



## **MINUTES**

### **CERTIFICATION OF CONFIRMATION OF AUDIT COMMITTEE MINUTES**

**10 MARCH 2016**

I, Cr Steve Wolff hereby certify that the minutes from the Audit Committee Meeting held on 10 March 2016 pages (1) to (78) were confirmed at a Committee meeting held on 9 June 2016.

A handwritten signature in blue ink, appearing to read "S. Wolff", is written over a horizontal line.

**Signature**

**Cr Steve Wolff  
Person presiding at Meeting**

## AUDIT COMMITTEE

### MINUTES

10 March 2016

(REF: D2015/20540)

A meeting of the Audit Committee was held at the EMRC Administration Office, 1<sup>st</sup> Floor, 226 Great Eastern Highway, BELMONT WA 6104 on **Thursday, 10 March 2016**. The meeting commenced at **6:00pm**

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## **1 DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS**

The CEO opened the meeting at 6:00pm.

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

### **Councillor Attendance**

Cr Paul Bridges	EMRC Member	Town of Bassendean
Cr Steve Wolff	EMRC Member	City of Belmont
Cr Geoff Stallard	EMRC Member	Shire of Kalamunda
Cr Bob Perks	EMRC Member	Shire of Mundaring
Cr David Färdig	EMRC Member	City of Swan

### **Apologies**

Cr Michelle Sutherland	EMRC Member	City of Bayswater
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### **EMRC Officers**

Mr Peter Schneider	Chief Executive Officer
Mr Hua Jer Liew	Director Corporate Services
Mr David Ameduri	Manager Financial Services
Mrs Annie Hughes-d'Aeth	Personal Assistant to Director Corporate Services (Minutes)

## **3 DISCLOSURE OF INTERESTS**

Nil

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

Nil



## **5 ELECTION OF A CHAIRMAN AND DEPUTY CHAIRMAN OF THE AUDIT COMMITTEE**

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

**REFERENCE: D2015/20535**

#### **PURPOSE OF REPORT**

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

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

- It is a statutory requirement that a Committee elects a Chairman at the first meeting of the AC after an Ordinary Council elections day.

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

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

#### **SOURCE OF REPORT**

Director Corporate Services

#### **BACKGROUND**

A Special Meeting of Council was held on Thursday 5 November 2015, the EMRC Chairman and Deputy Chairman were elected and members to the EMRC Committees were appointed.

#### **AC MEMBERS 2015-2017**

The following AC members were appointed to the AC at the Special Meeting of Council held on 5 November 2015:

EMRC Member	Cr Paul Bridges	Town of Bassendean
EMRC Member	Cr Michelle Sutherland	City of Bayswater
EMRC Member	Cr Steve Wolff	City of Belmont
EMRC Member	Cr Geoff Stallard	Shire of Kalamunda
EMRC Member	Cr Bob Perks	Shire of Mundaring
EMRC Member	Cr David Färdig	City of Swan

In accordance with section 5.12(1) of the *Local Government Act 1995* (the Act) the members of a committee are to elect a presiding member from amongst themselves in accordance with Schedule 2.3, Division 1.

It is a requirement of Schedule 2.3 of the Act that the election is conducted by the Chief Executive Officer and the nominations for the Office are to be given to the Chief Executive Officer in writing before the meeting or during the meeting before the close of nominations. Furthermore, if a member is nominated by another member the Chief Executive Officer is not to accept the nomination unless the nominee has advised the Chief Executive Officer, orally or in writing, that he or she is willing to be nominated for the Office. Members are to vote on the matter by secret ballot.

The procedure outlined in Schedule 2.3 of the Act will be followed if there is an equality of votes.



*Item 5.1 continued*

## **REPORT**

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

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

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

Ballot papers will be made available prior to voting.

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

## **STRATEGIC/POLICY IMPLICATIONS**

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

Key Result Area 4 – Good Governance

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

## **FINANCIAL IMPLICATIONS**

Nil

## **SUSTAINABILITY IMPLICATIONS**

Nil

## **MEMBER COUNCIL IMPLICATIONS**

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

## **ATTACHMENT(S)**

1. Audit Committee Terms of Reference (D2015/01624)
2. A blank nomination form for the Office of Chairman of the AC, nominate oneself (Ref: D2015/20545)
3. A blank nomination form for the Office of Chairman of the AC, nominate another (Ref: D2015/20545)
4. Ballot Paper – Election of AC Chairman (Ref: D2015/20556)



*Item 5.1 continued*

#### VOTING REQUIREMENT

Secret Ballot

#### **RECOMMENDATION(S)**

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

The CEO advised that he had received no nominations for the Office of Chairman of the Audit Committee prior to the meeting and called for nominations.

Cr Wolff nominated himself for the Office of Chairman of the Audit Committee.

The CEO called for further nominations. No further nominations were received.

#### **ANNOUNCEMENT: OF THE OFFICE OF CHAIRMAN**

There being no further nominations, the CEO declared Cr Wolff, Chairman of the Audit Committee unopposed for the term commencing 10 March 2016 until 2017.

