

## **Certification of Confirmation**

### **Audit Committee**

### **Minutes**

**6 October 2022**

I, Cr Margaret Thomas, hereby certify that the minutes from the Audit Committee held on 6 October 2022 pages (1) to (139) were confirmed at the Audit Committee held on 2 March 2023.

Signature



Cr Margaret Thomas  
Presiding Member

## Audit Committee

**6 October 2022**

A meeting of the Audit Committee was held at the EMRC Administration Office, 1<sup>st</sup> Floor, 226 Great Eastern Highway, ASCOT WA 6104 and electronically on **Thursday, 6 October 2022**. The meeting commenced at **6:00pm**.

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## 1 DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

The Chief Executive Officer (CEO) declared the meeting open at 6:00pm, welcomed Councillors and visitors and notified members that the Chairperson and Deputy Chairperson send their apologies for tonight's meeting.

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

In accordance with section 3.3 of the EMRC Standing Orders and section 5.6(3) of the *Local Government Act 1995*, Committee is to choose a Councillor to preside at the meeting.

The CEO called for nominations for the appointment of a Councillor to preside at the meeting.

Cr Congerton nominated Cr Congerton.

Cr Congerton accepted the nomination.

There being no further nominations Cr Congerton assumed the role of Presiding Member at 6:01pm.

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

### Councillor Attendance

Cr Mel Congerton	Presiding Member	City of Swan
Cr Hilary MacWilliam	Committee Member	Town of Bassendean
Cr Steven Ostaszewskyj (deputising for Cr Sutherland)	Deputy Committee Member	City of Bayswater
Cr Dylan O'Connor (deputising for Cr Thomas)	Deputy Committee Member	City of Kalamunda
Cr John Daw (deputising for Cr Jeans)	Deputy Committee Member	Shire of Mundaring

### Councillor Apologies

Cr Margaret Thomas	Committee Chairperson	City of Kalamunda
Cr Doug Jeans	Committee Deputy Chairperson	Shire of Mundaring
Cr Michelle Sutherland	Committee Member	City of Bayswater

### EMRC Officers

Mr Marcus Geisler	Chief Executive Officer
Mr Hua Jer Liew	Chief Financial Officer
Mr Douglas Bruce	Chief Projects Officer
Mr David Ameduri	Manager Financial Services
Mrs Theresa Eckstein	Executive Assistant to Chief Executive Officer (Minutes)

#### EMRC Observers

Ms Izabella Krzysko	Manager Procurement & Governance
Mr David Schmidt	Manager Information Services
Ms Kasamaporn Nakhonthat	Management Accountant

#### Observer(s)

Cr Kathryn Hamilton	Deputy Committee Member	Town of Bassendean
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#### Visitor(s)

Mr James Cottrill ( <i>via Microsoft Teams</i> )	Principal, Internal Audit	IT Audit & Risk Consulting, Stantons
Mr Liang Wong	Assistant Director	Office of the Auditor General
Ms Marcia Johnson	Director	Dry Kirkness

### 3 DISCLOSURE OF INTERESTS

Nil

### 4 ANNOUNCEMENTS BY THE CHAIRMAN OR PRESIDING MEMBER WITHOUT DISCUSSION

Nil

### 5 PETITIONS, DEPUTATIONS AND PRESENTATIONS

Nil

### 6 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

#### 6.1 MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 2 JUNE 2022 (D2022/09698)

That the minutes of the Audit Committee meeting held on 2 June 2022 which have been distributed, be confirmed.

#### AUDIT COMMITTEE RESOLUTION

MOVED CR MACWILLIAM                      SECONDED CR DAW

THAT THE MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 2 JUNE 2022 WHICH HAVE BEEN DISTRIBUTED, BE CONFIRMED.

**CARRIED UNANIMOUSLY**

### 7 QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN

Nil

### 8 QUESTIONS BY MEMBERS WITHOUT NOTICE

Nil

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

Nil

**10 BUSINESS NOT DEALT WITH FROM A PREVIOUS MEETING**

Nil

**11 REPORTS OF EMPLOYEES**

11.1 ANNUAL FINANCIAL REPORT AND AUDIT REPORT FOR YEAR ENDED 30 JUNE 2022 (D2022/16772)

11.2 INTERNAL AUDIT REPORT – 2022 PROGRAMME (D2022/16773)

11.3 RISK MANAGEMENT UPDATE (D2022/16774)

**QUESTIONS**

The Presiding Member invited questions from members on the reports of employees.

## **11.1 ANNUAL FINANCIAL REPORT AND AUDIT REPORT FOR YEAR ENDED 30 JUNE 2022**

**D2022/16772**

### **PURPOSE OF REPORT**

The purpose of this report is to review and adopt Council's Annual Financial Report for the year ended 30 June 2022.

### **KEY POINT(S)**

- The Terms of Reference of the Audit Committee includes a list of duties and responsibilities, among which is a requirement for the Committee to:
  - ⇒ Review Council's draft annual financial report; and
  - ⇒ Recommend adoption of the Annual Financial Report to Council.
- The Office of the Auditor General (OAG), via contractors Dry Kirkness, has completed the audit of the 2021/2022 Financial Report, which is attached for Council adoption.

### **RECOMMENDATION(S)**

That:

1. Council adopts the audited Annual Financial Report for the year ended 30 June 2022 and the Independent Auditor's Report on that Annual Financial Report forming attachment 1 of this report.
2. Council notes the contents of the Audit Completion Report to the Audit Committee for the year ended 30 June 2022 forming attachment 2 of this report.
3. In accordance with Regulation 51(2) of the *Local Government (Financial Management) Regulations 1996*, a copy of the 2021/2022 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government, Sport and Cultural Industries, within 30 days of the receipt by the EMRC's CEO of the auditor's report on that financial report.

### **SOURCE OF REPORT**

Chief Financial Officer

### **BACKGROUND**

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

- 3 On 7 April 2016 Circular No 3-2016 was received titled "Auditing of Local Government by the Auditor General - Renewal of Audit Contracts", which outlined the intention to amend the *Local Government Act 1995* to allow for the Auditor General and the OAG to take responsibility for the local government financial audits from 1 July 2017.
- 4 The *Local Government Amendment (Auditing) Act 2017* (No 5 of 2017) - an Act to amend the Local Government Act 1995 and provide for the auditing of local governments by the Auditor General and for related purposes was assented to on 1 September 2017.
- 5 The Interim Audit for the 2021/2022 financial year was undertaken during April 2022 by Dry Kirkness as contactors to the OAG.
- 6 The interim audit covers a review of the accounting and internal control procedures in operation as well as the testing of transactions and an examination of some compliance matters which are required under the *Local Government Act 1995* and *Local Government (Financial Management) Regulations 1996*. The interim audit involves a test of controls (compliance tests), analytical procedures and some limited substantive tests. This will assist to ensure the design of the audit plan will contribute to the audit being done efficiently and effectively. The interim audit will also identify high risk areas (if any) and provide the auditor with greater assurances.
- 7 An Interim Audit Report is normally submitted to Council, via the Audit Committee, and forms part of the report scheduled to be tabled in each year relating to the adoption of the audited Financial Report and the Independent Auditor's Report on that Annual Financial Report.
- 8 The EMRC was advised by the OAG that following their review, the EMRC had passed its interim audit assessment as they have no interim findings to report. As a result, no Interim Audit Report will be issued this year.
- 9 The Annual Audit for the 2021/2022 financial year was undertaken during August 2022 by Dry Kirkness as contactors to the OAG.

## REPORT

- 10 In accordance with *The Local Government Amendment (Auditing) Act 2017*, the Office of the Auditor General (OAG) has completed the audit of the Eastern Metropolitan Regional Council Annual Financial Report for the year ended 30 June 2022, which is attached for Council adoption (refer attachment 1).
- 11 The following comments are provided on key elements of the financial results for 2021/2022:

### **Statement of Comprehensive Income (page 6 of 63)**

- 12 Total Revenue of \$42,386,210 for the period ending 30 June 2022 is \$2,704,506 below the 2020/2021 actual revenue and \$1,808,450 below budget for 2021/2022.
- 13 Total Expenses of \$36,442,391 is \$2,108,621 above the 2020/2021 actual expenses and \$3,462,432 below the budget for 2021/2022.
- 14 A profit of \$63,074 was realised from the Disposal of Assets for the period ending 30 June 2022 compared the to 2020/2021 actual loss on disposals of \$460,575 and the budgeted profit for 2021/2022 of \$66,835.
- 15 There was no revaluation of non-current assets undertaken during 2021/2022. This compares to the changes in revaluation of non-current assets in 2020/2021 relating to the revaluation undertaken on the Land, Buildings and Structures classes of assets, which resulted in a decrease of \$4,009,286.
- 16 Total Comprehensive Income of \$6,006,893 (surplus) for the period ending 30 June 2022 is \$280,192 below the 2020/2021 result and \$1,650,221 above the 2021/2022 budget.

### **Statement of Financial Position/Statement of Changes in Equity (page 7 and 8 of 63)**

- 17 Current assets as at 30 June 2022 of \$85,207,247 have decreased by \$6,277,494 from the previous year's \$91,484,741. This relates principally to the reduction of Cash and Cash Equivalents and Other Financial Assets as a result the dividend distribution of \$4,985,988 made to member Councils in August 2021.

- 18 The overall impact on cash and cash equivalents and other financial assets at the close of the financial year of \$81,073,262 is a decrease of \$6,787,883 compared to the previous year's \$87,861,145.
- 19 Current liabilities as at 30 June 2022 of \$8,077,758 have decreased by \$6,361,586 compared to \$14,439,344 as at 30 June 2021. The 2020/2021 figure included a dividend distribution of \$4,985,988 that was declared and remained to be paid as at 30 June 2021 (paid in August 2021).
- 20 The balance in the Reserves has decreased by \$9,223,978 to \$56,729,632 over the past 12 months. Contributing to this decrease is a provision of \$21,000,517 made from the Secondary Waste Reserve for the City of Belmont equity payment due in July 2023. This value is based on the equity share of Belmont's interest in the EMRC after the 2020/2021 accounts. This value will be adjusted by 30 June 2023 once the valuation has been finalised for payment in July 2023 based on the Establishment Agreement.
- 21 Overall equity has decreased during the 2021/2022 financial year by \$14,993,624 to \$170,759,354. As outlined above, contributing to this decrease is the aforementioned provision of \$21,000,517 for the City of Belmont equity following its withdrawal.

#### **Cash Flow Statement (page 9 of 63)**

- 22 The overall impact on the cash position (cash + term deposit investments < 3 months) at the end of the 2021/2022 financial year is a decrease of \$31,041,035 to \$24,320,110 from the previous corresponding period (2020/2021) of \$55,361,145.
- 23 It should also be noted that other financial assets (term deposit investments > 3 months) increased by \$24,194,388 to \$56,694,388 from the 2020/2021 total of \$32,500,000.
- 24 Net Cash provided by Operating Activities of \$3,717,388 in the 2021/2022 financial year reflects a decrease of \$14,733,554 from the cash generated in 2020/2021 of \$18,450,942.
- 25 The cash flows utilised in investing activities for 2021/2022 reflects capital expenditure totalling \$11,120,878 compared to capital expenditure totalling \$11,982,569 during 2020/2021.
- 26 Significant items of capital expenditure during the year included:
  - Construct Commercial Transfer Station - HRRP - \$5,272,421;
  - Construct Workshop No 3 - RHWMF - \$1,361,897;
  - Purchase/Replace Plant - HRRP - \$678,098;
  - Construct Class III Cell, Stage 16 - RHWMF - \$600,596;
  - Construct WWtE Building (Pre-Commissioning Costs) - HRRP - \$555,735;
  - WWtE Project - HRRP - \$419,122;
  - Purchase/Replace Minor Plant & Equipment - RHWMF - \$326,465;
  - Construct Concrete Pad East of C & I Building - HRRP - \$255,228;
  - Gas Extraction System Wells - RHWMF - \$216,414;
  - Purchase/Replace Vehicles - \$189,230;
  - Construct FOGO Processing Area – RHWMF - \$161,583; and
  - Purchase/Replace Plant - RHWMF - \$155,539.
- 27 Significant capital items that were budgeted but not purchased, constructed below budget or construction not completed during the year included:
  - Air Pollution Control Residue Facility (APCR) - RHWMF - \$2,260,000 (carried forward);
  - Purchase / Replace Plant - RHWMF - \$594,461;
  - Liquid Waste Project - RHWMF - \$500,000 (carried forward);



- Capital Improvements Administration Building - Ascot Place - \$458,000 (carried forward);
- Construct Class III Cell Stage 17 - RHWMF - \$347,500 (carried forward);
- Sewer Line from Lakes Road to Mary St - HRRF - \$294,405 (carried forward);
- WWtE Utilities/Infrastructure - HRRP - \$272,085 (carried forward);
- Upgrade Power to Workshop No 2 - RHWMF - \$249,976 (carried forward);
- Extension of Sewer Line from WWtE to Sewer Sump 7 Existing ATU - HRRF - \$180,000 (carried forward);
- Construct WWtE Building (Pre-Commissioning Costs) - HRRP - \$172,585 (carried forward);
- Install Power to Lots 8, 9 and 10 - RHWMF - \$150,000 (carried forward);
- Design and Construct Class IV Cell Stage 3 - RHWMF - \$147,500 (carried forward);
- Implementation of the FOGO Recovery Strategy - RHWMF - \$145,338 (carried forward);
- Construct Leachate and Stormwater Infrastructure and Siltation Ponds - RHWMF - \$145,222 (part carried forward);
- Construct WWtE Building - HRRP - \$140,715 (carried forward);
- Construct Community Recycling Centre (CRC) - HRRP - \$129,906 (carried forward);
- Construct Access Road to Lots 8, 9 & 10 - RHWMF - \$128,000 (carried forward);
- Construct Roads / Carparks - RHWMF - \$106,000 (carried forward);
- Refurbish Plant - RHWMF - \$100,000;
- Noise Barrier for Hammer Mill - HRRP - \$99,900 (carried forward);
- Construct Drainage Diversion and Earthworks Infrastructures - RHWMF - \$75,000 (carried forward);
- Construct Monitoring Bores - HRRP - \$70,000 (carried forward);
- Purchase Vehicles - Ascot Place - \$69,000; and
- Construct Waste Management Facility Building - RHWMF - \$68,700 (carried forward).

28 This is offset by an increase in the following Capital Expenditure budget provision following a review of the capital expenditure program:

- Construct Commercial Transfer Station (HRRP) - \$1,372,754;  
 This was subject to a report submitted to Council and approved by Council at its meeting held on 26 August 2021 (Ref: D2021/12261) for an a sum of \$4,041,126 (\$3,500,000 was forecast in the 2022/2023 financial year and was bought forward to 2021/2022). Due to the timing of works \$2,668,372 of the approved amount is to be carried forward into the 2022/2023 financial year.
- Construct Class III Stage 16 Landfill Cell - RHWMF - \$600,596;  
 The construction of the Class III Stage 16 Cell was expected to be completed by 30 June 2021 at a forecast cost of \$3,171,717. As a result, no carried forward provision was made in the 2021/2022 Annual Budget. However, due to the cell liner which was found to be out of specification and had to be replaced at the contractor's expense, as well as inclement weather, the construction of the cell was not completed by the end of June 2021. The actual expenditure as at 30 June 2021 totalled \$1,923,859 being \$1,247,858 below the expected forecast value of \$3,171,717. The Class III Stage 16 Cell has now been completed.
- Construct Workshop No 3 - RHWMF - \$229,127;  
 This was subject to a report submitted to Council and approved by Council at its meeting held on 25 November 2021 (Ref: D2021/23177) for an additional sum of \$846,384 to accommodate a higher than budgeted tender submission. Due to the timing of works \$617,257 of the approved amount has been carried forward into the 2022/2023 financial year.

- Construct FOGO Processing Area - RHWMF - \$184,959;  
\$108,460 of this amount was subject to a report submitted to Council and approved by Council at its meeting held on 26 August 2021 (Ref: D2021/15757). The remaining amount was required as part of an extension to the FOGO processing area and was adjusted as part of the half year budget review.

29 Funding for the majority of the capital items budgeted but not purchased in 2021/2022 has been carried forward into the 2022/2023 financial year.

30 Footnote:

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

#### **Reserves (page 38 - 41 of 63)**

31 At the end of the 2021/2022 financial year the amount held in Reserves (page 40 of 63, Note 18) decreased by \$9,223,978 to a balance of \$56,729,632 compared to the 2020/2021 balance of \$65,953,610 and lower than the 2021/2022 budget of \$65,441,728 by \$8,712,096.

32 As outlined earlier in the report, contributing to this decrease is a provision of \$21,000,517 made from the Secondary Waste Reserve for the City of Belmont equity payment due in July 2023. This value will be adjusted by 30 June 2023 once the final payment has been finalised for payment in July 2023.

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

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

34 Key Result Area Key Result Area 3 - Good Governance

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

3.4 To continue to improve financial and asset management practices

#### **FINANCIAL IMPLICATIONS**

35 As outlined within the report and attachments.

#### **SUSTAINABILITY IMPLICATIONS**

36 Nil

## RISK MANAGEMENT

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

## MEMBER COUNCIL IMPLICATIONS

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

## ATTACHMENT(S)

1. Annual Financial Report for the Year Ended 30 June 2022 (D2022/17075)
2. Audit Completion Report to the Audit Committee for the Year Ended 30 June 2022 (D2022/17364)

## VOTING REQUIREMENT

Simple Majority

That:

1. Council adopts the audited Annual Financial Report for the year ended 30 June 2022 and the Independent Auditor's Report on that Annual Financial Report forming attachment 1 of this report.
2. Council notes the contents of the Audit Completion Report to the Audit Committee for the year ended 30 June 2022 forming attachment 2 of this report.
3. In accordance with Regulation 51(2) of the *Local Government (Financial Management) Regulations 1996*, a copy of the 2021/2022 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government, Sport and Cultural Industries, within 30 days of the receipt by the EMRC's CEO of the auditor's report on that financial report.

**AC RECOMMENDATION(S)**

MOVED CR MACWILLIAM

SECONDED CR O'CONNOR

That:

1. Council adopts the audited Annual Financial Report for the year ended 30 June 2022 and the Independent Auditor's Report on that Annual Financial Report forming attachment 1 of this report.
2. Council notes the contents of the Audit Completion Report to the Audit Committee for the year ended 30 June 2022 forming attachment 2 of this report.
3. In accordance with Regulation 51(2) of the *Local Government (Financial Management) Regulations 1996*, a copy of the 2021/2022 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government, Sport and Cultural Industries, within 30 days of the receipt by the EMRC's CEO of the auditor's report on that financial report.

