to an annual salary of \$100,000 or more:

SALARY RANGE	ACTUAL	ACTUAL
\$	2008/2009	2007/2008
100,000 – 109,999	0	1
110,000 – 119,999	3	2
120,000 – 129,999	0	0
130,000 – 139,999	1	1
160,000 – 169,999	0	0
170,000 – 179,999	0	1
180,000 – 189,999	1	0

30. ECONOMIC DEPENDENCY

A significant portion of revenue is received by way of grants from the State and Federal Government. The total of grant revenue from government sources is disclosed in Note 6.

INDEPENDENT AUDIT REPORT



**For the Year Ended
30 June 2009**

INDEPENDENT AUDIT REPORT

TO: MEMBERS OF EASTERN METROPOLITAN REGIONAL COUNCIL

Report on the Financial Report

We have audited the financial report of the Eastern Metropolitan Regional Council, which comprises the Balance Sheet as at 30 June 2009 and the Income Statement, Statement of Changes in Equity, Cash Flow Statement and the notes to and forming part of the financial report for the year ended on that date.

Council's Responsibility for the Financial Report

The Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.



Auditor's Opinion

In our opinion, the financial report of the Eastern Metropolitan Regional Council:

- (i) gives a true and fair view of the financial position of the Eastern Metropolitan Regional Council as at 30 June 2009 and of its financial performance for the year ended on that date; and
- (ii) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards (including the Australian Accounting Interpretations).

Statutory Compliance

We did not during the course of our audit become aware of any instances where the Council did not comply with the requirements of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

MACRI PARTNERS

MACRI PARTNERS
CERTIFIED PRACTISING ACCOUNTANTS
28 THOROGOOD STREET
BURSWOOD WA 6100

Aman

A MACRI
PARTNER

PERTH
DATED THIS 7TH DAY OF SEPTEMBER 2009.





PARTNERS
Anthony Macri FCPA
Domenic Macri CPA
Connie De Felice CA

Certified Practising Accountants

10 September 2009

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

Dear Sir

RE: INTERIM AUDIT VISIT FOR THE YEAR ENDED 30 JUNE 2009

We carried out an interim audit of the Council for the year ended 30 June 2009.

Our interim audit covered a review of the accounting and internal control procedures in operation, as well as testing of transactions, in the following areas:

- Purchases
- Payments and Creditors
- Receipts and Sundry Debtors
- Payroll
- General Accounting
- IT General Controls
- Registers (Tenders Register and Register of Financial Interests)

Our review also covered an examination of some compliance matters, which are required under the Local Government Act 1995 (as amended) and Financial Management Regulations 1996.

Please note that our examination of internal controls was carried out for audit purposes designed primarily for the purpose of expressing an opinion on the financial statements of the Eastern Metropolitan Regional Council.



The following matters were noted during the audit and are brought to your attention.

PURCHASING AND PAYMENTS

As part of our audit, we carried out a review of the purchasing and payments system. Our audit procedures have been designed to determine appropriate means for selecting items for testing so as to gather sufficient appropriate audit evidence to meet the objectives of the audit procedures. Professional judgement is used to assess the risk of material misstatement and to design and perform further audit procedures where necessary to reduce the risk to an acceptable low level. Our audit procedures have been designed to also determine whether purchases of goods/services were in accordance with Council's purchasing policy.

Generally the controls surrounding purchases, creditors and payments are appropriate to meet the Council's requirements.

The following matters were noted as requiring attention:

- (i) During our testing, we noted 2 instances (20 samples tested) where purchase orders were raised only after the goods and services have been supplied and invoices received.

As this increases the risk of unauthorised purchases being made, we request that purchase orders be raised when the goods and services are ordered and not after the goods and services have been received. This will ensure that goods and services have been obtained at the most competitive prices and ensure adherence to Council's purchasing policy.

- (ii) During our testing, at least two instances were noted where quotes have not been obtained prior to purchase of goods/services in accordance with the Council's Purchasing Policy.

To enhance the process, improve accountability and adherence to Council's Purchasing Policy, we recommend quotes to be obtained as per the Purchasing Policy and details of quotes be recorded (if verbal) and filed with the purchase documentation. This will also ensure that goods and services have been obtained at the most competitive prices.

Management Comment

- (i) ***The EMRC currently monitors the level of purchase orders raised after the goods and services have been supplied and invoices received by means of a report submitted to the Executive Management meeting on a monthly basis.***

There are occasions when it is not possible to raise a purchase order prior to the supply of goods or services. This is rare however, and even though the level of occurrences over the past year has reduced all means are being taken to continually educate staff on the requirement to raise an order prior to ordering goods and services.