The CEO congratulated Cr Wolff and vacated the Chair at 6.01pm.

At 6.01pm, Cr Wolff took the Chair.

## **TERMS OF REFERENCE**

### **AUDIT COMMITTEE**

#### **1 OBJECTIVES OF COMMITTEE:**

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

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

#### **2 RESPONSIBILITIES**

The duties of the Audit Committee include the following:

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

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

### **3 MEMBERSHIP:**

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

### **4 MEETINGS**

- 4.1 The Audit Committee will meet as required at the discretion of the chairperson of the committee and at least three times per year to coincide with:
  - a. approval of strategic and annual plans
  - b. approval of the annual budget; and



- c. the auditor's report on the annual financial report.
- 4.2 Additional meetings will be convened at the discretion of the Chairperson.
- 5 OPERATING PROCEDURES**
- 5.1 All meetings of the AC are to be conducted in accordance with the Local Government Act 1995, associated Regulations and the *EMRC Standing Orders Local Law 1998*.
- 5.2 A quorum for a meeting of the Committee shall be at least four of the number of offices (whether vacant or not) of members of the Committee.
- 5.3 Voting
  - a. All decisions of the Committee shall be made on the basis of a simple majority decision of the members present or, if another kind of majority has been prescribed by regulations for the particular kind of decision, by that kind of majority.
  - b. If the decision results in a tied vote, the person presiding is to cast a second vote.
  - c. Persons other than Committee members are not entitled to cast a vote.
  - d. All other aspects related to voting procedure shall be consistent with relevant sections of the EMRC Standing Orders Local Law 1998
- 5.4 Other EMRC staff or member Council staff may attend meetings, at the discretion of the Chief Executive Officer and/or the Committee Chairperson, to provide advice and information when required.
- 5.5 Representatives of the External Auditor will be invited to attend meetings at the discretion of the Committee but MUST attend meetings considering the draft annual financial report and results of the external audit.

## **6 REPORTING**

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

## **7 DELEGATED POWER**

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

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### **Related Documentation:**

Policy 1.2 Meetings  
Policy 2.1 Committees of Council  
Policy 3.1 Annual Financial Reporting  
Policy 7.1 Risk Management Policy  
EMRC Standing Orders Local Law 2013  
EMRC Code of Conduct

### **Administration:**

Adopted / Reviewed by Council: 23 September 2010  
18 September 2014  
Next Review: Following the Ordinary Elections in 2017  
Responsible: Director Corporate Services



## **Nomination for Chairman of the Audit Committee**

**To the Chief Executive Officer**

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

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

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



## **Nomination for Chairman of the Audit Committee**

**To the Chief Executive Officer**

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

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

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

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

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

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

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



**Eastern Metropolitan Regional Council  
AC Thursday 10 March 2016**

**BALLOT PAPER FOR THE  
ELECTION OF THE AC CHAIRMAN**

***HOW TO VOTE***

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

**Do not make any other marks on the ballot paper.**

**Firstname Lastname**

☐

**Firstname Lastname**

☐

**Firstname Lastname**

☐



## 5.2 ELECTION OF A DEPUTY CHAIRMAN OF THE AUDIT COMMITTEE

**REFERENCE: D2015/20536**

### PURPOSE OF REPORT

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

### KEY ISSUES AND RECOMMENDATION(S)

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

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

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

### SOURCE OF REPORT

Director Corporate Services

### BACKGROUND

A Special Meeting of Council was held on Thursday 5 November 2015, the EMRC Chairman and Deputy Chairman were elected and members to the EMRC Committees were appointed.

### AC MEMBERS 2015-2017

The following AC members were appointed to the AC at the Special Meeting of Council held on 5 November 2015:

EMRC Member	Cr Paul Bridges	Town of Bassendean
EMRC Member	Cr Michelle Sutherland	City of Bayswater
EMRC Member	Cr Steve Wolff	City of Belmont
EMRC Member	Cr Geoff Stallard	Shire of Kalamunda
EMRC Member	Cr Bob Perks	Shire of Mundaring
EMRC Member	Cr David Färdig	City of Swan

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

It is a requirement of Schedule 2.3 of the Act that the election is conducted by the Chairman and the nominations for the Office are to be given to the Chairman in writing before the meeting or during the meeting before the close of nominations. Furthermore, if a member is nominated by another member, the Chairman is not to accept the nomination unless the nominee has advised the Chairman, orally or in writing, that he or she is willing to be nominated for the Office. Members are to vote on the matter by secret ballot.

The procedure outlined in Schedule 2.3 of the Act will be followed if there is an equality of votes.



*Item 5.2 continued*

## REPORT

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

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

Ballot papers will be made available prior to voting.