**CARRIED UNANIMOUSLY**

**ANNUAL  
FINANCIAL  
REPORT**

**For the Year Ended  
30 June 2022**

# **EASTERN METROPOLITAN REGIONAL COUNCIL**

## **2021/2022 ANNUAL FINANCIAL REPORT**

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## **STATEMENT BY CHIEF EXECUTIVE OFFICER**



**For the Year Ended  
30 June 2022**

**EASTERN METROPOLITAN REGIONAL COUNCIL**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED 30 JUNE 2022**

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

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the Eastern Metropolitan Regional Council for the financial year ended 30 June 2022 is based on proper accounts and records to present fairly the financial position of the Eastern Metropolitan Regional Council at 30 June 2022 and the results of the operations for the financial year then ended in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 6th day of October 2022



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**MARCUS J. GEISLER**  
Chief Executive Officer



## **FINANCIAL REPORT**



**For the Year Ended  
30 June 2022**

# EASTERN METROPOLITAN REGIONAL COUNCIL

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

BY NATURE AND TYPE	NOTE	ACTUAL 2021/2022 \$	BUDGET 2021/2022 \$	ACTUAL 2020/2021 \$
<b>REVENUE</b>				
Fees and Charges	4	37,889,406	38,244,225	39,656,921
Grants, Subsidies and Contributions	5	1,967,134	2,174,182	2,736,473
Interest Earnings	2	521,453	931,975	824,582
Other Revenue	2	2,008,217	2,844,278	1,872,740
<b>TOTAL REVENUE</b>		<b>42,386,210</b>	<b>44,194,660</b>	<b>45,090,716</b>
<b>EXPENSES</b>				
Employee Costs		9,740,160	11,174,794	9,871,582
Materials and Contracts		7,068,545	7,776,796	7,406,870
Utility Expenses		290,061	310,375	293,908
Interest Expenses	2	150,740	0	227,467
Insurance Expenses		421,479	310,604	345,508
Other Expenditure	2	13,874,776	15,505,874	9,736,261
Depreciation Expenses on Non-Current Assets	2	4,896,630	4,826,380	6,452,174
<b>TOTAL EXPENSES</b>		<b>36,442,391</b>	<b>39,904,823</b>	<b>34,333,770</b>
<b>INCREASE / (DECREASE)</b>		<b>5,943,819</b>	<b>4,289,837</b>	<b>10,756,946</b>
<b>DISPOSAL OF ASSETS</b>				
Profit on Sale		63,074	66,835	0
Loss on Sale		0	0	(460,575)
<b>PROFIT / (LOSS) ON DISPOSALS</b>	23	<b>63,074</b>	<b>66,835</b>	<b>(460,575)</b>
<b>NET RESULT</b>		<b>6,006,893</b>	<b>4,356,672</b>	<b>10,296,371</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in Revaluation of Non-Current Assets	14	0	0	(4,009,286)
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<b>0</b>	<b>0</b>	<b>(4,009,286)</b>
<b>TOTAL COMPREHENSIVE INCOME/(DEFICIT)</b>		<b>6,006,893</b>	<b>4,356,672</b>	<b>6,287,085</b>

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

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2022**

	NOTE	ACTUAL 2021/2022 \$	ACTUAL 2020/2021 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	10	24,378,874	55,361,145
Other Financial Assets	11	56,694,388	32,500,000
Trade and Other Receivables	6	4,089,645	3,554,790
Inventories	7	16,301	36,424
Other Assets	8	28,039	32,382
<b>TOTAL CURRENT ASSETS</b>	22	<b>85,207,247</b>	<b>91,484,741</b>
<b>NON CURRENT ASSETS</b>			
Property, Plant and Equipment	12	86,206,096	79,733,589
Infrastructure	13	35,133,513	35,681,153
<b>TOTAL NON CURRENT ASSETS</b>	22	<b>121,339,609</b>	<b>115,414,742</b>
<b>TOTAL ASSETS</b>	22	<b>206,546,856</b>	<b>206,899,483</b>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	15	5,743,261	12,624,600
Contract Liabilities	16	405,480	0
Provisions	17	1,929,017	1,814,744
<b>TOTAL CURRENT LIABILITIES</b>		<b>8,077,758</b>	<b>14,439,344</b>
<b>NON CURRENT LIABILITIES</b>			
Provisions	17	27,709,744	6,707,161
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>27,709,744</b>	<b>6,707,161</b>
<b>TOTAL LIABILITIES</b>		<b>35,787,502</b>	<b>21,146,505</b>
<b>NET ASSETS</b>		<b>170,759,354</b>	<b>185,752,978</b>
<b>EQUITY</b>			
Retained Surplus		77,146,186	82,641,476
Reserves	18	56,729,632	65,953,610
Revaluation Surplus	14	36,883,536	37,157,892
<b>TOTAL EQUITY</b>		<b>170,759,354</b>	<b>185,752,978</b>

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

# EASTERN METROPOLITAN REGIONAL COUNCIL

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	RETAINED SURPLUS \$	RESERVES \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 30 June 2020</b>		<b>66,352,626</b>	<b>75,968,090</b>	<b>42,131,165</b>	<b>184,451,881</b>
Net Result		10,296,371	0	0	10,296,371
Total Other Comprehensive Income		0	0	(4,009,286)	(4,009,286)
Revaluation Surplus Reversal	14	963,987	0	(963,987)	0
Transfer (from) / to Reserves	18	10,014,480	(10,014,480)	0	0
Dividend Distribution to Member Councils		(4,985,988)	0	0	(4,985,988)
<b>Balance as at 30 June 2021</b>		<b>82,641,476</b>	<b>65,953,610</b>	<b>37,157,892</b>	<b>185,752,978</b>
Net Result		6,006,893	0	0	6,006,893
Revaluation Surplus Reversal	14	274,356	0	(274,356)	0
Transfer (from) / to Reserves	18	9,223,978	(9,223,978)	0	0
Provision for City of Belmont payout	17, 25	(21,000,517)	0	0	(21,000,517)
<b>Balance as at 30 June 2022</b>		<b>77,146,186</b>	<b>56,729,632</b>	<b>36,883,536</b>	<b>170,759,354</b>

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

# EASTERN METROPOLITAN REGIONAL COUNCIL

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	ACTUAL 2021/2022 \$	BUDGET 2021/2022 \$	ACTUAL 2020/2021 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Fees and Charges		41,474,837	38,244,227	43,631,279
Grants, Subsidies and Contributions		1,967,134	2,174,182	2,736,473
Interest Earnings		391,804	931,975	1,025,687
Other Revenue		2,008,217	2,844,278	1,872,741
<b>Total Receipts</b>		<b>45,841,992</b>	<b>44,194,662</b>	<b>49,266,180</b>
<b>Payments</b>				
Employee Costs		(9,494,588)	(11,147,317)	(9,879,220)
Materials and Contracts		(15,500,535)	(8,496,931)	(3,347,561)
Utility Expenses		(290,061)	(310,375)	(293,908)
Interest Expense		(150,740)	0	0
Insurance Expenses		(421,479)	(310,604)	(345,508)
Other Expenditure		(13,883,550)	(13,991,868)	(14,947,026)
Goods and Services Tax paid		(2,383,651)	0	(2,002,015)
<b>Total Payments</b>		<b>(42,124,604)</b>	<b>(34,257,095)</b>	<b>(30,815,238)</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	19(ii)	<b>3,717,388</b>	<b>9,937,567</b>	<b>18,450,942</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of property, plant, equipment and infrastructure	23	362,455	351,000	276,636
Payments for purchase of property, plant, equipment and infrastructure	12 & 13	(11,120,878)	(16,333,005)	(11,982,569)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(10,758,423)</b>	<b>(15,982,005)</b>	<b>(11,705,933)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net Movement to Other Financial Assets		(24,000,000)	0	32,000,000
Dividend distribution to Member Councils		0	0	(4,985,988)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>(24,000,000)</b>	<b>0</b>	<b>27,014,012</b>
<b>SUMMARY OF CASH FLOWS</b>				
Cash and cash equivalents at the beginning of the year		55,361,145	43,430,153	21,602,124
Net Increase/(Decrease) in Cash Held		(31,041,035)	(6,044,438)	33,759,021
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	19(i)	<b>24,320,110</b>	<b>37,385,715</b>	<b>55,361,145</b>

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

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



**For the Year Ended  
30 June 2022**

# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Preparation

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

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

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

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

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

#### The Local Government Reporting Entity

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

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

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

#### (a) Trust Funds

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

A separate statement of those monies appears at Note 33 to these financial statements.

# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (b) Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

The EMRC does not have any bank overdrafts for the year ended 30 June 2022.

#### (c) Fixed Assets

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

#### Mandatory Requirements to Revalue Non-Current Assets

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

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

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

#### Initial Recognition and Measurement between Mandatory Revaluation Dates

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

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



# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (c) Fixed Assets (continued)

##### Initial Recognition and Measurement between Mandatory Revaluation Dates (continued)

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

##### Revaluation

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

##### Depreciation

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

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

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

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

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

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

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

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

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

# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (c) Fixed Assets (continued)

##### Capitalisation Threshold

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

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

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

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

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

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

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

##### Fair Value Hierarchy

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

##### **Level 1**

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

##### **Level 2**

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

# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

##### Fair Value Hierarchy (continued)

##### **Level 3**

Measurements based on unobservable inputs for the asset or liability.

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

##### **Valuation Techniques**

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

##### **Market Approach**

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

##### **Income Approach**

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

##### **Cost Approach**

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

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

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

# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Grants, Donations and Other Contributions

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

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

#### (f) Trade and Other Payables

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

#### (g) Impairment

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

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

#### (h) Inventories

##### General

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

#### (i) Goods and Services Tax

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

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

# **EASTERN METROPOLITAN REGIONAL COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022**

### **1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(j) Provisions**

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

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

#### **(k) Provision for Site Rehabilitation**

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

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

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

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

#### **(l) Provision for Environmental Monitoring**

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

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

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

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

#### **(m) Critical Accounting Estimates**

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

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

# **EASTERN METROPOLITAN REGIONAL COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022**

### **1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(n) Trade and Other Receivables**

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

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

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

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

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

Impairment and risk exposure information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 26.

#### **(o) Employee Entitlements**

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

##### **(i) Short-term Employee Benefits**

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

##### **(ii) Other long-term Employee Benefits**

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

# **EASTERN METROPOLITAN REGIONAL COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022**

### **1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(o) Employee Entitlements (Continued)**

##### **(iii) Superannuation Fund**

The Council contributes to Aware Super Pty Ltd and other choice funds for qualifying employees as per statutory requirements (10% for 2021/2022). It also contributes an additional amount to Aware Super Pty Ltd and other choice funds for full scheme members (5% for 2021/2022). Contributions to defined contribution plans are recognised as an expense as they become payable.

#### **(p) Rounding Off Amounts**

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

#### **(q) Comparative Figures**

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

#### **(r) Budget Comparative Figures**

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

#### **(s) Leases**

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

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

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

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

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

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

The EMRC does not currently have any leases.

# **EASTERN METROPOLITAN REGIONAL COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022**

### **1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(t) Other Financial Assets**

##### **(i) Other Financial Assets at Amortised Cost**

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

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

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

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

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

##### **(iii) Impairment and Risk**

Information regarding impairment and exposure to risk can be found at Note 26.

#### **(u) Current and Non-Current Classification**

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

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

#### **(v) Landfill Cells**

There are three general components of cell construction:

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

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

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



**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(w) Revenue and Expenses**

**Revenue Recognition Policy**

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

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

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

- *AASB 2020-1 Amendments to Australian Accounting Standards* - Classification of Liabilities as Current or Non-current
- *AASB 2020-3 Amendments to Australian Accounting Standards* - Annual Improvements 2018-2020 and Other Amendments
- *AASB 2021-2 Amendments to Australian Accounting Standards* - Disclosure of Accounting Policies or Definition of Accounting Estimates
- *AASB 2021-7 Amendments to Australian Accounting Standards* - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

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

**(y) Adoption of New and Revised Accounting Standards**

During the current year, there are no new accounting standards which become applicable or apply to the local government sector.

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**2. REVENUE AND EXPENSES**

	Note	ACTUAL 2021/2022 \$	BUDGET 2021/2022 \$	ACTUAL 2020/2021 \$
<b>Net Result</b>				
The Net Result includes:				
(i) Crediting as Revenue:				
<b>Interest Earnings</b>				
Interest on funds held in Reserves		375,654	799,975	686,498
Interest on Municipal Cash and Investments		47,504	34,000	47,345
Interest from Other Sources		98,295	98,000	90,739
		<b>521,453</b>	<b>931,975</b>	<b>824,582</b>
<b>Other Revenue</b>				
Sale of Products		1,578,733	2,220,778	1,482,180
Gas Royalty Income		119,118	400,000	143,587
Miscellaneous Income		310,366	223,500	246,973
		<b>2,008,217</b>	<b>2,844,278</b>	<b>1,872,740</b>
(ii) Charging as an Expense:				
<b>Auditors Remuneration</b>				
Audit of the Financial Report		41,600	32,000	31,000
Audit and assurance of grant acquittals		600	1,000	1,200
		<b>42,200</b>	<b>33,000</b>	<b>32,200</b>
<b>Depreciation and Amortisation Expense</b>				
Buildings		233,735	206,005	113,559
Plant		1,934,496	1,925,185	1,778,294
Equipment		236,109	333,228	149,720
Furniture and Fittings		14,806	4,776	8,630
Structures - Landfill Cells		2,171,475	1,484,021	3,832,264
- Other		306,009	873,165	569,707
		<b>4,896,630</b>	<b>4,826,380</b>	<b>6,452,174</b>
<b>Interest Expenses</b>				
Provisions - Unwinding of discount		150,740	0	227,467
		<b>150,740</b>	<b>0</b>	<b>227,467</b>
<b>Other Expenditure</b>				
State Landfill levy		12,293,369	12,819,464	13,749,750
Other Expenses		1,740,919	1,892,539	1,197,273
Increment/(decrement) - Site Rehabilitation Provision	17	(104,222)	511,785	(629,955)
Increment/(decrement) - Environmental Monitoring Provision	17	(55,290)	282,086	(309,203)
(Increment)/decrement on Revaluation of Infrastructure				
- Landfill Cells and Post Closure Assets	13,14	0	0	(4,271,604)
		<b>13,874,776</b>	<b>15,505,874</b>	<b>9,736,261</b>

# **EASTERN METROPOLITAN REGIONAL COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022**

### **3. COMPONENT FUNCTIONS/ACTIVITIES**

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

#### **EASTERN METROPOLITAN REGIONAL COUNCIL (EMRC) MISSION STATEMENT**

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

##### **Governance**

###### *Objective:*

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

###### *Activities:*

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

##### **General Purpose Funding**

###### *Objective:*

To provide responsible and accountable financial management practices.

###### *Activities:*

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

##### **Community Amenities**

###### *Objective:*

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

###### *Activities:*

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

##### **Other Property and Services**

###### *Objective:*

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

###### *Activities:*

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

# EASTERN METROPOLITAN REGIONAL COUNCIL

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

3. COMPONENT FUNCTIONS/ACTIVITIES	ACTUAL 2021/2022 \$	BUDGET 2021/2022 \$	ACTUAL 2020/2021 \$
<b>REVENUE</b>			
Governance	22,593	197,150	228
General Purpose Funding	560,138	931,975	831,457
Community Amenities	41,240,950	42,248,075	43,505,127
Other Property and Services	562,529	817,460	753,904
<b>TOTAL REVENUE</b>	<b>42,386,210</b>	<b>44,194,660</b>	<b>45,090,716</b>
<b>EXPENSES</b>			
Governance	1,006,071	282,092	1,350,757
Community Amenities	32,775,407	36,923,865	28,667,104
Other Property and Services	2,660,913	2,698,866	4,315,909
<b>TOTAL EXPENSES</b>	<b>36,442,391</b>	<b>39,904,823</b>	<b>34,333,770</b>
<b>INCREASE / (DECREASE)</b>	<b>5,943,819</b>	<b>4,289,837</b>	<b>10,756,946</b>
<b>DISPOSAL OF ASSETS</b>			
Profit on Sale	63,074	66,835	0
Loss on Sale		0	(460,575)
<b>PROFIT / (LOSS) ON DISPOSALS</b>	<b>63,074</b>	<b>66,835</b>	<b>(460,575)</b>
<b>NET RESULT</b>	<b>6,006,893</b>	<b>4,356,672</b>	<b>10,296,371</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Changes in Revaluation of Non-Current Assets	0	0	(4,009,286)
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>0</b>	<b>0</b>	<b>(4,009,286)</b>
<b>TOTAL COMPREHENSIVE INCOME/(DEFICIT)</b>	<b>6,006,893</b>	<b>4,356,672</b>	<b>6,287,085</b>

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**4. FEES AND CHARGES SUMMARY BY PROGRAM**

	ACTUAL 2021/2022 \$	BUDGET 2021/2022 \$	ACTUAL 2020/2021 \$
Community Amenities	37,889,406	38,244,255	39,656,921
<b>Total Statutory Fees and Charges</b>	<b>37,889,406</b>	<b>38,244,255</b>	<b>39,656,921</b>

**5. GRANT, SUBSIDY AND CONTRIBUTION  
REVENUE BY PROGRAM**

	ACTUAL 2021/2022 \$	BUDGET 2021/2022 \$	ACTUAL 2020/2021 \$
Governance	22,102	150	273
Community Amenities	1,550,262	1,513,572	1,557,712
Other Property and Services	394,770	660,460	1,178,488
<b>Total Grant, Subsidy and Contribution Revenue</b>	<b>1,967,134</b>	<b>2,174,182</b>	<b>2,736,473</b>

**6. TRADE AND OTHER RECEIVABLES**

	ACTUAL 2021/2022 \$	ACTUAL 2020/2021 \$
<b>Current</b>		
Sundry Debtors	4,052,674	3,426,770
Loan Receivable <sup>1</sup>	1,278,983	1,180,687
Other Debtors	45,933	19,850
Accrued Interest Earnings	0	123,503
Allowance for Impairment of Receivables <sup>2</sup>	(1,287,945)	(1,196,020)
	<b>4,089,645</b>	<b>3,554,790</b>

<sup>1</sup> Loan Receivable is covered under a loan agreement on commercial terms with Anenergy Australia Pty Ltd. The balance of this loan as at 30 June 2022 of \$1,278,983 (\$1,180,687 as at 30 June 2021) has been impaired as the company is under voluntary liquidation.

<sup>2</sup> Reconciliation of changes in the Allowance for Impairment of Receivables:

	ACTUAL 2021/2022 \$	ACTUAL 2020/2021 \$
Balance at start of period	1,196,020	1,115,955
Expected credit losses expense	98,295	90,739
Amounts written off during the period	0	0
Expected credit losses reversed during the period	(6,370)	(10,674)
<b>Balance at end of period</b>	<b>1,287,945</b>	<b>1,196,020</b>

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**7. INVENTORIES**

	<b>ACTUAL</b> <b>2021/2022</b> <b>\$</b>	<b>ACTUAL</b> <b>2020/2021</b> <b>\$</b>
<b>Current</b>		
<b><u>Distillate</u></b>		
Opening Balance	29,454	33,663
Purchases	879,685	557,851
Allocations	<u>(897,057)</u>	<u>(562,060)</u>
<b>Closing Balance</b>	<b>12,082</b>	<b>29,454</b>
<b><u>Oils</u></b>		
Opening Balance	6,970	5,371
Purchases	2,475	5,418
Allocations	<u>(5,226)</u>	<u>(3,819)</u>
<b>Closing Balance</b>	<b>4,219</b>	<b>6,970</b>
<b>Total Inventories</b>	<b><u>16,301</u></b>	<b><u>36,424</u></b>

**8. OTHER ASSETS**

	<b>ACTUAL</b> <b>2021/2022</b> <b>\$</b>	<b>ACTUAL</b> <b>2020/2021</b> <b>\$</b>
<b>Current</b>		
Prepayment - General	14,929	18,951
Prepayment - Miscellaneous	<u>13,110</u>	<u>13,431</u>
	<b><u>28,039</u></b>	<b><u>32,382</u></b>

# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2022

### 9. CONTROL OVER GRANTS/CONTRIBUTIONS

#### Conditions Over Grants/Contributions

		Opening <sup>(1)</sup> Balance 1 July 2020 \$	Received <sup>(2)</sup> 2020/21 \$	Expended <sup>(3)</sup> 2020/21 \$	Closing <sup>(4)</sup> Balance 30 June 2021 \$
<b>Grants</b>	<b>Function/Activity</b>				
Income Eastern Region Catchment Management Program (ERCMP)	Other Property and Services	0	1,000	(1,000)	0
Coordination of Community Led Projects	Other Property and Services	52,500	52,500	(105,000)	0
Income Restoring Wangalla Brook - Stage 1	Other Property and Services	0	15,756	(15,756)	0
Income Tackling the Troublesome Two Project	Other Property and Services	0	65,775	(65,775)	0
Income Communities Environment Programme (CEO)	Other Property and Services	8,906	0	(8,906)	0
Income Regional Integrated Transport Strategy	Other Property and Services	20,000	0	(20,000)	0
Income Circular Economy Training and Capacity Building Project	Other Property and Services	0	50,000	(50,000)	0
<b>Contributions</b>					
Income Regional Integrated Transport Strategy	Other Property and Services	0	41,235	(41,235)	0
Income Environmental Building Benchmarking Project	Other Property and Services	71,738	35,476	(107,214)	0
Income Flood Risk Project	Other Property and Services	14,545	2,000	(16,545)	0
Income Eastern Region Catchment Management Program (ERCMP)	Other Property and Services	0	105,101	(105,101)	0
Income Environmental Sustainability Programs	Other Property and Services	0	115,416	(115,416)	0
Income Regional Development Business Unit	Other Property and Services	0	36,363	(36,363)	0
Income FOGO - Waste Education	Other Property and Services	0	31,848	(31,848)	0
		<u>167,689</u>	<u>552,470</u>	<u>(720,159)</u>	<u>0</u>

#### Conditions Over Grants/Contributions

		Opening <sup>(1)</sup> Balance 1 July 2021 \$	Received <sup>(2)</sup> 2021/22 \$	Expended <sup>(3)</sup> 2021/22 \$	Closing <sup>(4)</sup> Balance 30 June 2022 \$
<b>Grants</b>	<b>Function/Activity</b>				
Income Avon Descent	Other Property and Services	0	163,000	(163,000)	0
Income Flood Risk Project	Other Property and Services	0	20,000	(20,000)	0
Income Circular Economy in the Community	Other Property and Services	0	20,000	(5,553)	14,447
<b>Contributions</b>					
Income Avon Descent	Other Property and Services	0	22,382	(22,382)	0
Income Flood Risk Project	Other Property and Services	0	10,000	(10,000)	0
Income Environmental Sustainability and Net Zero Programs	Other Property and Services	0	81,179	(81,179)	0
Income FOGO - Waste Education	Other Property and Services	0	13,636	(13,636)	0
Income Sustainable Transport Strategy including Net Zero	Other Property and Services	0	29,235	(29,235)	0
Income Regional Integrated Transport Strategy including Net Zero	Other Property and Services	0	22,321	(22,321)	0
		<u>0</u>	<u>381,753</u>	<u>(367,306)</u>	<u>14,447</u>

#### Notes:

- (1) Grants/contributions which were not expended at the close of the previous reporting period.
- (2) New grants/contributions which were received during the reporting period.
- (3) Grants/contributions which had been expended in the current reporting period in the manner specified by the contributor.
- (4) The closing balance forms part of Contract Liabilities as disclosed in Note 16.