Of the two instances outlined above, one of the purchase orders was raised following receipt of Progress Certificates for a contract awarded for the construction of the Class III & Class IV leachate ponds.

An alternative for similar situations in the future may be for a purchase order to be raised for the total value of the contract at the time of the contract being awarded, with part payments being made from the purchase order as and when progress certificates for payments are received. This will be explored further.



- (ii) **All efforts are made to ensure that staff adhere to the EMRC's Purchasing Policy. A Business Management System (BMS) has been produced and is used to provide ongoing training to existing staff as well as forming part of induction training for new staff.**

In summary, the requirements of the EMRC Purchasing Policy requires for 3 verbal quotes for values between \$501 - \$5,000, at least three written quotes for values between \$5,001 - \$99,999 and for a public tender to be called for values \$100,000 and above.

The quotations should be recorded as per the requirements of the Business Management System (BMS) processes. Reference to the quotation in the electronic filing system should then be included on the requisition and/or purchase order.

In the two instances that were noted where quotes were not obtained one related to the engagement of Animal Pest Management who have been used for vermin control at the Red Hill Waste Disposal site for a number of years. No other organisation to date has been available to undertake these duties. This organisation currently also undertakes vermin control at a majority of metropolitan landfill sites. Where applicable, staff will be encouraged in future to record, as a note in the purchase order system, the fact that no other suppliers of the goods or services were obtainable.

The second instance related to the engagement of an employment agency.

Quotations were obtained from various employment agencies. However, reference to the rate provided by the "successful employment agency" had not been placed on the electronic purchase order system. Staff will be reminded of the requirement to record this information.

The EMRC is currently preparing to advertise a tender for the provision of labour hire services.

INVESTMENT OF SURPLUS FUNDS

We conducted a review of investment of surplus funds by the Eastern Metropolitan Regional Council.

Council is currently in the process of amending its existing investment policy and whilst the investment policy is being redrafted and formulated, the EMRC is operating within a directive of the Investment Committee which has delegated authority of Council to deal with all matters pertaining to investments.

The investment parameters as resolved by the Investment Committee are that the EMRC:

1. Spreads the funds up to \$1M to banks covered by the \$1M automatic investment guarantee.
2. Limits additional funds to the big four (4) banks and not purchase the guarantee (however if EMRC officers consider this needs to change the officers be authorised to secure the government investment guarantee.)
3. Is able to place funds with other than the major four (4) banks where the interest rate net of the government investment guarantee exceeds the rates offered by the four (4) major banks exclusive of the guarantee.

All investments placed appear to be appropriately documented, authorised and are properly recorded in the Investment Register. The Council also utilise the services of Oakvale Capital Limited to provide the various bank corporative term deposit rates to assist in the placements of its funds and Oakvale also assist in the monitoring of Council's Investment Portfolios.



Our review noted that there have been further significant falls in the market values of the ADIs and CDOs held by the Eastern Metropolitan Regional Council. We ascertained that the market values of the CDOs in particular, will continue to fall.

We will be reviewing the position of investments held by the Council at 30 June 2009 for the purposes of the year-end audit. This will entail performing our own independent verification of investment valuations provided by the Council's authorised advisor.

Management Comment:

The EMRC is operating within the directive of the Investment Committee which has delegated authority of Council to deal with all matters pertaining to investments.

All investments are accounted for in accordance with AASB139 as agreed with the auditors.

We thank your staff for the assistance provided during the audit. Should you have any queries with respect to the above or any other matters please do not hesitate to contact our office.

Yours faithfully


MACRI PARTNERS

EMRC01 AMRg Interim Audit Visit Letter 2009





13 REPORTS OF DELEGATES

Nil

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

Nil

15 GENERAL BUSINESS

Cr Lavell referred to EMRC's Annual Financial Report and Audit Report for year ended 30 June 2009 and noted that the EMRC did not have any borrowings so the financials were in a good state and the EMRC has some good assets.

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."

The CEO advised that the 15 October meeting was is if required but was not likely to be required.

Future Meetings 2009

Thursday 15 October (if required) at EMRC Administration Office

Cr Klein thanked the Mr Macri and Mr Tan.

17 DECLARATION OF CLOSURE OF MEETING

There being no further business the meeting was closed at 7.05pm.