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

## STRATEGIC/POLICY IMPLICATIONS

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

Key Result Area 4 – Good Governance

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

## FINANCIAL IMPLICATIONS

Nil

## SUSTAINABILITY IMPLICATIONS

Nil

## MEMBER COUNCIL IMPLICATIONS

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

## ATTACHMENT(S)

1. A blank nomination form for the Office of Deputy Chairman of the AC, nominate oneself (Ref: D2015/20546)
2. A blank nomination form for the Office of Deputy Chairman of the AC, nominate another (Ref: D2015/20546)
3. Ballot Paper – Election of AC Deputy Chairman (Ref: D2014/00297)



*Item 5.2 continued*

#### VOTING REQUIREMENT

Secret Ballot

#### **RECOMMENDATION(S)**

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

The Chairman advised that he had received no nominations for the Office of Deputy Chairman of the AC prior to the meeting and called for nominations.

Cr Perks nominated himself for the Office of Deputy Chairman of the Audit Committee.

The Chairman called for further nominations. No further nominations were received.

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

There being no other nominations, Cr Perks was declared Deputy Chairman of the Audit Committee for the term commencing 10 March 2016 until 2017.

The Chairman congratulated Cr Perks.





## **Nomination for Deputy Chairman of the Audit Committee**

**To the Chief Executive Officer**

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

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

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



## **Nomination for Deputy Chairman of the Audit Committee**

To the Chief Executive Officer

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

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

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

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

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



**Eastern Metropolitan Regional Council  
AC Thursday 10 March 2016**

**BALLOT PAPER FOR THE  
ELECTION OF THE AC DEPUTY CHAIRMAN**

***HOW TO VOTE***

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

**Do not make any other marks on the ballot paper.**

**First Name, Last name**

☐

**First Name, Last name**

☐

**First Name, Last name**

☐



**6 PETITIONS, DEPUTATIONS AND PRESENTATIONS**

Nil

**7 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS**

**7.1 MINUTES OF AUDIT COMMITTEE MEETING HELD ON 3 SEPTEMBER 2015**

That the Minutes of the Audit Committee meeting held 3 September 2015, which have been distributed, be confirmed.

**AC RESOLUTION(S)**

MOVED CR FÄRDIG

SECONDED CR STALLARD

THAT THE MINUTES OF THE AUDIT COMMITTEE HELD ON 3 SEPTEMBER 2015, WHICH HAVE BEEN DISTRIBUTED, BE CONFIRMED.

**CARRIED UNANIMOUSLY**

**8 QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN**

Nil

**9 QUESTIONS BY MEMBERS WITHOUT NOTICE**

Nil

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

Nil

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

Nil



## 12 REPORTS OF EMPLOYEES

### 12.1 HALF YEAR BUDGET REVIEW 2015/2016

REFERENCE: D2015/20537

#### PURPOSE OF REPORT

The purpose of this report is to provide Council, via the Audit Committee, with an overview of the Eastern Metropolitan Regional Council's (EMRC's) 2015/2016 budget review for adoption and subsequent submission to the Department of Local Government.

#### KEY ISSUES AND RECOMMENDATION(S)

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

#### Recommendation(s)

That Council, by an absolute majority in accordance with the provisions of *Local Government (Financial Management) Regulations 1996* r.33A, adopts the review of the 2015/2016 budget and approve its submission to the Department of Local Government and Communities within 30 days.

#### SOURCE OF REPORT

Director Corporate Services

#### BACKGROUND

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

Regulation 33A(2) also states that within 30 days after a review of the annual budget of a local government is carried out it is to be submitted to the Council who is to consider the review submitted to it and is to determine, by absolute majority, whether or not to adopt the review, any parts of the review or any recommendation made to the review.

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

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

An initial review of the 2015/2016 budget was undertaken during October/November 2015 and reported in the November and December 2015 financial reports submitted to Council in February 2016.

The half year budget review was undertaken during January/February 2016 and is reflected in this report.



*Item 12.1 continued*

## **REPORT**

Whilst the budget review is a statutory requirement, due to the commercial nature of the EMRC's waste operations, forecasts are conducted throughout the year in order to adjust costs in relation to available tonnage throughput.

### **Format of Budget Review**

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

A review of the tonnages budgeted to be received at the Red Hill Waste Management Facility is also undertaken. Tonnage budgets are reviewed to provide a forecast of volumes expected to be received by 30 June 2016. These forecasts, when calculated against the previously adopted disposal rates, provide financial forecasts relating to the following:

- Income from normal operations (including landfill levy);
- Secondary Waste Income;
- Landfill Levy Expenditure;
- Waste Education Levy Income; and
- Cell usage and depreciation.

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

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

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

EMRC officers undertook the latest review based on the actual financial data provided for the period ended 31 December 2015. The financial report relating to the period ended 31 January 2016 will be submitted to Council at its meeting to be held on 24 March 2016. Variances reported in that report will be based on the budget review as specified within the body of this report. This is undertaken as part of the EMRC's ongoing budget and forecast review process and in accordance with Council's adopted criteria.