**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**10. CASH AND CASH EQUIVALENTS**

	Note	ACTUAL 2021/2022 \$	ACTUAL 2020/2021 \$
Cash and Cash Equivalents - Unrestricted		10,249,910	15,473,132
Cash and Cash Equivalents - Restricted		14,070,200	39,888,013
Accrued Interest		58,764	0
Total Cash and Cash Equivalents	26	24,378,874	55,361,145
Financial assets at amortised cost - term deposits		56,500,000	32,500,000
Accrued Interest		194,388	0
Total Financial Assets	11	56,694,388	32,500,000
		<b>81,073,262</b>	<b>87,861,145</b>

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

Plant and Equipment		2,207,861	749,821
Site Rehabilitation Red Hill - Post Closure		4,509,687	2,943,263
Future Development		20,460,811	11,460,995
Environmental Monitoring Red Hill		2,107,483	1,349,161
Environmental Insurance Red Hill		0	59,639
Risk Management		0	15,813
Class IV Cells Red Hill		742,057	600,945
Secondary Waste Processing		17,764,498	41,177,833
Class III Cells		2,535,770	1,158,161
Building Refurbishment (Ascot Place)		0	79,842
EastLink Relocation - Red Hill		5,345,394	5,325,000
Long Service Leave		1,056,070	1,033,136
	18	56,729,631	65,953,609
Add movement in accrued interest		253,152	123,503
Add unspent grants	9	14,447	0
		<b>56,997,230</b>	<b>66,077,112</b>

**11. OTHER FINANCIAL ASSETS**

**Current Assets**

Financial assets at amortised cost - term deposits			
- Unrestricted		13,572,970	6,310,901
- Restricted		42,927,030	26,189,099
Accrued Interest		194,388	0
Total Financial assets at amortised cost	26	<b>56,694,388</b>	<b>32,500,000</b>

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**12. PROPERTY, PLANT AND EQUIPMENT**

**Movements in Carrying Amounts**

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

	Land	Buildings	Total Land & Buildings	Plant	Equipment	Furniture & Fittings	Artworks	Work in Progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2020</b>	<b>50,570,000</b>	<b>7,292,678</b>	<b>57,862,678</b>	<b>12,895,549</b>	<b>606,149</b>	<b>51,279</b>	<b>83,800</b>	<b>8,702,509</b>	<b>80,201,964</b>
Additions	2,015,907	369	<b>2,016,276</b>	2,083,357	181,718	0	0	2,933,922	<b>7,215,273</b>
WIP - Transfers in/(out)	0	0	<b>0</b>	160,774	0	0	0	(160,774)	<b>0</b>
(Disposals)	0	0	<b>0</b>	(224,924)	0	0	0	0	<b>(224,924)</b>
Reclassification	0	(262,982)	(262,982)	0	0	0	0	0	<b>(262,982)</b>
Revaluation	(4,735,907)	(409,632)	(5,145,539)	0	0	0	0	0	<b>(5,145,539)</b>
Depreciation expense		(113,559)	<b>(113,559)</b>	(1,778,294)	(149,720)	(8,630)	0	0	<b>(2,050,203)</b>
<b>Balance at 30 June 2021</b>	<b>47,850,000</b>	<b>6,506,874</b>	<b>54,356,874</b>	<b>13,136,462</b>	<b>638,147</b>	<b>42,649</b>	<b>83,800</b>	<b>11,475,657</b>	<b>79,733,589</b>
<b>Comprises:</b>									
Gross Carrying Amount at 30 June 2021	47,850,000	6,506,874	<b>54,356,874</b>	14,899,299	787,867	51,279	83,800	11,475,657	<b>81,654,776</b>
Accumulated depreciation at 30 June 2021	0	0	<b>0</b>	(1,762,837)	(149,720)	(8,630)	0	0	<b>(1,921,187)</b>
<b>Carrying amount at 30 June 2021</b>	<b>47,850,000</b>	<b>6,506,874</b>	<b>54,356,874</b>	<b>13,136,462</b>	<b>638,147</b>	<b>42,649</b>	<b>83,800</b>	<b>11,475,657</b>	<b>79,733,589</b>
Additions	257	26,060	<b>26,317</b>	1,433,042	124,443	66,633	0	7,523,282	<b>9,173,717</b>
WIP - Transfers in/(out)	0	1,514,572	<b>1,514,572</b>	76,188	23,000	0	0	(1,613,760)	<b>0</b>
(Disposals)	0	0	<b>0</b>	(279,614)	(2,450)	0	0	0	<b>(282,064)</b>
Depreciation expense	0	(233,735)	<b>(233,735)</b>	(1,934,496)	(236,109)	(14,806)	0	0	<b>(2,419,146)</b>
<b>Carrying amount at 30 June 2022</b>	<b>47,850,257</b>	<b>7,813,771</b>	<b>55,664,028</b>	<b>12,431,582</b>	<b>547,031</b>	<b>94,476</b>	<b>83,800</b>	<b>17,385,179</b>	<b>86,206,096</b>
<b>Comprises:</b>									
Gross Carrying Amount at 30 June 2022	47,850,257	8,047,506	<b>55,897,763</b>	16,059,899	932,334	117,912	83,800	17,385,179	<b>90,476,887</b>
Accumulated depreciation at 30 June 2022	0	(233,735)	<b>(233,735)</b>	(3,628,317)	(385,303)	(23,436)	0	0	<b>(4,270,791)</b>
<b>Carrying amount at 30 June 2022</b>	<b>47,850,257</b>	<b>7,813,771</b>	<b>55,664,028</b>	<b>12,431,582</b>	<b>547,031</b>	<b>94,476</b>	<b>83,800</b>	<b>17,385,179</b>	<b>86,206,096</b>

# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

### 12. PROPERTY, PLANT AND EQUIPMENT (Continued)

#### Land and Buildings:

Both land and buildings were revalued during the 2020/2021 financial year by independent valuers as part of the mandatory requirements embodied in *Local Government (Financial Management) Regulations 1996, Reg.17A*.

Whilst the additions since that time are shown at cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. Thus the value is considered in accordance with *Local Government (Financial Management) Regulations 1996, Reg.17A (2)* which requires these assets to be shown at fair value.

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

#### Furniture and Fittings, Plant and Equipment:

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

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

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

#### Artworks:

The EMRC's artworks were revalued during the 2017/2018 financial year as part of the mandatory requirements embodied in the previous *Local Government (Financial Management) Regulations 1996, Reg.17A*.

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

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

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**13. INFRASTRUCTURE**

**Movements in Carrying Amounts**

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

	Landfill Cells	Other Structures	Post Closure Asset	Work in Progress	Total
	\$	\$		\$	\$
<b>Balance at 1 July 2020</b>	<b>9,075,628</b>	<b>10,329,233</b>	<b>1,718,159</b>	<b>9,034,255</b>	<b>30,157,275</b>
Additions	3,240	94,300	0	4,669,756	<b>4,767,296</b>
(Disposals)	0	(512,287)	0	0	<b>(512,287)</b>
Reclassification	0	262,982	0	0	<b>262,982</b>
Revaluation - increments/(decrements)	1,987,197	(533,043)	3,953,704	0	<b>5,407,858</b>
Depreciation expense	(3,832,264)	(514,754)	(54,953)	0	<b>(4,401,971)</b>
<b>Balance at 30 June 2021</b>	<b>7,233,801</b>	<b>9,126,431</b>	<b>5,616,910</b>	<b>13,704,011</b>	<b>35,681,153</b>
<b>Comprises:</b>					
Gross Carrying Amount at 30 June 2021	7,233,801	9,126,431	5,616,910	13,704,011	35,681,153
Accumulated depreciation at 30 June 2021	0	0	0	0	0
<b>Carrying amount at 30 June 2021</b>	<b>7,233,801</b>	<b>9,126,431</b>	<b>5,616,910</b>	<b>13,704,011</b>	<b>35,681,153</b>
Additions	600,596	38,140	0	1,308,425	<b>1,947,161</b>
(Disposals)	0	(17,317)	0	0	<b>(17,317)</b>
WIP - Transfers in/(out)	2,187,442	0	0	(2,187,442)	<b>0</b>
Depreciation expense	(2,171,475)	(143,758)	(162,251)	0	<b>(2,477,484)</b>
<b>Carrying amount at 30 June 2022</b>	<b>7,850,364</b>	<b>9,003,496</b>	<b>5,454,659</b>	<b>12,824,994</b>	<b>35,133,513</b>
<b>Comprises:</b>					
Gross Carrying Amount at 30 June 2022	10,021,839	9,147,254	5,616,910	12,824,994	37,610,997
Accumulated depreciation at 30 June 2022	(2,171,475)	(143,758)	(162,251)	0	<b>(2,477,484)</b>
<b>Carrying amount at 30 June 2022</b>	<b>7,850,364</b>	<b>9,003,496</b>	<b>5,454,659</b>	<b>12,824,994</b>	<b>35,133,513</b>

# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

### 13. INFRASTRUCTURE (Continued)

#### Infrastructure:

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

Whilst the additions since that time are shown at cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. Thus the value is considered in accordance with *Local Government (Financial Management) Regulations 1996, Reg.17A (2)* which requires these assets to be shown at fair value.

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

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**14. REVALUATION SURPLUS**

	ACTUAL 2021/2022 \$	ACTUAL 2020/2021 \$
Revaluation surpluses have arisen as a result of the revaluation of the following classes of non-current assets:		
<b>Plant and Equipment and Furniture and Fittings</b>		
Opening balance	4,985,742	5,123,295
Revaluation Increment/(decrement)	0	0
Revaluation writeback on disposals	(270,305)	(137,553)
<b>Closing Balance</b>	<b>4,715,437</b>	<b>4,985,742</b>
<b>Land</b>		
Opening balance	26,804,789	31,540,696
Revaluation Increment/(decrement)	0	(4,735,907)
Revaluation writeback on disposals	0	0
<b>Closing Balance</b>	<b>26,804,789</b>	<b>26,804,789</b>
<b>Buildings</b>		
Opening balance	1,290,137	1,699,769
Revaluation Increment/(decrement)	0	(409,632)
Revaluation writeback on disposals	0	0
<b>Closing Balance</b>	<b>1,290,137</b>	<b>1,290,137</b>
<b>Artworks</b>		
Opening balance	14,164	14,164
Revaluation Increment/(decrement)	0	0
Revaluation writeback on disposals	0	0
<b>Closing Balance</b>	<b>14,164</b>	<b>14,164</b>
<b>Infrastructure - Other Structures</b>		
Opening balance	2,393,763	3,753,241
Revaluation Increment/(decrement)	0	(533,044)
Revaluation writeback on disposals	(4,051)	(826,434)
<b>Closing Balance</b>	<b>2,389,712</b>	<b>2,393,763</b>
<b>Infrastructure - Landfill Cells and Post Closure Asset</b>		
Opening balance	1,669,297	0
Revaluation Increment/(decrement)	0	1,669,297
<b>Closing Balance</b>	<b>1,669,297</b>	<b>1,669,297</b>
<b>Total Revaluation Surplus</b>	<b>36,883,536</b>	<b>37,157,892</b>
<b>Revaluation Surplus Summary</b>		
Opening balance	37,157,892	42,131,165
Revaluation Increment/(decrement)	0	(4,009,286)
Revaluation writeback on disposals	(274,356)	(963,987)
<b>Total Revaluation Surplus</b>	<b>36,883,536</b>	<b>37,157,892</b>

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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15. TRADE AND OTHER PAYABLES	ACTUAL 2021/2022 \$	ACTUAL 2020/2021 \$
<b>Current</b>		
Payroll Accruals	304,725	184,265
GST Liability	126,627	264,894
Sundry Creditors	5,311,909	12,175,441
	<u>5,743,261</u>	<u>12,624,600</u>

16. CONTRACT LIABILITIES	ACTUAL 2021/2022 \$	ACTUAL 2020/2021 \$
<b>Current</b>		
Amounts Received in Advance	<u>405,480</u>	<u>0</u>

Contract Liabilities represent the EMRC's performance obligation relating to services to be delivered in the financial year ending 30 June 2023

17. PROVISIONS	ACTUAL 2021/2022 \$	ACTUAL 2020/2021 \$
<b>Current Employee Benefits Related Provisions</b>		
Employees Annual Leave	903,955	838,772
Employees Long Service Leave	775,239	734,627
Employment On-Costs	249,823	241,345
	<u>1,929,017</u>	<u>1,814,744</u>
<b>Non-current Employee Benefits Related Provisions</b>		
Employees Long Service Leave	79,463	70,279
Employment On-Costs	12,594	10,940
	<u>92,057</u>	<u>81,219</u>
<b>Total Employee Benefits Provisions</b>	<u>2,021,074</u>	<u>1,895,963</u>
<b>Non-current Other Provisions</b>		
Red Hill Landfill Site Post Closure Rehabilitation	4,509,687	4,511,277
Red Hill Landfill Environmental Monitoring	2,107,483	2,114,665
City of Belmont Equity Entitlement	21,000,517	0
<b>Total Other Provisions</b>	<u>27,617,687</u>	<u>6,625,942</u>
<b>Total Provisions</b>	<u>29,638,761</u>	<u>8,521,905</u>
<b>Analysis of total provisions:</b>		
Current	1,929,017	1,814,744
Non-current	27,709,744	6,707,161
	<u>29,638,761</u>	<u>8,521,905</u>

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Provision for Employment On-Costs \$	Provision for Site Rehabilitation \$	Provision for Environmental Monitoring \$	Provision for City of Belmont payout (note 25) \$	Total \$
<b>Opening Balance as at 1 July 2020</b>	877,541	813,214	238,877	4,986,647	2,350,987	0	9,267,266
Provisions movement	609,377	90,878	13,408	(629,956)	(309,203)	0	(225,496)
Amounts used	(648,146)	(99,186)	0	0	0	0	(747,332)
Unwinding of discount	0	0	0	154,586	72,881	0	227,467
<b>Balance as at 1 July 2021</b>	838,772	804,906	252,285	4,511,277	2,114,665	0	8,521,905
Provisions movement	614,862	95,373	10,132	(104,221)	(55,291)	21,000,517	21,561,372
Amounts used	(549,679)	(45,577)	0	0	0	0	(595,256)
Unwinding of discount				102,631	48,109	0	150,740
<b>Balance as 30 June 2022</b>	903,955	854,702	262,417	4,509,687	2,107,483	21,000,517	29,638,761

# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

### 17. PROVISIONS (Continued)

#### Annual Leave Liabilities

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

	2021/2022	2020/2021
	\$	\$
Within 12 months of the end of the reporting period	582,170	599,574
More than 12 months after the end of the reporting period	321,785	239,198
	<b>903,955</b>	<b>838,772</b>

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

#### Long Service Leave Liabilities

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

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

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

	2021/2022	2020/2021
	\$	\$
Within 12 months of the end of the reporting period	548,598	544,469
More than 12 months after the end of the reporting period	306,104	260,437
	<b>854,702</b>	<b>804,906</b>

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



# **EASTERN METROPOLITAN REGIONAL COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022**

### **17. PROVISIONS (Continued)**

#### **Employment On-Cost Provision**

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

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

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**18. RESERVES**

	<b>ACTUAL</b> <b>2021/2022</b> \$	<b>BUDGET</b> <b>2021/2022</b> \$	<b>ACTUAL</b> <b>2020/2021</b> \$
<b>(a) Plant and Equipment Reserve</b>			
Opening balance	749,821	724,344	141,856
Transfer from retained surplus	2,916,673	1,957,975	3,026,207
Transfer to retained surplus	(1,461,505)	(1,979,000)	(2,419,899)
Interest	2,872	1,500	1,657
<b>Closing Balance</b>	<b>2,207,861</b>	<b>704,819</b>	<b>749,821</b>
<b>(b) Site Rehabilitation Reserve - Post Closure</b>			
Opening balance	2,943,263	5,545,303	4,986,647
Transfer from retained surplus	1,555,151	488,924	0
Transfer to retained surplus	0	0	(2,101,647)
Interest	11,273	56,000	58,263
<b>Closing Balance</b>	<b>4,509,687</b>	<b>6,090,227</b>	<b>2,943,263</b>
<b>(c) Future Development Reserve</b>			
Opening balance	11,460,995	16,772,393	18,263,389
Transfer from retained surplus	9,000,000	0	0
Transfer to retained surplus	(44,079)	(2,550,000)	(7,015,782)
Interest	43,895	189,000	213,388
<b>Closing Balance</b>	<b>20,460,811</b>	<b>14,411,393</b>	<b>11,460,995</b>
<b>(d) Environmental Monitoring Reserve</b>			
Opening balance	1,349,161	2,654,559	2,350,987
Transfer from retained surplus	753,155	269,486	0
Transfer to retained surplus	0	0	(1,029,295)
Interest	5,167	27,500	27,469
<b>Closing Balance</b>	<b>2,107,483</b>	<b>2,951,545</b>	<b>1,349,161</b>
<b>(e) Environmental Insurance Reserve</b>			
Opening balance	59,639	59,604	46,892
Transfer from retained surplus	0	45,000	50,000
Transfer to retained surplus	(59,766)	(39,690)	(37,801)
Interest	127	800	548
<b>Closing Balance</b>	<b>0</b>	<b>65,714</b>	<b>59,639</b>

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**18. RESERVES (Continued)**

	<b>ACTUAL</b> <b>2021/2022</b> \$	<b>BUDGET</b> <b>2021/2022</b> \$	<b>ACTUAL</b> <b>2020/2021</b> \$
<b>(f) Risk Management Reserve</b>			
Opening balance	15,813	15,802	15,631
Transfer from retained surplus	0	0	0
Transfer to retained surplus	(15,847)	0	0
Interest	34	200	182
<b>Closing Balance</b>	<b>0</b>	<b>16,002</b>	<b>15,813</b>
<b>(g) Class IV Reserve</b>			
Opening balance	600,945	600,460	649,866
Transfer from retained surplus	141,310	93,486	93,486
Transfer to retained surplus	(2,500)	(150,000)	(150,000)
Interest	2,302	7,100	7,593
<b>Closing Balance</b>	<b>742,057</b>	<b>551,046</b>	<b>600,945</b>
<b>(h) Regional Development Reserve</b>			
Opening balance	0	0	321,608
Transfer from retained surplus	0	0	0
Transfer to retained surplus	0	0	(325,365)
Interest	0	0	3,757
<b>Closing Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>(i) Secondary Waste Reserve</b>			
Opening balance	41,177,833	40,447,124	45,240,494
Transfer from retained surplus	5,028,012	4,121,290	4,985,988
Transfer to retained surplus	(28,592,727)	(7,763,041)	(9,577,234)
Interest	151,380	470,000	528,585
<b>Closing Balance</b>	<b>17,764,498</b>	<b>37,275,373</b>	<b>41,177,833</b>
<b>(j) Class III Reserve</b>			
Opening balance	1,158,161	1,156,021	2,873,244
Transfer from retained surplus	1,976,270	1,390,535	1,426,303
Transfer to retained surplus	(603,096)	(350,000)	(3,174,957)
Interest	4,435	35,000	33,571
<b>Closing Balance</b>	<b>2,535,770</b>	<b>2,231,556</b>	<b>1,158,161</b>

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**18. RESERVES (Continued)**

	<b>ACTUAL</b> <b>2021/2022</b> \$	<b>BUDGET</b> <b>2021/2022</b> \$	<b>ACTUAL</b> <b>2020/2021</b> \$
<b>(k) Building Refurbishment Reserve</b>			
Opening balance	79,842	79,783	78,920
Transfer from retained surplus	0	0	0
Transfer to retained surplus	(80,012)	0	0
Interest	170	900	922
<b>Closing Balance</b>	<b>0</b>	<b>80,683</b>	<b>79,842</b>
<b>(l) EastLink Relocation Reserve</b>			
Opening balance	5,325,000	0	0
Transfer from retained surplus	0	0	5,325,000
Transfer to retained surplus	0	0	0
Interest	20,394	0	0
<b>Closing Balance</b>	<b>5,345,394</b>	<b>0</b>	<b>5,325,000</b>
<b>(m) Long Service Leave Reserve</b>			
Opening balance	1,033,136	1,032,391	998,556
Transfer from retained surplus	18,977	18,979	22,913
Transfer to retained surplus	0	0	0
Interest	3,957	12,000	11,667
<b>Closing Balance</b>	<b>1,056,070</b>	<b>1,063,370</b>	<b>1,033,136</b>
<b>TOTAL RESERVES</b>			
Opening balance	65,953,610	69,087,784	75,968,090
Transfer from retained surplus	21,389,548	8,385,675	14,929,897
Transfer to retained surplus	(30,859,532)	(12,831,731)	(25,831,980)
Interest	246,006	800,000	887,603
<b>CLOSING BALANCE</b>	<b>56,729,632</b>	<b>65,441,728</b>	<b>65,953,610</b>

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

# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

### 18. RESERVES (Continued)

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

***Plant and Equipment Reserve (Ongoing Reserve)***

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

***Site Rehabilitation Reserve - Post Closure (Ongoing Reserve)***

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

***Future Development Reserve (Ongoing Reserve)***

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

***Class IV Reserve (Ongoing Reserve)***

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

***Class III Reserve (Ongoing Reserve)***

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

***Environmental Monitoring Reserve (Ongoing Reserve)***

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

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

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

***EastLink Relocation Reserve (Ongoing Reserve)***

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

***Long Service Leave Reserve (Ongoing Reserve)***

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

# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

### 19. NOTES TO THE STATEMENT OF CASH FLOWS

#### (i) Reconciliation of Cash

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

	ACTUAL 2021/2022 \$	BUDGET 2021/2022 \$	ACTUAL 2020/2021 \$
Cash and Cash Equivalents - Unrestricted	10,249,910	4,010,280	15,473,132
Cash and Cash Equivalents - Restricted	14,070,200	33,375,435	39,888,013
<b>Total Cash and Cash Equivalents</b>	<b>24,320,110</b>	<b>37,385,715</b>	<b>55,361,145</b>

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

Net Result	6,006,893	4,356,672	10,296,371
<u>Non-Cash Flows in Net Result</u>			
Depreciation	4,896,630	4,826,380	6,452,173
Expected credit losses	98,295	0	90,739
Expected credit losses reversed	(6,370)	0	(10,674)
Increase/(Decrease) in Interest Expense on unwinding of discount	150,740	0	227,467
(Increase)/Decrease in revaluations - Landfill Cells & Post Closure Asset	0	0	(4,271,604)
(Profit)/Loss on sale of assets	(63,074)	(66,835)	460,575
<u>Changes in Assets and Liabilities</u>			
Increase/(Decrease) in provisions - Other	(159,512)	793,872	(939,158)
Increase/(Decrease) in provisions - Employee	125,111	27,478	(33,669)
Increase/(Decrease) in Sundry Creditors	(6,743,072)	0	6,168,550
Increase/(Decrease) in Contract Liabilities	405,480	0	0
Increase/(Decrease) in GST	(138,267)	0	295,751
(Increase)/Decrease in accrued interest earnings	(129,649)	0	201,106
(Increase)/Decrease in Receivables	(750,283)	0	(524,295)
(Increase)/Decrease in Inventory	20,123	0	2,610
(Increase)/Decrease in Prepayments	4,343	0	35,000
<b>Net cash from operating activities</b>	<b>3,717,388</b>	<b>9,937,567</b>	<b>18,450,942</b>

#### (iii) Undrawn Borrowing Facilities

##### Credit Standby Arrangements

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

Credit Card Limits	60,000	58,000
Credit Utilised at Balance Date	(1,799)	(9,120)
<b>Total amount of credit unutilised</b>	<b>58,201</b>	<b>48,880</b>

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**20. EMPLOYEE ENTITLEMENTS**

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

<b>Provision for Employee Entitlements</b> (Refer to Note 17)	<b>ACTUAL</b> <b>2021/2022</b> <b>\$</b>	<b>ACTUAL</b> <b>2020/2021</b> <b>\$</b>
- Current	1,929,017	1,814,744
- Non-current	92,057	81,219
<b>Total Employee Entitlements</b>	<b>2,021,074</b>	<b>1,895,963</b>
	<b>ACTUAL</b> <b>FTE's</b> <b>2021/2022</b>	<b>ACTUAL</b> <b>FTE's</b> <b>2020/2021</b>
<b>Total number of (FTE) employees at end of financial year</b>	<b>91</b>	<b>91</b>

**21. COUNCILLORS FEES AND ALLOWANCES**

	<b>ACTUAL</b> <b>2021/2022</b> <b>\$</b>	<b>BUDGET</b> <b>2021/2022</b> <b>\$</b>	<b>ACTUAL</b> <b>2020/2021</b> <b>\$</b>
The following fees, expenses and allowances were paid to council members and the Chairman:			
Councillors' meeting fees	90,070	95,040	116,232
Chairman's meeting fees	20,664	15,839	15,839
Deputy Councillors' meeting fees	1,428	15,742	2,428
Chairman's Local Government fee	15,839	20,063	20,063
Deputy Chairman's Local Government fee	10,560	5,016	5,016
	<b>138,561</b>	<b>151,700</b>	<b>159,578</b>

# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

### 21. COUNCILLORS FEES AND ALLOWANCES (Continued)

NAME	MEETING FEE \$	LOCAL GOVT FEE \$	TRAVEL EXPENSES \$	TOTAL 2021/2022 \$	TOTAL 2020/2021 \$
<b><u>Current Councillors</u></b>					
Cr M Congerton <sup>3</sup>	17,687	11,879	601	30,167	10,981
Cr D O'Connor <sup>4</sup>	6,402	7,920	0	14,322	10,560
Cr D Jeans <sup>5</sup>	9,174	2,640	0	11,814	15,576
Cr K Hamilton	10,560	0	0	10,560	10,560
Cr J Daw	10,560	0	0	10,560	10,560
Cr C Zannino	10,560	0	574	11,134	11,090
Cr H MacWilliam <sup>6 8</sup>	7,920	0	0	7,920	238
Cr M Thomas <sup>6</sup>	7,920	0	0	7,920	0
Cr M Sutherland <sup>6</sup>	7,920	0	0	7,920	0
Cr S Ostaszewskij <sup>6</sup>	7,920	0	0	7,920	0
Cr G Johnson <sup>1 7</sup>	3,116	0	0	3,116	10,560
Cr J Cicchini <sup>7</sup>	476	0	0	476	0
Cr E Wilding <sup>7</sup>	238	0	0	238	0
Cr J Sewell <sup>7</sup>	238	0	0	238	0
<b><u>Former Councillors</u></b>					
Cr J Wilson <sup>2</sup>	5,016	3,960	0	8,976	35,902
Cr L Clarke <sup>1</sup>	2,640	0	0	2,640	10,560
Cr L Boyd <sup>1</sup>	2,640	0	0	2,640	10,560
Cr S Wolff	0	0	0	0	5,280
Cr J Powell	0	0	0	0	10,560
Cr P Marks	0	0	0	0	5,114
Cr F Piffaretti	0	0	0	0	238
Cr R Rossi	0	0	0	0	238
Cr A Collins	0	0	0	0	476
Cr I Johnson	0	0	0	0	525
	<b>110,987</b>	<b>26,399</b>	<b>1,175</b>	<b>138,561</b>	<b>159,578</b>

<sup>1</sup> Councillor to October 2021.

<sup>2</sup> Chairman/Councillor to October 2021.

<sup>3</sup> Chairman from October 2021.

<sup>4</sup> Deputy Chairman from October 2021.

<sup>5</sup> Deputy Chairman prior to October 2021.

<sup>6</sup> Councillor from October 2021.

<sup>7</sup> Deputy Councillor from October 2021.

<sup>8</sup> Deputy Councillor prior to October 2021.



**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**22. ASSETS CLASSIFIED BY TYPE AND LOCAL GOVERNMENT PROGRAM**

	ACTUAL 2021/2022 \$	ACTUAL 2020/2021 \$
<b>CURRENT ASSETS</b>		
General Purpose Funding	30,432,324	26,157,450
Governance	1,309,221	1,252,293
Community Amenities	53,465,702	64,074,998
<b>TOTAL CURRENT ASSETS</b>	<b>85,207,247</b>	<b>91,484,741</b>
<b>NON-CURRENT ASSETS</b>		
<b>Land</b>		
Governance	5,230,000	5,230,000
Community Amenities	42,620,257	42,620,000
<b>Buildings</b>		
Governance	3,347,415	3,439,716
Community Amenities	4,466,356	3,067,158
<b>Structures</b>		
Community Amenities	22,308,519	21,977,142
<b>Plant</b>		
Governance	155,164	156,212
Community Amenities	12,276,417	12,980,251
<b>Equipment</b>		
Governance	351,196	408,104
Community Amenities	195,835	230,043
<b>Furniture and Fittings</b>		
Governance	178,276	126,449
<b>Work In Progress</b>		
Unclassified	30,210,173	25,179,667
<b>TOTAL NON CURRENT ASSETS</b>	<b>121,339,608</b>	<b>115,414,742</b>
<b>TOTAL ASSETS</b>	<b>206,546,855</b>	<b>206,899,483</b>

**23. DISPOSAL OF ASSETS**

	ACTUAL 2021/2022			BUDGET 2021/2022			ACTUAL 2020/2021		
	Net Book Value \$	Sale Price \$	Gain (Loss) \$	Net Book Value \$	Sale Price \$	Gain (Loss) \$	Net Book Value \$	Sale Price \$	Gain (Loss) \$
Plant	279,614	362,455	82,841	284,165	351,000	66,835	224,924	276,636	51,712
Structures	17,317	0	(17,317)	0	0	0	512,287	0	(512,287)
Equipment	2,450	0	(2,450)	0	0	0	0	0	0
<b>Total Assets Disposed</b>	<b>299,381</b>	<b>362,455</b>	<b>63,074</b>	<b>284,165</b>	<b>351,000</b>	<b>66,835</b>	<b>737,211</b>	<b>276,636</b>	<b>(460,575)</b>

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**24. INFORMATION ON BORROWINGS**

(a) Borrowings

The EMRC does not have any loans or borrowings.

(b) New Borrowings

There were no new borrowings during the 2021/2022 financial year.

(c) Unspent Loans

There were no unspent loans during the 2021/2022 financial year.

**25. INTEREST IN THE EMRC**

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

Member Council	2021/2022		2020/2021	
	%	\$	%	\$
Town of Bassendean	4.72	8,057,038	4.22	7,835,333
City of Bayswater	20.27	34,616,969	18.23	33,869,872
City of Belmont	0.00	0	11.31	21,000,517
City of Kalamunda	17.49	29,871,503	15.67	29,106,170
Shire of Mundaring	11.53	19,681,971	10.33	19,187,760
City of Swan	45.99	78,531,873	40.24	74,753,326
<b>Total Equity</b>	<b>100.00</b>	<b>170,759,354</b>	<b>100.00</b>	<b>185,752,978</b>

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

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

A provision of \$21,000,517 has been made as at 30 June 2022 for the City of Belmont equity payment. This value will be adjusted by 30 June 2023 once the final payment value has been finalised for payment in July 2023 (Refer Note 17).

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**26. FINANCIAL RISK MANAGEMENT**

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

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

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

The Council held the following financial instruments at balance date:

	<b>Carrying Value</b>		<b>Fair Value</b>	
	<b>2021/2022</b>	<b>2020/2021</b>	<b>2021/2022</b>	<b>2020/2021</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>				
Cash and cash equivalents	24,378,874	55,361,145	24,378,874	55,361,145
Financial assets at amortised costs:				
- Term deposits	56,694,388	32,500,000	56,694,388	32,500,000
- Receivables *	4,089,645	3,554,790	4,089,645	3,554,790
	<b>85,162,907</b>	<b>91,415,935</b>	<b>85,162,907</b>	<b>91,415,935</b>
<b>Financial Liabilities</b>				
Financial liabilities at amortised cost:				
- Payables *	5,616,634	12,359,706	5,616,634	12,359,706
	<b>5,616,634</b>	<b>12,359,706</b>	<b>5,616,634</b>	<b>12,359,706</b>

Fair value is determined as follows:

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

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

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

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
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**26. FINANCIAL RISK MANAGEMENT (Continued)**

**(a) Cash and Cash Equivalents**

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

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

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

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

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

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>\$</b>	<b>\$</b>
Impact of a +10% movement in price of investments:		
- Equity	0	0
- Statement of Comprehensive Income	0	0
Impact of a +1% movement in interest rates on cash and investments:		
- Equity	58,161	58,571
- Statement of Comprehensive Income	58,161	58,571

**(b) Receivables**

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

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

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

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**26. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Ageing Analysis of Receivables**

	Gross Carrying Amount	Not Past due and not Impaired	Past due but not Impaired					Impaired Receivables
			Up to 1 month	1 - 3 Months	> 3 Months to 1 Year	> 1 - 5 Years	More than 5 Years	
	\$	\$	\$	\$	\$	\$	\$	\$
<b><u>2021/2022</u></b>								
Receivables *	4,098,607	3,578,159	510,590	897	0	0	0	8,962
Loan receivable	1,278,983	0	0	0	0	0	0	1,278,983
	<b>5,377,590</b>	<b>3,578,159</b>	<b>510,590</b>	<b>897</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,287,945</b>
<b><u>2020/2021</u></b>								
Receivables *	3,570,123	3,294,521	256,736	3,533	0	0	0	15,333
Loan receivable	1,180,687	0	0	0	0	0	0	1,180,687
	<b>4,750,810</b>	<b>3,294,521</b>	<b>256,736</b>	<b>3,533</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,196,020</b>

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

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**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**26. FINANCIAL RISK MANAGEMENT (Continued)**

**(d) Payables**

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<b><u>2021/2022</u></b>					
Payables *	5,616,634	0	0	5,616,634	5,616,634
	<b>5,616,634</b>	<b>0</b>	<b>0</b>	<b>5,616,634</b>	<b>5,616,634</b>
<b><u>2020/2021</u></b>					
Payables *	12,359,706	0	0	12,359,706	12,359,706
	<b>12,359,706</b>	<b>0</b>	<b>0</b>	<b>12,359,706</b>	<b>12,359,706</b>

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

**(e) Borrowings**

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

Council does not have any borrowings or loans.

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**26. FINANCIAL RISK MANAGEMENT (Continued)**

**(f) Liquidity Risk and Interest Rate Exposure**

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

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

	Interest Rate Exposure					Maturity Dates				
	Weighted Average Effective Interest Rate	Carrying Amount	Fixed Interest Rate	Variable Interest Rate	Non- Interest Bearing	Nominal Amount	Up to 1 month	1 - 3 Months	3 Months to 1 Year	More than 1 Year
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b><u>2021/2022</u></b>										
<b><u>Financial Assets</u></b>										
Cash and cash equivalents	0.25%	10,249,910	4,444,247	5,801,613	4,050	10,249,910	6,045,893	4,204,017	0	0
Restricted cash and cash equivalents	0.55%	14,070,200	14,055,753	14,447	0	14,070,200	774,217	13,295,983	0	0
<b><u>Financial Assets at amortised cost</u></b>										
Term Deposits - Unrestricted	0.55%	13,572,970	13,572,970	0	0	13,572,970	0	0	13,572,970	0
Term Deposits - Restricted	0.55%	42,927,030	42,927,030	0	0	42,927,030	0	0	42,927,030	0
Loans and Receivables *	8.00%	4,089,645	1,278,983	0	2,810,662	4,089,645	2,810,662	0	1,278,983	0
		<b>84,909,755</b>	<b>76,278,983</b>	<b>5,816,060</b>	<b>2,814,712</b>	<b>84,909,755</b>	<b>9,630,772</b>	<b>17,500,000</b>	<b>57,778,983</b>	<b>0</b>
<b><u>Financial Liabilities</u></b>										
Payables *	-	5,616,634	0	0	5,616,634	5,616,634	5,616,634	0	0	0
		<b>5,616,634</b>	<b>0</b>	<b>0</b>	<b>5,616,634</b>	<b>5,616,634</b>	<b>5,616,634</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b><u>2020/2021</u></b>										
<b><u>Financial Assets</u></b>										
Cash and cash equivalents	0.59%	15,473,132	9,611,987	5,857,095	4,050	15,473,132	9,453,504	6,019,628	0	0
Restricted cash and cash equivalents	0.92%	39,888,013	39,888,013	0	0	39,888,013	14,907,641	24,980,372	0	0
<b><u>Financial Assets at amortised cost</u></b>										
Term Deposits - Unrestricted	0.92%	6,310,901	6,310,901	0	0	6,310,901	0	0	6,310,901	0
Term Deposits - Restricted	0.92%	26,189,099	26,189,099	0	0	26,189,099	0	0	26,189,099	0
Loans and Receivables *	8.00%	3,554,790	1,180,687	0	2,374,103	3,554,790	2,374,103	0	1,180,687	0
		<b>91,415,935</b>	<b>83,180,687</b>	<b>5,857,095</b>	<b>2,378,153</b>	<b>91,415,935</b>	<b>26,735,248</b>	<b>31,000,000</b>	<b>33,680,687</b>	<b>0</b>
<b><u>Financial Liabilities</u></b>										
Payables *	-	12,359,706	0	0	12,359,706	12,359,706	12,359,706	0	0	0
		<b>12,359,706</b>	<b>0</b>	<b>0</b>	<b>12,359,706</b>	<b>12,359,706</b>	<b>12,359,706</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
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<b>27. COMMITMENTS FOR CAPITAL EXPENDITURE</b>	<b>ACTUAL 2021/2022 \$</b>	<b>ACTUAL 2020/2021 \$</b>
Commitments for the acquisition of assets contracted for at the reporting date but not recognised as liabilities:		
- Payable not longer than one year	3,955,238	1,818,673
<b>Total Capital Commitments</b>	<b>3,955,238</b>	<b>1,818,673</b>

**28. CONTINGENT LIABILITIES**

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

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

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

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

It is the opinion of the attorney representing the EMRC in this action that the claim will not be decided until post 2022.

**29. EVENTS AFTER THE REPORTING PERIOD**

There have been no significant events after the reporting period required to be included in the 2021/2022 Annual Financial Report.



# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

### 30. FAIR VALUE MEASUREMENT

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

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

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

#### Recurring Fair Value Measurements

		30 June 2022			
	Note	Level 1	Level 2	Level 3	Total
		\$	\$	\$	\$
Financial Assets	10	0	0	0	0
<b>Total financial assets recognised at fair value on a recurring basis</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Non-Financial Assets</b>					
Land	12	0	30,200,000	17,650,257	47,850,257
Buildings	12	0	3,347,415	4,466,357	7,813,772
Infrastructure	13	0	0	22,308,519	22,308,519
<b>Total non-financial assets recognised at fair value on a recurring basis</b>		<b>0</b>	<b>33,547,415</b>	<b>44,425,133</b>	<b>77,972,548</b>

# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

### 30. FAIR VALUE MEASUREMENT (Continued)

#### Recurring Fair Value Measurements

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

#### (a) Transfers Policy

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

#### (b) Highest and Best Use

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

# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

### 30. FAIR VALUE MEASUREMENT (Continued)

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

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

Asset	Level of Valuation Input	Fair Value at 30 June 2022 \$	Valuation Technique(s)	Inputs Used
<b>Non-Financial Assets subject to revaluation</b>				
Land	2	30,200,000	Market approach	Price per square metre.
	3	17,650,257	Cost Approach	Price per square metre.
Buildings	3	4,466,357	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount.
Infrastructure	2	3,347,415	Market and income approach	Rental yields and price per square metre.
	3	22,308,519	Cost approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount.
<b>TOTAL</b>		<b>77,972,548</b>		

# **EASTERN METROPOLITAN REGIONAL COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022**

### **30. FAIR VALUE MEASUREMENT (Continued)**

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

##### **Recurring fair value measurements**

##### **Land**

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

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

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

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

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

##### **Buildings**

##### *Level 2 valuation inputs*

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

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

##### *Level 3 valuation inputs*

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

# **EASTERN METROPOLITAN REGIONAL COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022**

### **30. FAIR VALUE MEASUREMENT (Continued)**

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

##### **Recurring fair value measurements**

##### **Infrastructure**

##### Road and Civil Assets

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

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

The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then updated to take into account the experience and understanding of Eastern Metropolitan Regional Council's own engineers, asset management and finance staff. The results of the valuation were further evaluated by confirmation against Eastern Metropolitan Regional Council's own understanding of the assets and the level of remaining service potential.

#### **(d) Valuation processes**

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

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

# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

### 31. RELATED PARTY TRANSACTIONS

#### Key Management Personal (KMP) Compensation Disclosure

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

	2021/2022	2020/2021
	\$	\$
Short-term employee benefits	935,098	1,010,347
Post-employment benefits	126,763	133,200
Other long term benefits	114,538	125,096
Termination benefits	0	0
	<u>1,176,399</u>	<u>1,268,643</u>

#### **Short-term employee benefits**

These amounts include all salary, fringe benefits and cash bonuses awarded to KMP except for details in respect of fees and benefits paid to elected members which may be found at Note 21.

#### **Post-employment benefits**

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

#### **Other long-term benefits**

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

#### **Termination benefits**

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

#### **Related Parties**

##### **The Council's main related parties are as follows:**

##### *i. Key management personnel*

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

##### *ii. Other Related Parties*

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

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

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

# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

### 31. RELATED PARTY TRANSACTIONS (Continued)

#### Related Parties (Continued)

##### Transactions with related parties

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

The following transactions occurred with related parties:

	2021/2022 \$	2020/2021 \$
<b>Member Councils:</b>		
• Sale of goods and services	28,063,188	30,872,716
• Dividend distribution to member Councils	0	4,985,988
<b>Amounts outstanding from related parties:</b>		
• Trade and other receivables	2,512,059	2,491,745

### 32. NET CURRENT ASSET POSITION

The net current asset position balance carried forward from the previous financial year after adjustment for Restricted Assets for the purpose of the 2021/2022 budget was \$1,476,670.

The actual net current asset position balance shown in the audited financial report as at 30 June 2021 and after adjustment for Restricted Assets was \$10,968,285.

### 33. TRUST FUNDS

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

	1 July 2021	Amount Received	Amount Paid	30 June 2022
	\$	\$	\$	\$
Green Deal Alliance	0	305,000	69,690	235,310
	0	305,000	69,690	235,310

## **INDEPENDENT AUDITOR'S REPORT**



**For the Year Ended  
30 June 2022**





## Auditor General

### INDEPENDENT AUDITOR'S REPORT 2022 Eastern Metropolitan Regional Council

To the Councillors of the Eastern Metropolitan Regional Council

#### Opinion

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

- the Statement of Financial Position at 30 June 2022, the Statement of Comprehensive Income by Nature or Type, Statement of Changes in Equity and Statement of Cash Flows for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial report is:

- based on proper accounts and records
- presents fairly, in all material respects, the results of the operations of the Council for the year ended 30 June 2022 and its financial position at the end of that period
- in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

#### Basis for opinion

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

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

#### Other information

The Chief Executive Officer (CEO) is responsible for the preparation and the Council Members for overseeing the other information. The other information is the information in the entity's annual report for the year ended 30 June 2022, but not the financial report and my auditor's report.

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

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

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

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

The Chief Executive Officer of the Council is responsible for:

- preparation and fair presentation of the financial report in accordance with the requirements of the Act, the Regulations and Australian Accounting Standards
- managing internal control as required by the CEO to ensure the financial report is free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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


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

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

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

This auditor's report relates to the financial report of the Eastern Metropolitan Regional Council for the year ended 30 June 2022 included in the annual report on the Council's website.

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



Grant Robinson  
Assistant Auditor General Financial Audit  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
11 October 2022



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DRY / KIRKNESS

## Annual Audit Completion Report

Accounting / Audit & Assurance /  
Bookkeeping / Self-Managed  
Superannuation Funds



Office of the Auditor General  
Serving the Public Interest

# Introduction

## FROM OUR ENGAGEMENT DIRECTOR

Eastern Metropolitan Regional Council for  
the year ended 30 June 2022.

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



**MARCIA  
JOHNSON  
DIRECTOR**

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**LIANG WONG  
ASSISTANT DIRECTOR**

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# Executive Summary

- + Dry Kirkness (Audit) Pty Ltd was appointed as the contract auditor by the Office of the Auditor General for the year ended 30 June 2022.
- + Dry Kirkness (Audit) Pty Ltd has completed the external statutory audit for the year ended 30 June 2022.
- + No unresolved issues.
- + Our findings are included in this report.
- + We intend to recommend to the Auditor General to issue an unqualified audit opinion in relation to the financial statements.
- + There are no outstanding matters.



# Independence

---

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

Threats to independence include the following:

- + Self Interest Threats
- + Self Review Threats
- + Advocacy Threats
- + Familiarity Threats
- + Intimidation Threats

What we do to remain independent:

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

# Compliance With Laws & Regulations & Fraud

Laws and Regulations applicable to the Shire include the following:

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

During the audit process there have been:

- + No report of any non-compliance issues.
- + No findings or indications of suspected fraud.

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





# Key Audit Matters and Audit Outcomes

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

Details of Risk / Issue	Audit Approach
<p>Audit findings reported in the previous audit</p> <ul style="list-style-type: none"> <li>+ Tenders register not in compliance with the Regulations</li> <li>+ Lack of sufficient quotes for purchases</li> <li>+ Purchase orders dated after invoice dates</li> </ul>	<p>We followed up on last year's audit issues during the audit and are pleased to report that the issues were resolved.</p>
<p>Changes to Local Government (Financial Management) Regulations:</p> <ul style="list-style-type: none"> <li>+ Removal of the requirement for local government entities to report financial ratios within the financial statements</li> </ul>	<p>We reviewed the financial report and confirmed that management has complied with the change in Regulation.</p>
<p>We have identified the following areas that we consider require additional focus during our 2021- 22 local government audits:</p> <ul style="list-style-type: none"> <li>+ Related party disclosures</li> <li>+ Revenue recognition</li> <li>+ Unauthorised expenditure</li> <li>+ Unrecorded liabilities and expenses</li> <li>+ Fictitious employees</li> <li>+ Accounting for cloud computing arrangements</li> </ul>	<p>We reviewed the related audit evidence as part of our audit testing and confirmed that appropriate recognition and measurement and disclosures have been made in the financial report in relation to the risks identified.</p>
<p>The following annual financial report items are derived from accounting estimates and hence will receive specific audit attention:</p> <ul style="list-style-type: none"> <li>+ Provision for annual and long service leave</li> <li>+ Provision for rehabilitation of waste disposal sites</li> </ul>	<p>We reviewed the methodology and underlying data that management used when determining critical accounting estimates. We confirmed the reasonableness of the assumptions and corroborating representations.</p>
<p>The impact on the current year financial statements with regards to the withdrawal of the City of Belmont as a member of EMRC.</p>	<p>We reviewed management's assessment of the impact as well as supporting documents and determine that the matter has been correctly recognised and disclosed in the financial statements.</p>

# Audit Misstatements

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There were no uncorrected misstatements.

# Audit Findings

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There were no audit findings.

# Key Changes for Next Year

## Changes in regulations

- + DLGSCI invited comments from local governments on proposed reforms which includes improved financial management and reporting. New standardized templates are proposed for larger and smaller local government entities. Smaller local governments will have a more streamlined standard financial statements, reflecting the generally less complex operations of smaller local governments.

## Accounting Issues for 2023

- + None anticipated that would have a significant impact on the financial statements for the year ending 30 June 2023.

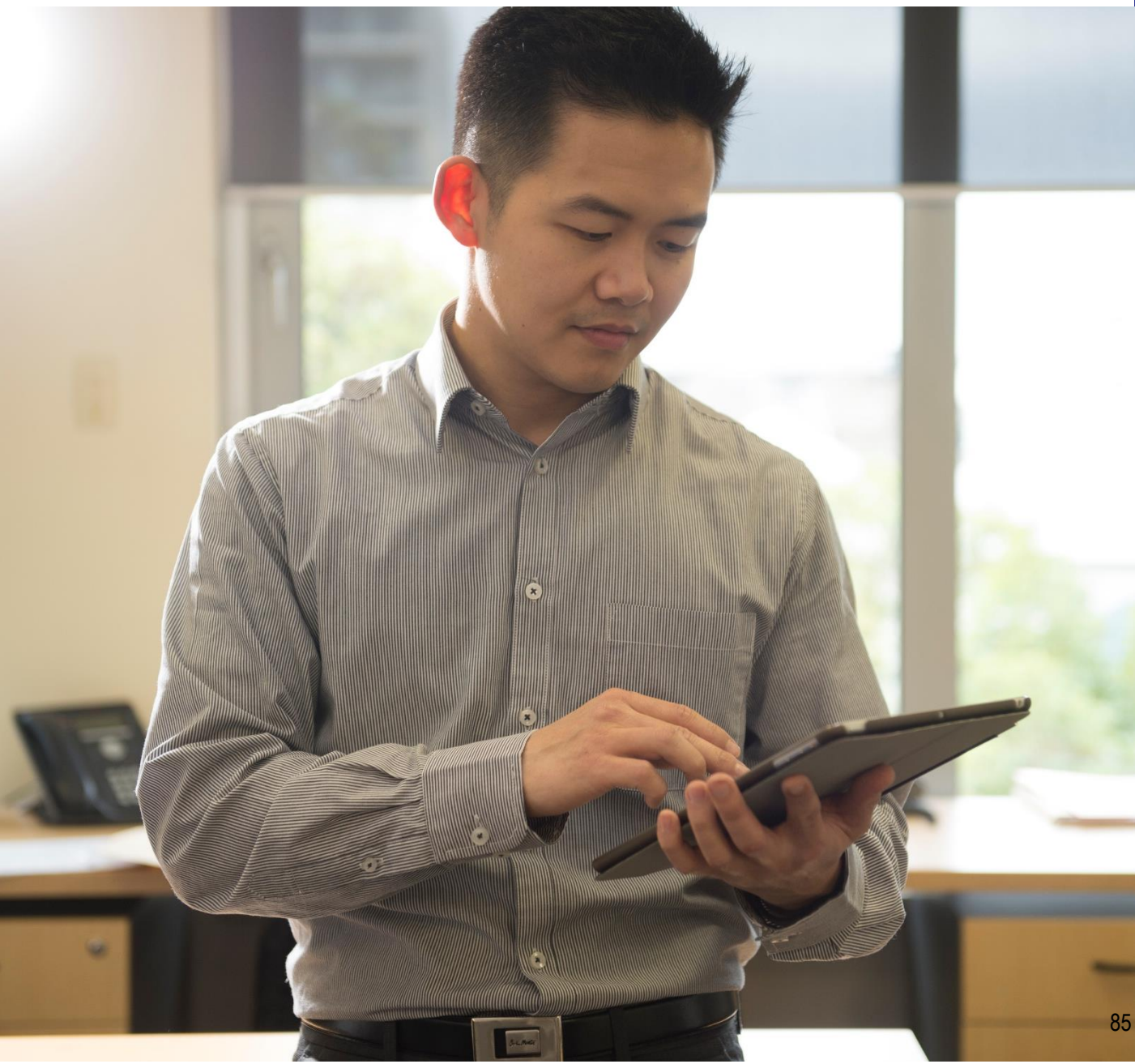




# Thank You

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



Accounting / Audit & Assurance /  
Bookkeeping / Self-Managed  
Superannuation Funds

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Professional Standards  
Legislation

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## **11.2 INTERNAL AUDIT REPORT – 2022 PROGRAMME**

**D2022/16773**

### **PURPOSE OF REPORT**

The purpose of this report is to present the Audit Committee (AC) with the internal audit report of the 2021/2022 internal audit programme.

### **KEY POINT(S)**

- At the June 2020 meeting, Council endorsed a new internal audit programme to be spread over a three year (plus three year) cycle to coincide with the new requirements of the *Local Government (Financial Management) Regulations 1996* and consisting of 22 auditable areas.
- This year (2021/2022) represents the second year of the three year (plus three year) programme.
- The internal audit programme for this year commenced in March 2022 and the Grants Management, Accounts Receivable, Accounts Payable (Transactional) and Payroll (Transactional) audit areas were the first areas to be audited and finalised and were presented at the June 2022 Audit Committee and Council Meeting.
- The IT General Controls, IT Vulnerability Assessment, Records Management and Waste Management Facility (Landfill Operations) were audited and finalised in August and September 2022 and internal audit reports are now ready to be presented to Council.
- The internal audit reports for the Records Management and Waste Management Facility (Landfill Operations) auditable areas have achieved their overall risk rating outcomes and no findings or recommendations were highlighted. The Waste Management Facility (Landfill Operations) audit report also contains some business improvements.
- The internal audit report for the IT General Controls auditable area highlights no further recommendations and business improvements.
- The internal audit report for the IT Vulnerability Assessment auditable area contains recommendations and business improvements as identified in the confidential attachment no.2.

### **RECOMMENDATION(S)**

That:

1. Council notes the internal audit reports forming attachments 1 to 4 to this report.
2. The attachment no. 2 remains confidential and be certified by the Chairman and CEO.

### **SOURCE OF REPORT**

Chief Executive Officer

## BACKGROUND

- 1 At the Audit Committee (AC) meeting held on 4 June 2020 (Ref D2020/05734), the Committee endorsed a three year (plus three year) programme, which was subsequently adopted by Council at its meeting of 18 June 2020.
- 2 The three year (plus three year) programme is as follows:

Auditable Area	Business Team	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
Accounts Payable (Masterfile)	Business Support	•		•		•	
Accounts Payable (Transactional)	Business Support		•		•		•
Auditable Area	Business Team	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
Accounts Receivable	Business Support		•		•		•
Contract Management	Operations	•		•		•	
Corporate Governance	Business Support	•			•		
Grants Management	Sustainability		•			•	
Human Resource Management	Office of CEO	•		•		•	
Investment Policies	Business Support			•			•
IT General Controls	Business Support	•	•	•	•	•	•
IT Vulnerability Assessment	Business Support		•		•		•
OH&S Systems Review	Office of CEO	•		•		•	
OH&S reporting and remedial actions	Office of CEO	•		•		•	
Payroll (Masterfile & Compliance)	Business Support	•		•		•	
Payroll (Transactional)	Business Support		•		•		•
Plant & Equipment	Operations			•		•	
Procurement	Business Support				•		•
Records Management	Business Support		•			•	
Taxation	Business Support			•			•



Waste Management Facility (Landfill Operations)	Operations		•		•		•
Waste Management (Wood waste, Community Recycling Centres and other processing transfer)	Operations	•		•		•	
Financial Management Systems Review (legislative requirement)	Business Support		•			•	
<b>Auditable Area</b>	<b>Business Team</b>	<b>2020/2021</b>	<b>2021/2022</b>	<b>2022/2023</b>	<b>2023/2024</b>	<b>2024/2025</b>	<b>2025/2026</b>
Review of Risk Management, Internal Control and Legislative Compliance (legislative requirement)	Business Support		•			•	

## REPORT

- 3 The internal audit programme for this year commenced in March 2022 for the following audit areas:
  - Grants Management;
  - Accounts Receivable;
  - Accounts Payable (Transactional);
  - Payroll (Transactional);
  - IT General Controls;
  - IT Vulnerability Assessment;
  - Records Management; and
  - Waste Management Facility (Landfill Operations).
- 4 The internal audit for the Grants Management, Accounts Receivable, Accounts Payable (Transactional) and Payroll (Transactional) audit areas were presented to the June 2022 round of Audit and Council meetings.
- 5 The audit review of the IT General Controls, IT Vulnerability Assessment, Records Management and Waste Management Facility (Landfill Operations) auditable areas have now been completed with the internal audit reports are finalised and are presented here for noting.

6 A summary of the findings on the internal audit are summarised as follows:

Auditable Area	Overall Risk Rating Outcomes	Summary of Findings	Recommendations	Business Improvements
IT General Controls	The EMRC has made sufficient progress on all the business improvements raised which will help with the EMRC's alignment with best practice	The audit was performed originally in May 2021 that resulted in several business improvements to be in accordance with Local Government best practice.	None	None
IT Vulnerability Assessment	As identified in the confidential attachment No. 2			
Records Management	Achieved	None	None	None
Waste Management Facility (Landfill Operations)	Achieved	None	None	Audit suggests that the risks are appropriately monitored in accordance with the stated review date and the risk register is updated in accordance with the review process.

- 7 The findings on each of the auditable areas are covered in attachments 1 to 4 as part of this report.
- 8 The EMRC is reviewing all the suggested business improvement opportunities highlighted in the final audit report.

STRATEGIC/POLICY IMPLICATIONS

- 9 Key Result Area 3 – Good Governance
- 3.3 To provide responsible and accountable governance and management of the EMRC
- 3.4 To continue to improve financial and asset management practices

FINANCIAL IMPLICATIONS

- 10 The annual budget provides for the internal audit function.

SUSTAINABILITY IMPLICATIONS

- 11 The internal audit function assists in ensuring the EMRC remains financially sustainable.

## RISK MANAGEMENT

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

Consequence	Likelihood	Rating
Moderate	Likely	High
Action/Strategy		
➤ Council to note the internal audit reports.		

## MEMBER COUNCIL IMPLICATIONS

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

## ATTACHMENT(S)

1. Internal Audit Report: IT General Controls (D2022/17112)
2. *Confidential* Internal Audit Report: IT Vulnerability Assessment (D2022/17111)
3. Internal Audit Report: Records Management (D2022/17110)
4. Internal Audit Report: Waste Management Facility (Landfill Operations) (D2022/17113)

## VOTING REQUIREMENT

Simple Majority

## RECOMMENDATION(S)

That:

1. Council notes the internal audit reports forming attachments 1 to 4 to this report.
2. The attachment no. 2 remains confidential and be certified by the Chairman and CEO.

## AC RECOMMENDATION(S)

MOVED CR MACWILLIAM

SECONDED CR DAW

That:

1. Council notes the internal audit reports forming attachments 1 to 4 to this report.
2. The attachment no. 2 remains confidential and be certified by the Chairman and CEO.

**CARRIED UNANIMOUSLY**



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**Eastern Metropolitan Regional Council  
IT General Controls Follow Up  
Internal Audit**

**September 2022**



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## 1. EXECUTIVE SUMMARY

### Introduction

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

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

As part of the Strategic Internal Audit Plan 2020/2021 – 2025/2026 an IT General Controls Follow-up has been scheduled.

### Audit Objective:

This is classified as an assurance audit with a focus on controls. This audit is a follow-up of the status of the previous year's IT General Controls audit.