In accordance with the process followed in previous years, the original budget is not updated with the revised forecasts, as relevant regulations require the end of year results to be compared to the original adopted annual budget, rather than the reviewed budget.

Whilst it is accepted that many costs are incurred generally within a specific pattern, many are not. These include significant costs incurred relating to operating and capital projects, which depend solely on the timing of when the project is undertaken.



*Item 12.1 continued*

The following is a summary of the forecast changes to budget provisions resulting from the half year budget review:

Increase / (Decrease) in Operating Income/Other Revenues:	(\$6,339,782)
(Increase) / Decrease in Operating Expenditure/Other Expenses:	\$4,962,534
Increase / (Decrease) in Change in net assets from operations:	(\$1,377,248)
(Increase) / Decrease in Capital Expenditure:	\$17,181,902
(Increase) / Decrease in overall expenditure:	\$15,804,654

Provided below is a summary of changes between the original budget and the forecast for the financial year ending 30 June 2016. Comments are provided for significant variances using Council's adopted criteria of 10% or \$20,000, whichever is the greater, as a guide:

**Operating Income/Other Revenues**

User Charges

- Current Budget: \$32,680,933    Forecast Budget: \$28,464,088    Variance: (\$4,216,845);    (12.90%)

The full year forecast for User Charges is below the annual budget by \$4,216,845 (12.90%). This is due to the lower than budget tonnages forecast to be received from commercial operators.

Special Charges

- Current Budget: \$430,789    Forecast Budget: \$450,800    Variance: \$20,011;    4.65%

Contributions

- Current Budget: \$683,725    Forecast Budget: \$661,770    Variance: (\$21,955);    (3.21%)

Operating Grants

- Current Budget: \$623,500    Forecast Budget: \$481,790    Variance: (\$141,710);    (22.73%)

The full year forecast for Operating Grants is below the annual budget by \$141,710 (22.73%). This is due to various reduced or unsuccessful grants received in the Environmental Services, Regional Services and Waste Services business units. The associated expenditure relating to these projects will not be incurred.

Interest Municipal Cash & Investments

- Current Budget: \$195,300    Forecast Budget: \$572,717    Variance: \$377,417;    193.25%

The full year forecast for Interest on Municipal Funds is \$377,417 (193.25%) above the budget of \$195,300. This is attributable to the higher level of funds available as at 30 June 2015 compared to budget together with a higher average interest rate received (3.15% to January 2016 compared to the budgeted rate of 2.79%). Also contributing is the lower level of capital expenditure which has been forecast to be \$17,181,902 below the budget of \$34,487,814.

Reimbursements

- Current Budget: \$720,384    Forecast Budget: \$783,589    Variance: \$63,205;    8.77%



*Item 12.1 continued*

Other Income

- Current Budget: \$2,022,862      Forecast Budget: \$2,893,299      Variance: \$870,437;      43.03%

The full year forecast for Other Income of \$2,893,299 is \$870,437 (43.03%) above the budget of \$2,022,862. Major factors attributable to this variance include the sale of ferricrete which is expected to outperform budget (\$400,000 compared to a budget of \$295,500), a higher level of mulch sales (\$350,000 compared to a budget of \$230,974), royalty income relating to the extraction of gas from the Red Hill landfill facility (\$400,000 compared to a budget of \$120,000) and an unbudgeted payment of \$525,206 received from the Administrators of Lehman Brothers Australia as a 1<sup>st</sup> dividend.

User Charges (Other Revenues)

- Current Budget: \$2,600,000      Forecast Budget: \$0      Variance: (\$2,600,000);      (100.00%)

The full year forecast for User Charges is below the annual budget by \$2,600,000 (100.00%). The variance is due to the timing of the Resource Recovery C & I Project which is now expected to be operational post 30 June 2016.

Secondary Waste Charge (Other Revenues)

- Current Budget: \$4,822,149      Forecast Budget: \$4,897,900      Variance: \$75,751;      1.57%

Interest Restricted Cash Investments (Other Revenues)

- Current Budget: \$1,477,403      Forecast Budget: \$2,043,969      Variance: \$566,566;      38.35%

The full year forecast for Interest on Restricted Cash Investments is \$566,566 (38.35%) above the budget of \$1,477,403. This is attributable to the higher level of funds available as at 30 June 2015 compared to budget together with a higher average interest rate received (3.15% to January 2016 compared to the budgeted rate of 2.79%).

Reimbursements (Other Revenues)

- Current Budget: \$50      Forecast Budget: \$50      Variance: \$0;      N/A

Proceeds from Sale of Assets (Other Revenues)

- Current Budget: \$306,500      Forecast Budget: \$301,341      Variance: (\$5,169);      (1.68%)

Other (Other Revenues)

- Current Budget: \$1,327,500      Forecast Budget: \$0      Variance: (\$1,327,500);      (100.00%)

The full year forecast for Other Revenues is below the annual budget by \$1,327,500 (100.00%). The variance is due to the timing of the Resource Recovery C & I Project which is now expected to be operational post 30 June 2016.