The following business improvements were raised in the previous year's IT General Controls Audit:

1. Audit noted that the following policies and guidelines need formal action to indicate they have been reviewed, even though they may still be current:
  - Management Guidelines - Data Security Policy
  - Management Guidelines - Email Policy
  - Business Continuity - Diversion of Phone Systems to Standby Message Bank.
2. Audit also suggests that the EMRC considers whether there is a case to justify implementing an Intrusion Detection System/Intrusion Prevention System that would integrate with the existing FortiGate devices.
3. Audit suggests that the EMRC has formal written contractual obligations for third parties to align with their Data Security Policy if they have providing outsourced IS services where there is access to EMRC systems.
4. Audit also suggests that the EMRC considers controls over the management of removable computer media such as USB drives, such as restricting use, providing guidance on use or enforcing encryption such as Bit-Locker over any EMRC data stored on these devices.
5. Audit suggests for major system changes that they are documented in a log with approval of the Manager Information Services.
6. Audit also suggests a formal technical review of major operating system changes like patches and updates, and this could be reflected in the log detailed in suggestion number five above.

Audit has followed up to assess the progress made regarding each business improvement raised from the previous year's IT General Controls Audit.

## Scope of works

The audit was a point in time follow-up.

## 2. OVERALL COMMENTS

### Eastern Metropolitan Regional Council - Management Comments

The EMRC has welcomed the improvements suggested in the previous year's General Controls audit and is in the final stages of completing the recommendations. The enhanced FortiGate Intrusion Prevention System has increased our level of security at the Internet gateway and the FortiAnalyzer Intrusion Detection System will give us real-time threat detection.

### Stantons - Audit Management Comments

It is pleasing to note that the EMRC are in the final stages of completing the business improvement recommendations from last year. We wish to thank the Information Services team for all their assistance with the audit.

## DISCLAIMER, BASIS OF AUDIT AND LIMITATIONS

### DISCLAIMER

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### BASIS OF AUDIT

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

### INHERENT LIMITATIONS

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\*\*\*\*\*

### Report Release

Released by (Name): James Cottrill

Signature:



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

Date: 19 September 2022

### 3. DETAILED AUDIT ASSESSMENT

#### 3.1 FOLLOW-UP TO ASSESS THE PROGRESS MADE WITH REGARD TO EACH BUSINESS IMPROVEMENT RAISED FROM THE PREVIOUS YEAR'S IT GENERAL CONTROLS AUDIT

<b>Overall Outcome</b>	The EMRC has made sufficient progress on all the business improvements raised which will help their alignment with best practice.
------------------------	---

Audit performed an IT General Controls Audit over the EMRC in May 2021 and provided several business improvements formulated as per Local Government best practice.

Audit were informed by the Manager, Information Services that the following guidelines are currently under review:

- Management Guidelines – Data Security Policy
- Management Guidelines – Email Policy.

Audit obtained and reviewed the Diversion of Phone Systems document which is a summary of the updates that have taken place and are currently being progressed. There is provision for diverting the Ascot office public telephone number to a standby message bank in the event of a major disruption to business, which is still currently operational. However, the EMRC is in the process of replacing the current phone system at its Ascot, Hazelmere, and Red Hill sites with one unified system. The new system will comprise of 4-digit extension numbers across all sites, with each extension having a corresponding direct in-dial number. The new system is hosted with telephony delivered using VOIP (Voice Over IP) technology.

The new system will include business continuity features including:

- If an extension is not answered, caller can leave a voice message which is delivered to the user's email inbox
- Extensions can be set to be diverted to personal phones or a WebEx application if not answered.

Audit obtained and reviewed the Business Continuity Plan (BCP) which was updated on the 22 August 2022. The document includes a list of the Business Recovery Team and a summary of all the actions to be taken if the EMRC's Ascot Place Building is destroyed or otherwise inhabitable. The BCP also contains the contact details of the responsible EMRC members with inclusion of name, position, mobile number, and their roles in case of an emergency. The document is detailed and adequate.

Audit obtained and reviewed the Status of Intrusion Prevention System (IPS)-Intrusion Detection System (IDS) which was updated on 30 August 2022. The EMRC use two FortiGate devices running FortiOS 7.0.1 operating systems at the Ascot office which provides these features.

The other remote sites at Baywaste Hazelmere and Red Hill are using a single FortiGate/FortiWiFi 60E firewall device running the same operating systems. The Forti devices are on subscription and receive regular updates against viruses, Spam and known exploits. The FortiGate devices run an IPS and inspect all network traffic. The FortiGate units have been configured for IPS/IDS rulesets for the following traffic types:

- IPS/IDS Inbound from the Internet
- IPS/IDS Outbound to the Internet
- Additional Internet Information Service (IIS) / (Outlook on the Web) OWA configuration is enabled for the Ascot Exchange Server and RDS Gateway server as well (Ascot Only).



The FortiGate devices hold logs which are retained for a short period of time. There has been difficulty using these as an IDS, therefore, the EMRC has placed a purchase order for a FortiAnalyzer appliance which will provide 5GB of log retention sourced from all Forti devices and will provide better functionality as an IDS. The FortiAnalyzer provides real-time network and anomaly visibility as well as a threat dashboard and comprehensive reporting.

As per the Manager, Information Services, a formal and written contractual obligation for third parties is being integrated into the new Data Security Policy. Clauses are also being reviewed to be added to contract templates which include the following:

- “In the course of their work, the Contractor may be exposed to material of a confidential or sensitive nature. The Contractor agrees to uphold the confidentiality of this material.

In the course of their work, the Contractor may connect their computer equipment to the EMRC’s network or use the EMRC’s computing equipment. They may also conduct some or all their work via remote access and may also use the EMRC email system. In all cases, the Contractor agrees to comply with the EMRC’s Data Security Management Guideline, and any other security related policies provided”.

These clauses would hold third party contractors accountable for any Data Security breaches resulting from contractors’ negligence.

As per the Manager, Information Services, removable devices will be incorporated in the updated Data Security Policy. The move to Microsoft 365 has caused a reduction in the use of removable devices to distribute content due to the use of OneDrive shared folders/documents. The updated policy will recommend the use of OneDrive and the use of security options available such as expiring links and password protection to ensure reduction of use of removable devices. There is no inclusion of any specific security over removable devices like the use of Bit-Locker etc., but guidance over their use will be provided in the updated Data Security Policy.

Audit obtained and reviewed the IT System Changelog which contains all recent major changes within the system. The log contains the following information for each change:

- Date
- Category
- Version
- Change Title
- Who
- Change Description
- Manager Approval date.

The changes are logged appropriately and sorted accordingly by date. The category presents where the change is made like FortiGate or Active Directory etc. The versions for any updates or patches are also stated. The change title helps identify what the nature of the change is, and the change description explains the initial issue along with the remedy change in detail. The responsible person for the change is also identified in the log.

Overall, audit have concluded that the EMRC has made good progress in addressing most of the business improvement suggestions made since the last IT General Controls audit. We were not able to review some of the policies due to them being in progress but have noted that action is underway, and they are currently on track to be completed as per the suggestions.



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**Eastern Metropolitan Regional Council  
Records Management  
Internal Audit**

**September 2022**

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## 1. EXECUTIVE SUMMARY

### Introduction

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

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

As part of the Strategic Internal Audit Plan 2020/2021 – 2025/2026 an audit of Records Management is conducted every third year. This internal audit is to ensure the Council's recordkeeping practices comply with the provision of the *State Records Act 2000* and effective controls exist to manage Council records. The audit will cover the period 1 July 2021 to 31 March 2022.

### Audit Objective:

This is classified as an assurance audit with a focus on controls. We used a combination of walk throughs, interviews, process observation, and sampling to assess controls.

The specific objectives of this audit were as follows:

#### Reliability and Integrity of Information

- Review controls in place for the safeguarding and securing of records.

#### Compliance

- Determine the extent to which legislation, Australian Standards, policies, and procedures have been complied with
- A suitable and current Record Keeping Plan (RKP) and supporting Disposal Schedule is in place
- A records management system is in use.

#### Risks Identified

- Non-compliance with policies and legislation such as the *State Records Act 2000*
- Records not properly secured and protected against loss
- Inappropriate access to records.

### Scope of works

The audit period was 1 July 2021 to 31 March 2022.

## 2. OVERALL AUDIT OUTCOMES AGAINST AUDIT SCOPE OF WORKS

### Overall Risk Rating

Scope Report Reference	Audit Scope	Outcomes	Risk Rating
8.1	Review controls in place for the safeguarding and securing of records.	Achieved	N/A
8.2	Determine the extent to which legislation, Australian Standards, policies, and procedures have been complied with.	Achieved	N/A
8.3	A suitable and current Record Keeping Plan (RKP) and supporting Disposal Schedule is in place	Achieved	N/A
8.4	A records management system is in use.	Achieved	N/A

## 3. SUMMARY OF FINDINGS

1. There were no findings raised.

## 4. RECOMMENDATIONS

1. There were no recommendations raised.

## 5. BUSINESS IMPROVEMENTS

1. There were no business improvements made.

## 6. OVERALL COMMENTS

### **Eastern Metropolitan Regional Council - Management Comments**

The EMRC welcomes the opportunity to review our record keeping practices and controls. It is pleasing to note there were no deficiencies noted at this time.

### **Stantons - Audit Management Comments**

We wish to thank the records area for all their assistance with the audit and commend their good record keeping practices.

## 7. RISK RATING AND DEFINITIONS

### Risk Ratings and Interpretations

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

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\*\*\*\*\*

### Report Release

Released by (Name): James Cottrill

Signature:



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

Date: 23 September 2022

## 8. DETAILED AUDIT ASSESSMENT

### 8.1 REVIEW CONTROLS IN PLACE FOR THE SAFEGUARDING AND SECURING OF RECORDS

<b>Overall Outcome</b>	Audit noted the controls in place for the safeguarding and securing of physical and electronic records are adequate.
------------------------	--

#### *Physical Records*

Audit obtained and reviewed the EMRC's "Records Disaster Prevention and Recovery Plan – Final – Signed – as at 27 08 2020". Audit noted that closed records are stored in an area established for records storage on the ground floor of the EMRC Ascot administration building. It is accessible by keys held by the Records Officer, Human Resources Team, and the Chief Projects Officer. This is due to records contents of this compactus being within the subject matter of the individual officers in addition to the Records Officer, and to ensure that there are multiple keys available to access this compactus in case of staff members not being available.

Due to the audit being conducted remotely, we were not able to physically review the EMRC Ascot's records storage facility but have reviewed it on previous occasions. We noted per the Record Keeping Plan (RKP) under section 4.1.1 "On Site Storage", the records storage facility includes:

- Metal compactus
- Fire retardant rooms for significant and vital records
- Fire retardant safe
- Secure premises
- Secure server rooms
- Smoke alarms throughout the building and a temperature sensor operating in the server room
- Air-conditioning in the records storage areas
- Two air-conditioning units operating continuously in the server rooms
- 24/7 monitoring through the EMRC's security monitoring company for fire and forced entry.

Audit also notes that records are stored at two other EMRC facilities, Red Hill Waste Management Facility, and the Hazelmere Recycling Facility. The administration offices of these facilities keep records for the current financial year and are these are moved to locked sea containers at the end of each period. As the Records Management audit was conducted simultaneously with the Waste Management audit, the Audit team was able to visit the Red Hill Facility and verified that the administration office adequately stored their records with:

- Laminated shelving in administration office
- Smoke alarms in administration office
- Air conditioning within the administration office
- Fenced secure premises.

#### *Electronic Records*

Per the "Records Disaster Prevention and Recovery Plan – Final – Signed – as at 27 08 2020", we note that in an event of a disaster, electronic records are replicated to a remote site as well as backed up to tape daily on a two-week cycle and held off site by the EMRC's back up support service "Compu-Stor". Additionally, the organisation uses multiple disparate virus checkers on the servers, workstations, firewall server and internet gateway routers. A quarterly back-up of all systems is also conducted and stored on site for 12 months. The location of the EDRMS Offline Records has been set to user H: Drives on the file server so that documents



stored there are backed up daily. We note that the local C: Drive is not backed up; however, staff are instructed not to store vital data on their desktop or C: Drive but instead to store it in the following network drives:

- H: (Personal)
- L: (Graphics)
- O: (Drawings)
- P: (Publisher)
- S: (Database).

Collaborative software/short term records storage such as One Drive and SharePoint is also utilised by EMRC. However, staff are advised to store final versions of documents on Content Manager (EMRC's Approved Electronic Document Records Management System).

Audit were also informed by the Records Officer that the results of each backup are emailed to the IT staff at EMRC by the backup software. These emails are checked daily to rectify any issues. Restoration from backup tapes is tested on an annual basis and the backup tapes and drives are replaced on a four-to-five-year replacement cycle. This allows for low usage to minimise potential data loss from deteriorated tapes.

No issues were noted.

**8.2 DETERMINE THE EXTENT TO WHICH LEGISLATION, AUSTRALIAN STANDARDS, POLICIES, AND PROCEDURES HAVE BEEN COMPLIED WITH**

Overall Outcomes	Audit confirmed full compliance with the relevant legislation, Australian standards, policies, and procedures regarding records management.
------------------	---

As part of assessing, Audit obtained the “Council Policy 7.3 – Records Management Policy” which was last reviewed on 17 September 2020. It is noted that the policy is not due for review as it is still within the four years established by the EMRC for regular reviews of policies. The policy refers to compliance with the following legislation and standards:

- *State Records Act 2000*
- *Freedom of Information Act 1992*
- *Local Government Act 1995*
- *Criminal Code 1913*
- *Evidence Act 1906*
- *Public Sector Management 1994*
- *Financial Management Act 2006*
- *National Trade Measurement Regulations 2009*
- *State Records Commission Standards 2002*
- *AS ISO 15489.1:2017 Information and Documentation – Records Management Concepts and Principles.*

The Policy states that all EMRC officers including councillors and contractors employed under a contract of service or otherwise are individually and personally liable and responsible for adhering to the approved EMRC Record Keeping Plan (RKP), and its associated policies and procedures. This is communicated to staff members when they first join as part of the records induction program. We note that RKP is supported through various policies and procedures which cover the creation of records, capture and control, security and protection, appraisal, retention, and disposal of records. We concluded that all legislative requirements pertaining to the *State Records Act 2000* and other relevant standards have been met.

No issues were noted.

### 8.3 A SUITABLE AND CURRENT RECORD KEEPING PLAN (RKP) AND SUPPORTING DISPOSAL SCHEDULE IS IN PLACE

<b>Overall Outcome</b>	Audit found that the EMRC's current Record Keeping Plan is suitable and appropriate disposal schedules are in place.
------------------------	--

Audit obtained and reviewed the "Amended Record Keeping Plan RKP 2020027". We note that the RKP was approved by the State Records Commission (SRC) on 2 December 2020 and is to be reviewed within five years per section 28 of the *State Records Act 2000*. As part of our testing, Audit assessed EMRC's RKP using the Better Practice Principles as recommended by the Office of the Auditor General (OAG) and the State Records Commission (see Appendix 1) and found full alignment.

The following table provides a summary of our assessment:

Principles	Observations	Adequacy
Principle 1: Proper and Adequate Records	<ul style="list-style-type: none"> <li>The RKP provides information about EMRC's historical background, mission statement, strategic focus, and main business activity of the organisation</li> <li>RKP is supported by Appendix 1 Functions of the Local Government</li> <li>Major Stakeholders are listed (primary, secondary, and tertiary)</li> <li>Appendix 2-4 lists the enabling legislation, other affecting legislation, and major government or industry standards and codes of practice</li> <li>Appendix 5-7 Records Management Policy, Guidelines and Manual is in place</li> <li>RKP is approved by the SRC</li> <li>Records of important business decisions are properly stored and can easily be found physically and digitally.</li> </ul>	✓
Principle 2: Policies and Procedures	<ul style="list-style-type: none"> <li>Policies and procedures are established, authorised at an appropriate senior level</li> <li>Policies and procedures are available to all employees via the EMRC intranet</li> <li>Coverage of all aspects of records management in the EMRC's policies and procedures, including: <ul style="list-style-type: none"> <li>Creation of records</li> <li>Capture and control of records</li> <li>Security and protection of records</li> <li>Access to records</li> <li>Appraisal, retention, and disposal of records</li> </ul> </li> <li>Policies and procedures are also in place for each business area (e.g., IT, Procurement, Finance, OSH/HR, Payroll, CEO Team, Executive Leadership Team, Communications, and Sustainability Team etc.).</li> </ul>	✓
Principle 3: Language Control	<ul style="list-style-type: none"> <li>EMRC Records Classification Scheme – List of Thesaurus Terms is in place</li> <li>The classification scheme was adopted and implemented based on the NSW State Records Keyword for Council Records Classification Scheme</li> </ul>	✓

	<ul style="list-style-type: none"> <li>Document Titling Guidelines are in place and can be found via the EMRC intranet.</li> </ul>	
Principle 4: Preservation	<ul style="list-style-type: none"> <li>As noted in Section 8.1, records are adequately safeguarded</li> <li>Records Disaster Recovery Plan is developed and reviewed every two years and is desk tested every two years as well</li> <li>Storage facilities are adequate and secured from environmental threats.</li> </ul>	✓
Principle 5: Retention and Disposal	<ul style="list-style-type: none"> <li>Records are retained and disposed in accordance with the following schedules: <ul style="list-style-type: none"> <li>SRC WA General Disposal Authority for Local Government Records (DA 2015-001/1, Status Date: 24/10/2017)</li> <li>SRC WA General Disposal Authority for Source Records, (RD 2016002, Status Date: June 2016)</li> <li>SRC WA Ad Hoc Disposal Authority – COVID-19 (DA 2021-010, Status Date: 21/12/2021)</li> <li><i>Protection of Information (Entry Registration Information Relating to COVID-19 and Other Infectious Diseases) Act 2021</i></li> </ul> </li> <li>Obtained the latest disposal listing (dated 03/02/2022) and verified that: <ul style="list-style-type: none"> <li>Records identified as due for destruction is appropriately reviewed</li> <li>Chief Executive Request Form is signed by the relevant Manager, CFO, and CEO</li> <li>Certificate of Destruction is provided as evidence.</li> </ul> </li> </ul>	✓
Principle 6: Compliance	<ul style="list-style-type: none"> <li>Recordkeeping Induction and Content Manager Training Program is provided to all staff members</li> <li>There is an annual refresher online course relating to records management obligations offered to EMRC staff</li> <li>Online Content Manager induction and refresher course, without Records Officer tuition, is in development</li> <li>Staff receive business area specific training as part of their induction during training session with the Records Officer or Manager Information Services</li> <li>Staff surveys available for Records Management and Content Manager.</li> </ul>	✓

Based on the observations noted above, audit has determined that there is sufficient evidence to demonstrate the suitability of the EMRC's current Record Keeping Plan and its supporting policies and procedures. No issues were noted.

#### 8.4 A RECORDS MANAGEMENT SYSTEM IS IN USE

<b>Overall Outcome</b>	In relation to the EMRC's Records Management System, a suitable system is in use.
------------------------	---

As per the RKP section 2.1.1 "Records Management System", the EMRC's records management system is a hybrid system, with documents pre-dating 2003 held as hardcopy documents and post 2003 documents held electronically in Content Manager. Content Manager is the EMRC's approved Electronic Document and Records Management System (EDRMS).

As per the Records Officer, it is noted that there are at least two user profiles that the EMRC uses within Content Manager. The basic user, or "Knowledge Worker", is granted the following access controls:

- Log in to Content Manager and use of the software
- Search and retrieve records, both folders and documents
- View the metadata and the document themselves
- Create documents and save them to folders within Content Manager, except Personnel Folders
- Update and save changes to documents
- Modify access to documents by group and by person.

The higher level "Administrator" user profile type grants the user with all of the access controls that a "Knowledge Worker", with the addition of the following controls:

- Create documents and save them to folders within Content Manager, including Personnel Folders
- Delete records from Content Manager once authorised approval has been granted
- Grants them the access controls to override all access control settings on any record.

Audit also noted that Knowledge Worker users within the Human Resources Team have the security caveat titled "Personnel" attached to their user accounts as they are required to update, save, and retrieve records in the Personnel Folders as part of their roles.

As noted in section 8.1 above, there are appropriate back-up and security procedures in place for the safeguarding of records including those held in Content Manager. Per the Management Guideline Records Management, security can be applied to corporate records at a document level or at a folder/container level. Per the Records Officer, we were informed that there is a total of 65 Security Groups in Content Manager.

In relation to staff termination/transfer, audit noted that the Records Officer will be tasked with the following items to be actioned in conjunction with the departing employee:

- De-activate the employee's Content Manager User Account, after the employee has officially left the organisation
- Ensure that all Content Manager documents, being edited by the departing employee, have been returned to Content Manager by the departing employee
- If relevant, ensure that all documents stored in OneDrive/SharePoint have been saved to Content Manager by the departing employee.

No issues were noted.

## 9. APPENDIX 1: BETTER PRACTICE PRINCIPLES

The following table provides a high-level summary of the State Records Commission Standard 2 for Recordkeeping Plans. The six principles represent good practice expectations of the SRC and the OAG's Better Practice Principles (Our expectation) from their "Records Management in Local Government", Report 17: April 2019.

Recordkeeping plans		
Principles	SRC expectation	Our expectation
Principle 1 Proper and Adequate Records	<ul style="list-style-type: none"> <li>records are created and kept which properly and adequately record the performance of the organisation's functions</li> <li>records are consistent with any written law to which the organisation is subject when performing its functions</li> </ul>	<ul style="list-style-type: none"> <li>recordkeeping plan approved</li> <li>records of important business decisions or activities can be easily found</li> </ul>
Principle 2 Policies and Procedures	<ul style="list-style-type: none"> <li>recordkeeping programs are supported by policy and procedures</li> </ul>	<ul style="list-style-type: none"> <li>policy and procedures are up-to-date</li> <li>policy and procedures are in place for each business area</li> </ul>
Principle 3 Language Control	<ul style="list-style-type: none"> <li>appropriate controls are in place to identify and name government records</li> </ul>	<ul style="list-style-type: none"> <li>an appropriate tool is used to systematically and consistently identify and name records</li> </ul>
Principle 4 Preservation	<ul style="list-style-type: none"> <li>records are protected and preserved</li> </ul>	<ul style="list-style-type: none"> <li>Records disaster recovery plans are developed and tested</li> <li>storage facilities are assessed in line with SRC Recordkeeping Maturity Model</li> </ul>
Principle 5 Retention and Disposal	<ul style="list-style-type: none"> <li>records are retained and disposed of in accordance with an approved disposal authority</li> </ul>	<ul style="list-style-type: none"> <li>an approved disposal authority is adopted and regularly used</li> </ul>
Principle 6 Compliance	<ul style="list-style-type: none"> <li>employees comply with the recordkeeping plan</li> </ul>	<ul style="list-style-type: none"> <li>staff receive regular records refresher training</li> <li>staff receive business area specific records training</li> <li>staff record keeping practice is monitored</li> </ul>



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Waste Management – Landfill Operations  
Internal Audit**

**August 2022**

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## 1. EXECUTIVE SUMMARY

### Introduction

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

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

As part of the Strategic Internal Audit Plan 2020/2021 – 2025/2026 an audit of Waste Management (Landfill Operations) is conducted every second year. This includes landfill, leachate collection, and other processing/transfers. The audit covered the period 1 July 2021 to 31 March 2022.

### Audit Objective:

This is classified as an assurance audit with a focus on controls. We will use a combination of walk throughs, interviews, process observation, and sampling to assess controls.

The specific objectives of this audit were as follows:

#### Compliance

- Determine compliance with legislative requirements and Council policy
- Review administrative controls for compliance with Management Guidelines
- Ensure that equipment used on site has current certification of calibration certificates as required.

#### Efficiency / Effectiveness

- Assess whether processes are undertaken in an efficient manner.

#### Achievement of Objectives

- Determine whether processes facilitate the achievement of waste management objectives and resource recovery.

#### Risks Identified

- Escape of leachate impacting on the surrounding environment and leading to substantial clean-up costs
- Inability to develop new disposal areas quickly enough to keep ahead of the waste
- Cash Management e.g., weighbridge operations
- Safety of gatehouse operators from irate customers
- Fraud e.g., cash handling, incorrect charging, improper use of organisation assets etc.
- Issue of incorrect tipping tickets
- Charging incorrect tipping fees
- Calibration of weighbridge.

## Scope of works

The audit period was 1 July 2021 to 31 March 2022.

## 2. OVERALL AUDIT OUTCOMES AGAINST AUDIT SCOPE OF WORKS

### Overall Risk Rating

Scope Report Reference	Audit Scope	Outcomes	Risk Rating
8.1	Determine compliance with legislative requirements and Council policy	Achieved	N/A
8.2	Review administrative controls for compliance with Management Guidelines	Achieved	N/A
8.3	Ensure that equipment used on site has current certification of calibration certificates as required	Achieved	N/A
8.4	Assess whether processes are undertaken in an efficient manner	Achieved	N/A
8.5	Determine whether processes facilitate the achievement of waste management objectives and resource recovery	Achieved	N/A

## 3. SUMMARY OF FINDINGS

1. There were no findings raised.

## 4. RECOMMENDATIONS

1. There were no recommendations made.

## 5. BUSINESS IMPROVEMENTS

1. Audit suggests that the risks are appropriately monitored as per the stated review date and the risk register is updated as per the review process.

## 6. OVERALL COMMENTS

### **Eastern Metropolitan Regional Council - Management Comments**

No comments were provided.

### **Stantons International - Audit Management Comments**

Not applicable.

## 7. RISK RATING AND DEFINITIONS

### Risk Ratings and Interpretations

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

### DISCLAIMER, BASIS OF AUDIT AND LIMITATIONS

#### DISCLAIMER

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

#### BASIS OF AUDIT

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

#### INHERENT LIMITATIONS

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

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

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

*Liability limited by a scheme approved under Professional Standards Legislation.*

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#### Report Release

Released by (Name): James Cottrill

Signature: 

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

Date: 17 August 2022

## 8. DETAILED AUDIT ASSESSMENT

### 8.1 DETERMINE COMPLIANCE WITH LEGISLATIVE REQUIREMENTS AND COUNCIL POLICY

<b>Overall Outcome</b>	Audit confirmed full compliance with the requirements regarding the site operating licence, and other legislative requirements, and Council Policy.
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Audit obtained the Environmental Management System (EMS) Manual – Red Hill and Hazelmere EMS – 2021. This document contains a comprehensive listing of all regulations, legislation, and other imposed requirements (e.g., site licence – Red Hill). Through assessing the legislative requirements within the EMS Manual, we noted the following specified as requirements:

- Site operating licence L8889/2015/1
- Ministerial Statement #462
- *Wildlife Conservation Act 1950*
- *AS/NZS ISO 14001:2015 – Environmental Management Systems*
- *Environmental Protection Act 1986*
- *Landfill Waste Classification and Waste Definitions 1996*
- *Rights in Water and Irrigation Act 1914*
- *Bush Fires Act 1954*
- *Local Government Act 1995*
- *National Greenhouse and Energy Reporting Act 2007*
- *National Environment Protection Measure 1998*
- *Clean Energy Act 2011*
- *Occupational Safety and Health Act 1984*
- *Waste Avoidance and Resource Recovery Act 2007.*

Per discussions with the Red Hill Site Manager, Audit noted that the main compliance requirement falls under the Department of Water and Environmental Regulation (DWER) licence requirements as this enables operations of the Red Hill site and landfill operations. Every three months, the DWER will conduct a quarterly inspection to evaluate whether certain licence conditions have been met. The Red Hill facility is required to maintain compliance with the licence conditions at all times as the DWER will conduct a full inspection at least once a year. Audit sighted the DWER Licence Compliance Inspection Register created by the Site Manager.

There were no issues noted.

## 8.2 REVIEW ADMINISTRATIVE CONTROLS FOR COMPLIANCE WITH MANAGEMENT GUIDELINES

Overall Outcomes	Audit noted that there are adequate administrative controls in place to ensure compliance with Management Guidelines.
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Per discussion with the Red Hill Site Manager, Audit notes that compliance with legislative requirements is managed by the Waste Management Services directorate. Items are only brought up to the Council if they relate to either high level or critical issues. Audit notes that there are monthly operations meetings held with the team at Red Hill to discuss the day-to-day operations, as well as monthly Team Leader Meetings held with the Chief Operating Officer (COO). In the Team Leader Meetings, the Team Leader provides a report to the COO highlighting any significant occurrences, budget related issues or matters related to the licence requirements such as, ensuring that Red Hill is meeting the tonnage limits as well as plant replacements. Audit obtained a sample of the recent monthly meeting minutes titled “Minutes – Red Hill – Operations Meeting No. 4 – 07 04 2022” and noted there is adequate processes in place to ensure that EMRC are monitoring compliance with legislative requirements and actively reviewing actions to ensure that objectives are met.

Audit also held discussions with the Co-ordinator Waste and Environmental Compliance to understand the purpose of the Waste Management Services division as well as the compliance monitoring process to ensure Red Hill is meeting the environmental legislative requirements. We noted that the Co-ordinator has an advisory role and oversees leading two Environmental Officers that conduct analysis of the site facilities. Monitoring procedures include odour, dust, water, and leachate monitoring. Some monitoring procedures may also be outsourced to receive an external expert report.

The monitoring procedures help to ensure compliance with the licence requirements is always met and to generate annual reports for EMRC’s various stakeholders. Audit noted the following reports are produced as part of monitoring compliance with legislative requirements:

- Internal EMS Audits (licence audit)
- Six Year Environmental Performance Report (scheduled for this year)
- Red Hill Monitoring and Compliance Report.

It is also worth noting that the Red Hill Waste Management Facility EMS is certified to the ISO standard 14001:2015 – Environmental Management Systems guidelines to ensure best practice standards are in place to meet compliance requirements.

No issues were noted.

**8.3 ENSURE THAT EQUIPMENT USED ON SITE HAS CURRENT CERTIFICATION OF CALIBRATION CERTIFICATES AS REQUIRED**

<b>Overall Outcome</b>	Audit found that the weighbridge is calibrated on an annual basis and inspected monthly. Plant and other equipment are checked daily and serviced as required.
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As part of our assessment of the calibration certificates, Audit discussed with the Red Hill Site Manager to gain an understanding of the calibration process. Audit noted that the calibration of the weighbridge is conducted annually each March by the contracted service provider "Aust-Weigh". The process involves making sure the load cells are functioning appropriately and making sure nothing needs to be changed. The following day, the weighbridge calibrators will arrive with a vehicle carrying weights to calibrate the weighbridge. The weighbridge is calibrated to approximately 20 to 80 tonnes. During the discussion, Audit sighted the recent weighbridge calibration certification (Ref#D2022/06281 and 06283). This certificate is required to be displayed at the weighbridge to demonstrate that it is appropriately calibrated.

Additionally, Audit was informed that the weighbridge officers will conduct a monthly visual checklist. This inspection involves checking the load cell placement gap measurement and debris build up to ensure maintenance is carried out as needed. Audit sighted the latest inspection report conducted on 21 April 2022 carried out by one of the weighbridge officers as well as the inspection conducted on the previous month on 11 March 2022. No issues were noted.

As for the plant equipment, Audit sighted the full plant equipment list of all plants in operation at Red Hill. Audit also notes that each plant equipment has its own plant file which documents the servicing, warranties, and registration. The Red Hill facility has their own mechanics so that any servicing required will be put on a register and the mechanics will action. Regular servicing is scheduled as per the servicing agreements.

We also note that every morning, the operators who oversee a plant equipment/machinery must conduct a daily prestart. The prestart involves checking the oil levels, lights, alarms, fire extinguishers, tyres etc., of equipment to ensure it is safe and operating correctly. Audit obtained a sample daily prestart sheet completed on 13 May 2022 and found all items passed inspection.

No issues were noted.

#### 8.4 ASSESS WHETHER PROCESSES ARE UNDERTAKEN IN AN EFFICIENT MANNER

<b>Overall Outcome</b>	We found based on our walkthrough, sampling, and discussion that processes are undertaken in an efficient manner.
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As part of our audit testing, Audit assessed the efficiency and effectiveness of waste management process and risk management processes in relation to Red Hill's weighbridge operations, cash management, and risk management. Audit travelled to the Red Hill Waste Management Facility between 16 and 17 May 2022 to conduct our fieldwork.

We performed walkthroughs and direct observations around the key processes involved at the weighbridge. Audit documented the following processes as part of the walkthrough:

- Weighbridge start-up
- Float preparation
- End of day cash sales reconciliation
- Docket reconciliation and checking off summary
- Weighbridge shutdown
- Weighbridge traffic management
- Accounts receivable process.

Based on our walkthroughs as noted above, the processes and procedures performed by Red Hill staff are efficient and have been designed for the purpose of what the procedures are required to achieve. Audit also obtained a sample Daily Cash Reconciliation dated 10 May 2022 and verified that the reconciliation was performed by the Weighbridge Attendant and reviewed separately by the Administration Officer. The totals of the cash summary matched accordingly to the Mandalay Summary Report. We also obtained a sample Weekly Cash Reconciliation dated 13 May 2022 and verified that all cash and card amounts matched the Mandalay summary report and was appropriately prepared/checked by separate administration officers to ensure segregation of duties. No issues were noted.

For the complaints process, Audit noted that each complaint is completed on a complaint form detailing the name and address of the complainant, nature of the complaint, date and time, and the prevailing weather conditions. The Site Manager is required to investigate the report and discuss with the COO on any immediate actions to be taken as well as any outstanding action required. Audit sighted the Complaints Register for 2022 and each of the corresponding complaints forms. We note that all complaints have been appropriately recorded and all complaint forms have been signed off by the Site Manager and COO with no issues were noted.

EMRC also obtained and reviewed SynergySoft Operation Risk Report – Waste Services. We note that the risks recorded in the SynergySoft Report applies to the specific operational sites (Red Hill, Hazelmere, Central Administration etc.). Our assessment of risks relevant to the Red Hill Waste Facility indicated that there is an effective process in place for identifying, assessing, and treating the risks identified.

However, Audit noted that many of the risks noted in the report, have overdue review dates. This may indicate that risks are not being monitored in a timely manner or the risk register has not been updated. Audit discussed with the Site Manager regarding certain risks that Audit has identified such as escape of leachate, security of gatehouse operators, fraud, and the inability to develop new disposal areas quickly. Based on the discussions, we noted that risks are being appropriately managed and regularly reviewed and the register requires updating.



We understand that the in the SynergySoft Risk Register are subject to a review process and the operational risks will be migrated to the new CAMMS risk system which accommodates Strategic Risks, Operational Risks and Project Risks.

**Suggested Business Improvement**

Audit suggests that the risks are appropriately monitored as per the stated review date and the risk register is updated as per the review process.

**8.5 DETERMINE WHETHER PROCESS FACILITATE THE ACHIEVEMENT OF WASTE MANAGEMENT OBJECTIVES AND RESOURCE RECOVERY**

<b>Overall Outcome</b>	Audit found that processes in place to facilitate the achievement of waste management objectives and resource recovery are effective.
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Per discussions with the Site Manager, we noted that the main objective of the Red Hill Waste Management Facility is to process landfill for commercial and residential customers of the Member Councils. Landfill is the facility's core business operation; however, Red Hill also processes green waste, food, and organic waste as well as selling a by-product of crushed rocks, called ferricrete.

Based on our evaluation of the Red Hill Waste Management Facilities processes, we recognised that EMRC has demonstrated appropriate processes to facilitate the achievement of waste management objectives. The Red Hill facility and Waste Management directorate has demonstrated that:

- Waste management guidelines, policies, and procedures exist and are effective
- There was adequate compliance with waste management guidelines, policies, procedures, and legislative requirements (specifically with the Red Hill site license)
- Waste management processes were identified as effective and efficiently operating as required.

No issues were noted.

## 11.3 RISK MANAGEMENT UPDATE

D2022/16774

### PURPOSE OF REPORT

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

### KEY POINT(S)

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

### RECOMMENDATION(S)

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

### SOURCE OF REPORT

Chief Financial Officer

### BACKGROUND

- 1 At the Ordinary Council meeting on 3 December 2020 it was resolved that (D2020/21187):  
*THAT COUNCIL:*
  1. *CANCELS 7.1 - RISK MANAGEMENT POLICY, FORMING ATTACHMENT 1 OF THIS REPORT.*
  2. *ADOPTS A NEW 7.1 - RISK MANAGEMENT POLICY, FORMING ATTACHMENT 3 OF THIS REPORT.*
  3. *ENDORSES THE NEW RISK MANAGEMENT FRAMEWORK, FORMING ATTACHMENT 4 OF THIS REPORT AND THE NEW RISK APPETITE STATEMENT, FORMING ATTACHMENT 5 OF THIS REPORT TO ENSURE THAT THE APPROPRIATE GOVERNANCE OF RISK MANAGEMENT WITHIN THE EMRC IS PROVIDED.*
- 2 The EMRC has quantified its broad risk appetite through the EMRC's risk assessment and acceptance criteria. The criteria are included within the EMRC's Risk Management Policy, Risk Management Framework and the Risk Appetite Statement.
- 3 The EMRC is to continue to monitor and review process and to report on the progress of its achievement of the risk management objectives, the management of individual risks and the ongoing identification of issues and trends.
- 4 The last risk performance objectives were reported to the Audit Committee and Council in June 2022.

### REPORT

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

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

Risk Code	Risk Title	Risk Owner	Risk Status Update
SR-1	Excessive Employee Benefits leave liability	Chief Executive Officer	Introduced Competency Framework Management Guideline, monthly Executive Leadership Team reporting and included this into performance reviews.
SR-2	Inadequate succession planning	Chief Executive Officer	Annual succession planning workshop scheduled in October.
SR-3	Ineffective Operational Reporting (timely and relevant)	Chief Operating Officer	All reports are effective with clear KPI's. The effectiveness of the reports is tested regularly.
SR-4	Over-use of single-source suppliers	Chief Financial Officer	Supplier (Creditor) Reports continue to be reviewed monthly by the Executive Leadership Team to ensure compliance is met. The risk will remain major for non-compliance as it is a likely outcome. Continued vigilance is required.
SR-5	Legacy issues restricting innovation and performance	Chief Executive Officer	Business improvement is now an agenda items at monthly Executive Leadership Team meetings. New revenue and value add to member councils observing budget restraints are main stream now
SR-6	Under/poor performance	Chief Executive Officer	Monthly P&L management reporting and review process in place.
SR-7	Reduced Grant Funding	Chief Sustainability Officer	All opportunities are explored to secure external funding in order to deliver quality programs to member councils and to continue regional advocacy.

Risk Code	Risk Title	Risk Owner	Risk Status Update
SR-8	Inadequate leachate control	Chief Operating Officer	All leachate controls put in place are adequate. The leachate ponds are monitored on a daily basis. To date there are no issues in this area as the current set- up meets all requirements.
SR-9	Odour, noise, dust and traffic complaints	Chief Operating Officer	There are internal processes that allow neighbours and others to report on any of the items highlighted in this code. All complaints are acted on within a timely manner and signed off by both the Site Manager and Chief Operating Officer and filed in accordance with EMRC's internal requirements.
SR-10	WWTE (Pyrolysis) Project underperformance	Chief Project Officer	Council at its meeting of 25 August 2022 approved unbudgeted expenditure to complete the project. Additional resources have been sought to assist the existing project team deliver and complete the project. Current market conditions are impacting on the teams' ability to obtain quotes and responses to tender queries due to plentiful work being available.
SR-11	Fire in operational sites	Chief Operating Officer	All inductions and internal processes are adequate to manage all EMRC sites in the unlikely event of a fire on site. This includes all reporting requirements.
SR-12	By-passing established Tender or Procurement procedures	Chief Financial Officer	Regular meetings are held with the various team reinforcing the procedures and improving the planning in key areas of level of operating and capital expenditure.
SR-13	Cyber attack	Chief Financial Officer	Following a review undertaken by the Internal Auditors, the IT team are continually improving the level of security and planning.

Risk Code	Risk Title	Risk Owner	Risk Status Update
SR-14	Poor Stakeholder Engagement	Chief Executive Officer	More focus on communications frequency and content. Restructured reporting lines.
SR-15	By-passing established administrative (non-financial) procedures	Chief Financial Officer	Ongoing monitoring and review and focusing on updating procedures where necessary, communication and training.
SR-16	Injury to Operational Field Officers	Chief Executive Officer	Introduction of revised pre-starts, an OHS focus at recruitment and accountability/corrective action.
SR-17	COVID-19 Infection	Chief Executive Officer	Regular COVID updates to business continuation plan.
SR-18	Capex project objectives/targets not achieved	Chief Project Officer	This issue continues to impact on the Projects Team, as DWER has advised they are only looking at one referral per organization at a time – EMRC has three referrals currently submitted, the priority being APCr. DWER / EPA is exacerbating the problem by seeking a lot of additional information when they do consider a referral. EMRC is unable to commence work on a number of projects, without having approvals in place. We are reprioritizing what DWER / EPA look at – construction of Class IV APCr monocell has been pulled into the APCr referral.