**Operating Expenditure/Other Expenses**

Salary Expenses

- Current Budget: \$9,277,385      Forecast Budget: \$8,515,484      Variance: \$761,901;      8.21%

Contract Expenses

- Current Budget: \$6,429,957      Forecast Budget: \$5,979,966      Variance: \$449,991;      7.00%

Material Expenses

- Current Budget: \$962,379      Forecast Budget: \$944,158      Variance: \$18,221;      1.89%





*Item 12.1 continued*

Utility Expenses

- Current Budget: \$300,206      Forecast Budget: \$275,186      Variance: \$25,020;      8.33%

Fuel Expenses

- Current Budget: \$805,032      Forecast Budget: \$659,770      Variance: \$145,262;      18.04%

The full year forecast for Fuel Expenses is below the annual budget by \$145,262 (18.04%). The variance is attributable to the lower level of diesel fuel used by plant as a result of lower tonnages forecast to be received as well as lower than budgeted prices paid for the purchase of diesel fuel.

Finance Fees and Interest Expenses

- Current Budget: \$22,068      Forecast Budget: \$25,000      Variance: (\$2,932);      (13.29%)

Insurance Expenses

- Current Budget: \$353,824      Forecast Budget: \$267,720      Variance: \$86,104;      24.34%

The full year forecast for Insurance Expenses is below the annual budget by \$86,104 (24.34%). This is attributable to lower insurance premiums obtained for the 2015/2016 financial year compared to budget.

Depreciation Expenses

- Current Budget: \$6,321,375      Forecast Budget: \$5,658,221      Variance: \$663,154;      10.49%

The full year forecast for Depreciation Expenses is \$663,154 (10.49%) below the budget of \$6,321,375.

This is attributable to the lower level of commercial tonnages forecast to be received by year end resulting in lower Class III cell air space consumption (full year forecast of \$2,636,954 compared to a budget of \$2,922,852), the lower level of capital expenditure (full year forecast of \$17,305,912 compared to a budget of \$34,487,814) and changes to the asset life of EMRC's infrastructure class of assets in accordance with accounting standards.

Miscellaneous Expenses (incl. landfill levy expenditure)

- Current Budget: \$12,920,001      Forecast Budget: \$11,627,185      Variance: \$1,292,816;      10.01%

The full year forecast Miscellaneous Expenses is \$1,292,816 (10.01%) below the budget of \$12,920,001. This variance is primarily attributable to a lower than budgeted landfill levy payable (\$1,206,699) as a result of lower tonnages forecast to be received by year end.

Provision Expenses

- Current Budget: \$72,227      Forecast Budget: \$216,401      Variance: (\$144,174);      (199.61%)

The full year forecast for Provision Expenses is \$144,174 (199.61%) above the budget of \$72,227. The variance is attributable to higher than budgeted provisions following an independent review of Post Closure Management Reserves undertaken in June 2015. This was subject to a report submitted to Council at its meeting held on 18 June 2015.

It was established that the funds held in the Site Rehabilitation Reserve and the Environmental Monitoring Reserve were below the costs identified by the independent review. Provisions are now being calculated on a revised methodology which is based on the usage of the remaining air space indexed annually in order to provide for the costs of the post closure management of the site. This has resulted in a higher than budgeted forecast.



*Item 12.1 continued*

Costs Allocated

- Current Budget: (\$1,877,290) Forecast Budget: (\$335,644) Variance: (\$1,541,646); (82.12%)

The full year forecast for Cost Allocations is \$1,541,646 (82.12%) below the budget of \$1,877,290. This variance relates specifically to the timing of internal costs allocated between the Resource Recovery C & I Project and the Red Hill Landfill Facility Class III cell. This variance is predominantly offset against Costs Allocated (Other Expenses).

Salary Expenses (Other Expenses)

- Current Budget: \$638,435 Forecast Budget: \$259,259 Variance: \$379,176; 59.39%

The variance is attributable to budgeted positions forecast not to be filled by year end due to the timing of Resource Recovery Park projects.

Contract Expenses (Other Expenses)

- Current Budget: \$1,013,900 Forecast Budget: \$470,207 Variance: \$543,693; 53.62%

The variance is due to the timing of the Resource Recovery projects and the associated consultancy expenditure.

Material Expenses (Other Expenses)

- Current Budget: \$31,050 Forecast Budget: \$8,750 Variance: \$22,300; 71.82%

The variance is due to the timing of the various Resource Recovery projects.

Utility Expenses (Other Expenses)

- Current Budget: \$42,500 Forecast Budget: \$2,500 Variance: \$40,000; 94.12%

The variance is due to the timing of the various Resource Recovery projects.

Fuel Expenses (Other Expenses)

- Current Budget: \$80,000 Forecast Budget: \$0 Variance: \$80,000; 100.00%

The variance is due to the timing of the Resource Recovery C & I Project.