Risk Code	Risk Title	Risk Owner	Risk Status Update
SR-19	Licencing conditions breach	Chief Project Officer	The Environmental and Waste Management Team is developing a good working relationship with DWER (Part V) / EPA (Part IV). They are working together to consolidate the number and format of reports the EMRC has to provide as part of our licence requirements, to streamline the reporting process. EPA / DWER ask very detailed questions with regard to EMRC's operations which is placing an additional burden on the Team, but this is being managed by the new Manager – Waste and Environment.
SR-20	Lack of interest from Member Councils regarding Sustainability Programs	Chief Sustainability Officer	A focus on decarbonisation, circular economy and sustainability ensures relevant programs continue to be delivered, which are also in line with our Council endorsed Sustainability Strategy.
SR-21	Employment related litigation	Chief Executive Officer	Audits by LGIS and Internal auditors of management guidelines and procedures took place as well as training regarding employee relations, OHS and site procedures enforcement.
SR-22	Sub-surface landfill fires	Chief Operating Officer	There is a process in place to follow in the unlikely event there is a sub-surface fire. This process also includes the reporting of the actual incident as well.
SR-23	Methane gas explosion	Chief Operating Officer	All areas are monitored on a daily basis by the EMRC site contractor (EDL) as well as EMRC site leaders. All inductions as well as EMRC's site emergency plan covers the requirements in the event of an incident. The EMRC conducts regular drills on evacuation procedures etc. This is to ensure that all personnel understand what is required in the unlikely event of a methane gas explosion.

Risk Code	Risk Title	Risk Owner	Risk Status Update
SR-24	Light vehicle or pedestrian interaction with heavy equipment	Chief Operating Officer	All external visitors are inducted to highlight all operational active areas as well as issued with two-way radios & escorted safely by an EMRC site employee. No one enters EMRC sites without being inducted first. Inductions cover off on all site requirements when it comes to light vehicles or pedestrian activity. There are set safety KPI's for all managers and leaders of the sites. This is to ensure that EMRC leaders auditing the process to ensure all process are followed and adhered too. These results and mitigations are highlighted in our regular operational reports.
SR-25	Fraudster changing a Creditor's bank account details	Chief Financial Officer	This risk remains the same as the initial risk rating of moderate & unlikely, reflecting the likelihood & risk level. The verification process continues to be reviewed to ensure appropriate risk management. This has been reinforced to ensure that any changes to a creditor's bank account details are not changed without first obtaining confirmation from the creditor.
SR-26	No scheduled maintenance program for all buildings	Chief Financial Officer	Ongoing maintenance plans have been developed with funding in the 2022/2023 Annual Budget. Medium and long term plans are reviewed and ensured to be strategically and financially responsible.
SR-27	Intentional activities in excess of delegated authority (PID Officer)	Chief Executive Officer	All within acceptable range. No non-conformances.
SR-28	Large numbers of Ibis and Pelicans scavenging on open tip face	Chief Operating Officer	There are internal procedures in place to ensure that this is managed in accordance with EMRC's requirements. The Operations team is also heavily supported by the Environmental team.



## STRATEGIC/POLICY IMPLICATIONS

3 Key Result Area 3 – Good Governance

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

## FINANCIAL IMPLICATIONS

4 Nil

## SUSTAINABILITY IMPLICATIONS

5 Nil

## RISK MANAGEMENT

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

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

## MEMBER COUNCIL IMPLICATIONS

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

## ATTACHMENT(S)

Current risk management profile (D2022/16774)

## VOTING REQUIREMENT

Simple Majority

## RECOMMENDATION(S)

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

Discussion ensued.

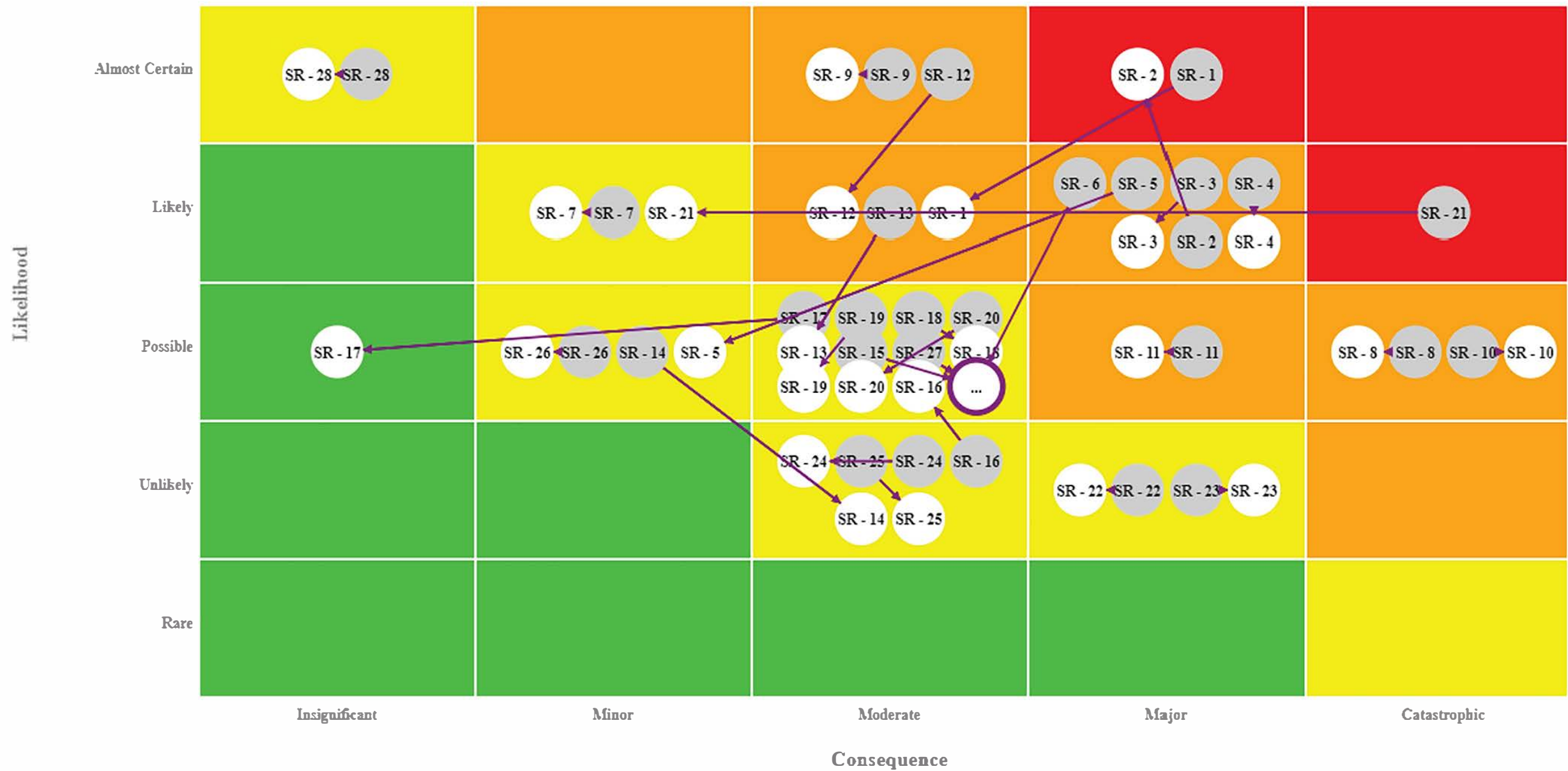
**AC RECOMMENDATION(S)**

MOVED CR MACWILLIAM

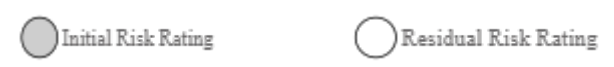
SECONDED CR DAW

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

**CARRIED UNANIMOUSLY**



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



Likelihood

Almost Certain

Likely

Possible

Unlikely

Rare

Insignificant

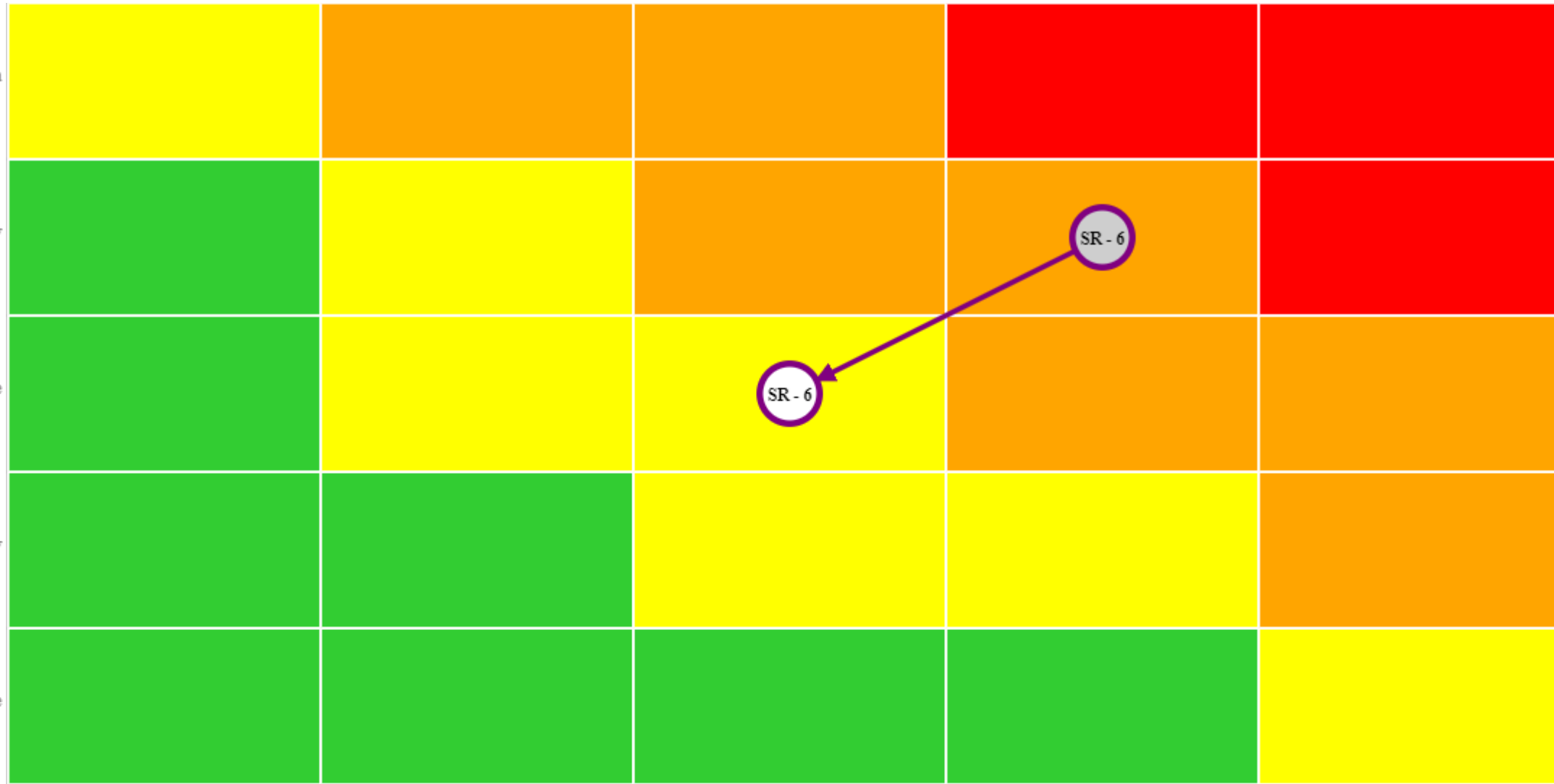
Minor

Moderate

Major

Catastrophic

Consequence



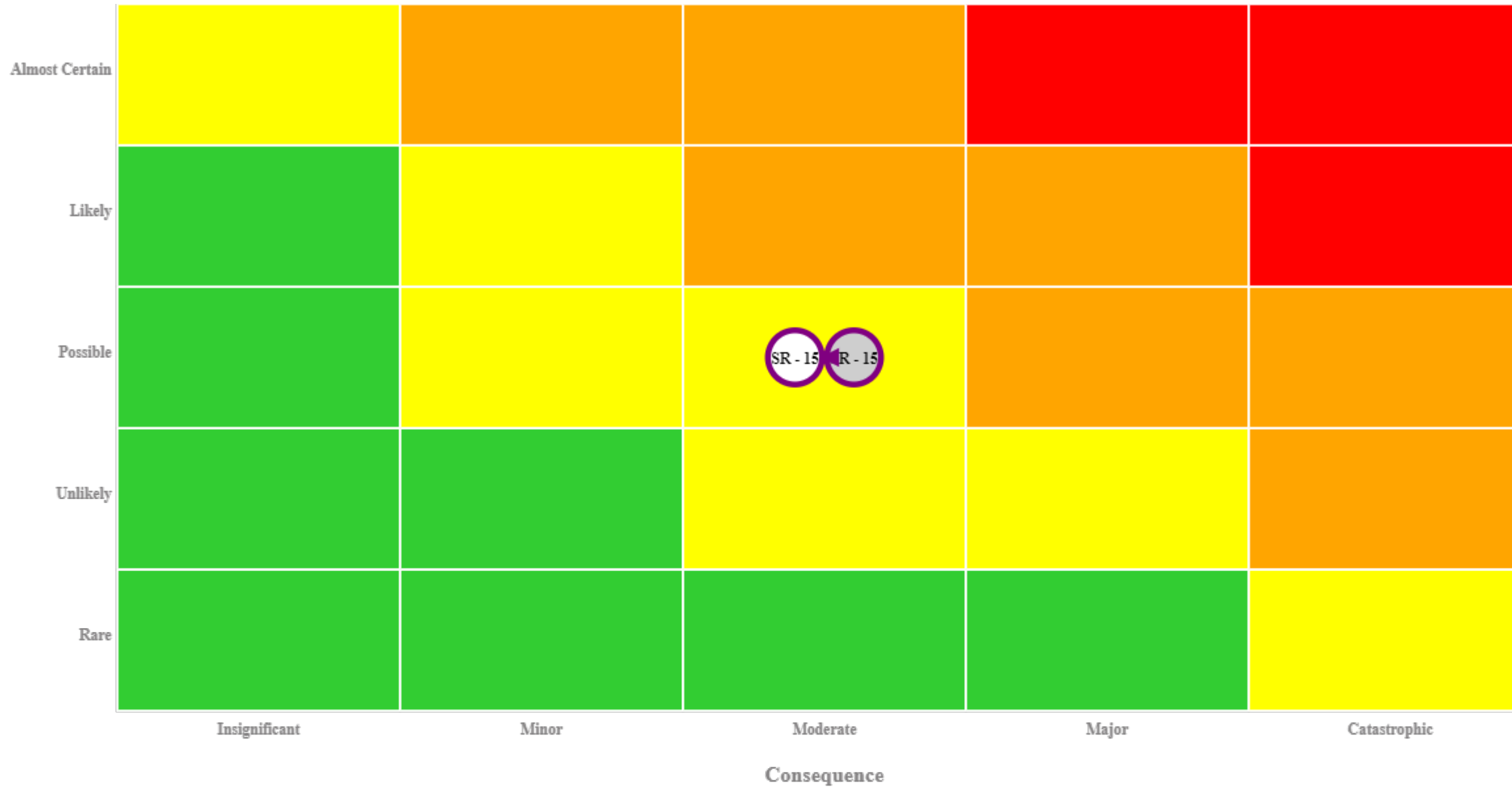
SR - 6

SR - 6

Risk Code	Risk Title
SR - 6	Under/poor performance



Likelihood

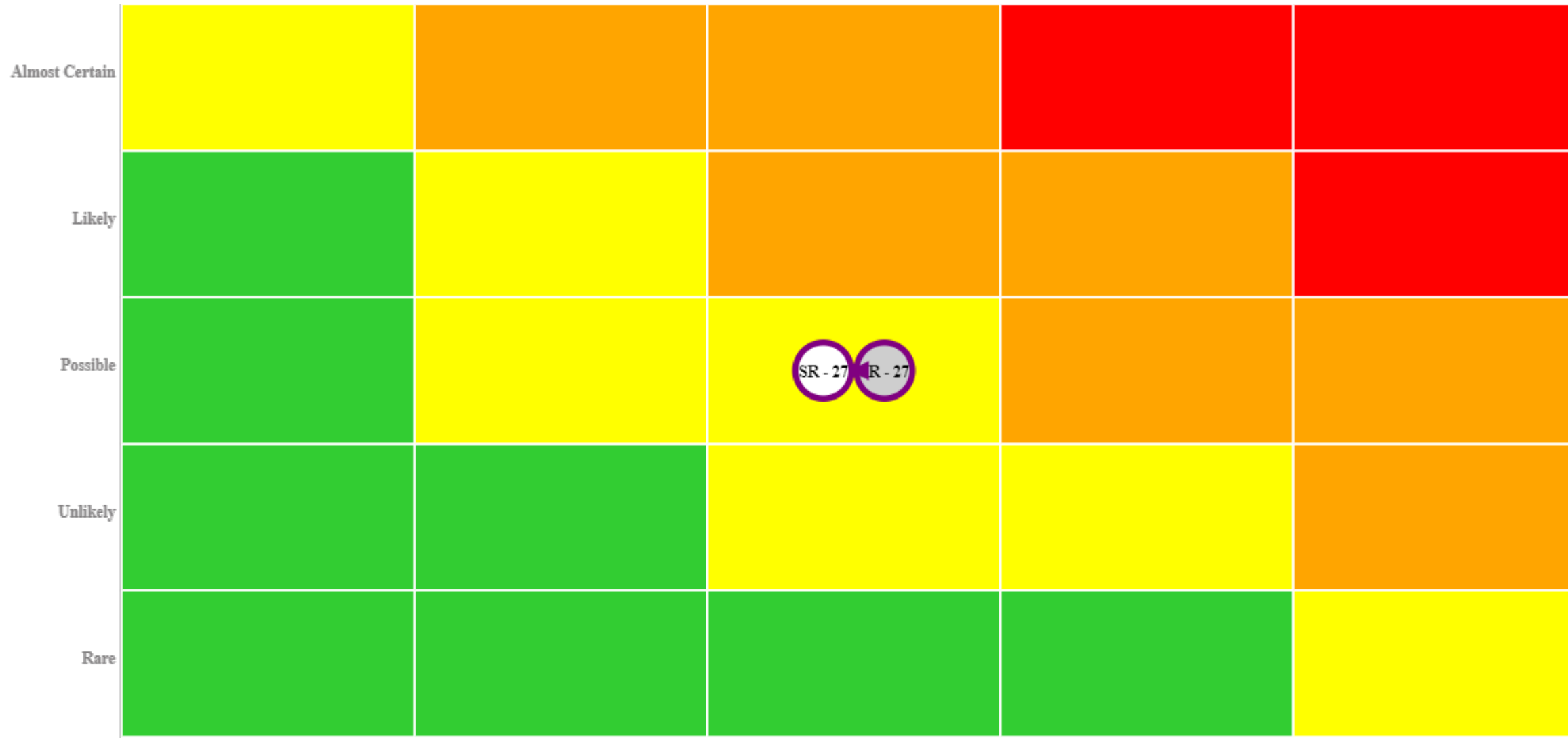


Risk Code	Risk Title
SR - 15	By-passing established administrative (non-financial) procedures





Likelihood



Insignificant      Minor      Moderate      Major      Catastrophic

Consequence

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

**12 REPORTS OF DELEGATES**

Nil

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

Nil

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

Nil

**15 FUTURE MEETINGS OF THE AUDIT COMMITTEE**

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

**“4 Meetings**

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

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

**Future Meetings 2022**

Thursday          3          November          (If Required)          at          EMRC Administration Office

**16 DECLARATION OF CLOSURE OF MEETING**

The Presiding Member complimented EMRC staff regarding the achievements and the good audit outcomes.

The Presiding Member declared the meeting closed at 6.11pm.