Insurance Expenses (Other Expenses)

- Current Budget: \$23,653 Forecast Budget: \$1,480 Variance: \$22,173; 93.74%

The variance is due to the timing of the Resource Recovery projects.

Depreciation Expenses (Other Expenses)

- Current Budget: \$263,255 Forecast Budget: \$1,703 Variance: \$261,552; 99.35%

The variance is due to the timing of capital expenditure associated with the Resource Recovery projects.

Miscellaneous Expenses (Other Expenses)

- Current Budget: \$160,461 Forecast Budget: \$37,111 Variance: \$123,350; 76.87%

The variance is due to the timing of various Resource Recovery projects.



*Item 12.1 continued*

Carrying Amount of Assets Disposed Of (Other Expenses)

- Current Budget: \$300,727      Forecast Budget: \$118,300      Variance: \$182,427;      60.66%

The full year forecast for Carrying Amount of Assets Disposed Of is \$182,427 (60.66%) below the budget of \$300,727. The variance relates specifically to the timing of plant and vehicles budgeted for change over during the 2015/2016 financial year that have been forecast not to attained the specified criteria for change over or had a lower than budgeted written down value at time of disposal.

Costs Allocated (Other Expenses)

- Current Budget: \$1,827,290      Forecast Budget: \$273,144      Variance: \$1,554,146;      (85.05%)

The full year forecast for Cost Allocations is \$1,554,146 (85.05%) below the budget of \$1,827,290. This variance relates specifically to the timing of internal costs allocated between the Resource Recovery C & I Project and the Red Hill Landfill Facility Class III cell. This provision is predominantly offset against Costs Allocated in the general Operating Expenditure section.

**Capital Expenditure**

- Current Budget: \$34,487,814      Forecast Budget: \$17,305,912      Variance: \$17,181,902;      49.82%

The Capital Expenditure budgets as at year end were reviewed in October/November 2015 and again as part of the budget review undertaken during January/February 2016 in order to reflect the actual timing of various projects and match expenditure requirements in relation to tonnage forecasts.

Full Year Capital Expenditure has been forecast to be \$17,181,902 (49.82%) below the budget of \$34,487,814.

Significant reductions to capital budgets that have been deferred and/or carried forward include the following:

- Leachate Project - Red Hill Landfill Facility - \$3,300,000;
- Purchase Resource Recovery Park C & I Building Plant & Equipment - \$2,985,000;
- Construct Class III Cell - Stage 15 - Red Hill Landfill Facility - \$1,700,000;
- Purchase Resource Recovery Park Wood Waste to Energy Plant & Equipment - \$1,642,000;
- Construct Class III Cell - Farm Stage 3 - Red Hill Landfill Facility - \$1,240,000;
- Construct and Commission Resource Recovery Park Site Infrastructure - \$1,217,000;
- Construct and Commission Resource Recovery Park C & I Building - \$1,050,000;
- Resource Recovery Park Wood Waste to Energy Utilities/Infrastructure - \$1,000,000;
- Construct Class III Leachate Pond - Red Hill Landfill Facility - \$600,000;
- Design & Construct Class IV Cell - Stage 2 - Red Hill Landfill Facility - \$500,000;
- Construct Access Road to Lots 8, 9 & 10 - Red Hill Landfill Facility - \$475,000;
- Construct Roads / Carparks - Red Hill Landfill Facility - \$370,000;
- Purchase Plant & Equipment - Resource Recovery Park MRF - \$300,000;
- Relocate Greenwaste Processing Area - Red Hill Landfill Facility - \$200,000;
- Construct Class III Cell - Stage 14 - Red Hill Landfill Facility - \$160,000;
- Construct and Commission Resource Recovery Park Weighbridges (x2) - \$150,000;
- Purchase/Replace Security System - Red Hill Landfill Facility - \$130,000; and
- Purchase Vehicles - Ascot Place - \$99,941.



*Item 12.1 continued*

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

- Purchase / Replace Plant - Hazelmere - \$406,000.

**STRATEGIC/POLICY IMPLICATIONS**

Key Result Area 4 - Good Governance

- 4.3 To provide responsible and accountable governance and management of the EMRC
- 4.4 To continue to improve financial and asset management practices

**FINANCIAL IMPLICATIONS**

Nil

**SUSTAINABILITY IMPLICATIONS**

Nil

**MEMBER COUNCIL IMPLICATIONS**

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

**ATTACHMENT(S)**

1. Income Statement by Nature and Type (Ref: D2016/02945)
2. Capital Expenditure Statement (Ref: D2016/02946)
3. Statement of Financial Position (Ref: D2016/02949)
4. Statement of Cash and Investments (Ref: D2016/02951)

**VOTING REQUIREMENT**

Absolute Majority

**RECOMMENDATION(S)**

That Council, by an absolute majority in accordance with the provisions of *Local Government (Financial Management) Regulations 1996* r.33A, adopts the review of the 2015/2016 budget and approve its submission to the Department of Local Government and Communities within 30 days.

The CEO gave a brief overview of the budget review and discussion ensued.



*Item 12.1 continued*

**AC RECOMMENDATION(S)**

MOVED CR FÄRDIG

SECONDED CR STALLARD

That Council, by an absolute majority in accordance with the provisions of *Local Government (Financial Management) Regulations 1996* r.33A, adopts the review of the 2015/2016 budget and approve its submission to the Department of Local Government and Communities within 30 days.

**CARRIED UNANIMOUSLY**



# STATEMENT OF COMPREHENSIVE INCOME

## Nature and Type

Year to Date				JANUARY 2016				Full Year			
Actual	Budget	Variance			Forecast	Budget	Variance				
<b>Operating Income</b>											
\$16,276,767	\$19,236,888	(\$2,960,121)	(U)	User Charges	\$28,464,088	\$32,680,933	(\$4,216,845)	(U)			
\$263,059	\$258,023	\$5,036	(F)	Special Charges	\$450,800	\$430,789	\$20,011	(F)			
\$588,549	\$574,706	\$13,843	(F)	Contributions	\$661,770	\$683,725	(\$21,955)	(U)			
\$334,700	\$348,831	(\$14,131)	(U)	Operating Grants	\$481,790	\$623,500	(\$141,710)	(U)			
\$258,904	\$113,918	\$144,986	(F)	Interest Municipal Cash Investments	\$572,717	\$195,300	\$377,417	(F)			
\$455,885	\$420,189	\$35,696	(F)	Reimbursements	\$783,589	\$720,384	\$63,205	(F)			
\$1,935,219	\$1,169,969	\$765,250	(F)	Other	\$2,893,299	\$2,022,862	\$870,437	(F)			
<b>\$20,113,084</b>	<b>\$22,122,524</b>	<b>(\$2,009,441)</b>	<b>(U)</b>	<b>Total Operating Income</b>	<b>\$34,308,053</b>	<b>\$37,357,493</b>	<b>(\$3,049,440)</b>	<b>(U)</b>			
<b>Operating Expenditure</b>											
\$4,542,160	\$5,270,942	\$728,782	(F)	Salary Expenses	\$8,515,484	\$9,277,385	\$761,901	(F)			
\$2,101,051	\$3,740,932	\$1,639,881	(F)	Contract Expenses	\$5,979,966	\$6,429,957	\$449,991	(F)			
\$418,389	\$501,900	\$83,511	(F)	Material Expenses	\$944,158	\$962,379	\$18,221	(F)			
\$177,074	\$170,035	(\$7,039)	(U)	Utility Expenses	\$275,186	\$300,206	\$25,020	(F)			
\$353,733	\$469,525	\$115,792	(F)	Fuel Expenses	\$659,770	\$805,032	\$145,262	(F)			
\$14,133	\$12,866	(\$1,267)	(U)	Finance Fees and Interest Expenses	\$25,000	\$22,068	(\$2,932)	(U)			
\$153,341	\$206,192	\$52,851	(F)	Insurance Expenses	\$267,720	\$353,824	\$86,104	(F)			
\$3,012,545	\$3,687,264	\$674,719	(F)	Depreciation Expenses	\$5,658,221	\$6,321,375	\$663,154	(F)			
\$6,495,283	\$7,522,749	\$1,027,466	(F)	Miscellaneous Expenses	\$11,627,185	\$12,920,001	\$1,292,816	(F)			
\$123,918	\$42,126	(\$81,792)	(U)	Provision Expenses	\$216,401	\$72,227	(\$144,174)	(U)			
(\$199,292)	(\$186,882)	\$12,410	(F)	Costs Allocated	(\$335,644)	(\$1,877,290)	(\$1,541,646)	(U)			
<b>\$17,192,335</b>	<b>\$21,437,649</b>	<b>\$4,245,314</b>	<b>(F)</b>	<b>Total Operating Expenditure</b>	<b>\$33,833,447</b>	<b>\$35,587,163</b>	<b>\$1,753,716</b>	<b>(F)</b>			
<b>\$2,920,749</b>	<b>\$684,875</b>	<b>\$2,235,874</b>	<b>(F)</b>	<b>OPERATING RESULT FROM NORMAL ACTIVITIES</b>	<b>\$474,606</b>	<b>\$1,770,330</b>	<b>(\$1,295,724)</b>	<b>(U)</b>			
Surplus	Surplus				Surplus	Surplus					

## Notes:

1. User Charges - include member Councils and casual users pertaining to waste, risk management and environmental services fees and charges;
2. Special Charges - Waste Education Levy;
3. Contributions - member Councils' contributions to projects and services;
4. Operating Grants - grant income predominantly from government agencies;
5. Other Operating Income - includes income from the sale of products; and
6. Miscellaneous Expenses - includes the landfill levy expense of \$6,058,710 as at 31 January 2016.

Operating Income and Expenditure relates to the ordinary operations of the organisation.

Other Revenues and Expenses relates to the Resource Recovery Project, interest from cash reserves and disposal of assets.

(F) denotes Favourable variance and (U) denotes Unfavourable variance

# STATEMENT OF COMPREHENSIVE INCOME

## Nature and Type

JANUARY 2016

Year to Date				Full Year			
Actual	Budget	Variance		Forecast	Budget	Variance	
<b>Other Revenues</b>							
\$0	\$0	\$0	(F)	User Charges	\$0	\$2,600,000	(\$2,600,000) (U)
\$2,844,002	\$2,874,606	(\$30,604)	(U)	Secondary Waste Charge	\$4,897,900	\$4,822,149	\$75,751 (F)
\$1,135,050	\$861,777	\$273,273	(F)	Interest Restricted Cash Investments	\$2,043,969	\$1,477,403	\$566,566 (F)
\$0	\$28	(\$28)	(U)	Reimbursements	\$50	\$50	\$0 (F)
\$198,091	\$214,650	(\$16,559)	(U)	Proceeds from Sale of Assets	\$301,341	\$306,500	(\$5,159) (U)
\$0	\$0	\$0	(F)	Other	\$0	\$1,327,500	(\$1,327,500) (U)
<b>\$4,177,143</b>	<b>\$3,951,061</b>	<b>\$226,082</b>	(F)	<b>Total Other Revenues</b>	<b>\$7,243,260</b>	<b>\$10,533,602</b>	<b>(\$3,290,342) (U)</b>
<b>Other Expenses</b>							
\$154,700	\$166,245	\$11,545	(F)	Salary Expenses	\$259,259	\$638,435	\$379,176 (F)
\$195,320	\$494,691	\$299,371	(F)	Contract Expenses	\$470,207	\$1,013,900	\$543,693 (F)
\$2,236	\$6,405	\$4,169	(F)	Material Expenses	\$8,750	\$31,050	\$22,300 (F)
\$1,333	\$1,456	\$123	(F)	Utility Expenses	\$2,500	\$42,500	\$40,000 (F)
\$0	\$0	\$0	(F)	Fuel Expenses	\$0	\$80,000	\$80,000 (F)
\$862	\$959	\$97	(F)	Insurance Expenses	\$1,480	\$23,653	\$22,173 (F)
\$989	\$1,351	\$362	(F)	Depreciation Expenses	\$1,703	\$263,255	\$261,552 (F)
\$12,582	\$66,687	\$54,105	(F)	Miscellaneous Expenses	\$37,111	\$160,461	\$123,350 (F)
\$88,712	\$126,407	\$37,695	(F)	Carrying Amount of Assets Disposed Of	\$118,300	\$300,727	\$182,427 (F)
\$167,807	\$138,546	(\$29,261)	(U)	Costs Allocated	\$273,144	\$1,827,290	\$1,554,146 (F)
<b>\$624,541</b>	<b>\$1,002,747</b>	<b>\$378,206</b>	(F)	<b>Total Other Expenses</b>	<b>\$1,172,454</b>	<b>\$4,381,272</b>	<b>\$3,208,818 (F)</b>
<b>Realised/Unrealised (Gain)/Loss From Change in Fair Value of Investments</b>							
\$0	\$0	\$0	(F)	Unrealised (Gain)/Loss	\$0	\$0	\$0 (F)
\$0	\$0	\$0	(F)	Realised (Gain)/Loss	\$0	\$0	\$0 (F)
<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	(F)	<b>Total (Gain)/Loss from change in Fair Value of Investments</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0 (F)</b>
<b>Revaluation of Assets</b>							
\$0	\$0	\$0	(F)	Revaluation of Assets	\$0	\$0	\$0 (F)
<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	(F)	<b>Total Revaluation of Assets</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0 (F)</b>
<b>\$3,552,602</b>	<b>\$2,948,314</b>	<b>\$604,288</b>	(F)	<b>OPERATING RESULT FROM OTHER ACTIVITIES</b>	<b>\$6,070,806</b>	<b>\$6,152,330</b>	<b>(\$81,524) (U)</b>
Surplus	Surplus				Surplus	Surplus	
<b>\$6,473,350</b>	<b>\$3,633,189</b>	<b>\$2,840,161</b>	(F)	<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>\$6,545,412</b>	<b>\$7,922,660</b>	<b>(\$1,377,248) (U)</b>
Surplus	Surplus				Surplus	Surplus	



# CAPITAL EXPENDITURE STATEMENT

## JANUARY 2016

Year to Date						Full Year			
Actual	Budget	Variance		On Order	(F) = Favourable variation (U) = Unfavourable variation	Forecast	Budget	Variance	
<b>Governance and Corporate Services</b>									
\$129,352	\$163,002	\$33,650	(F)	\$44,818	<b>Purchase Vehicles - Ascot Place</b> ( 24440/00 )	\$179,494	\$279,435	\$99,941	(F)
\$6,637	\$16,478	\$9,841	(F)	\$0	<b>Purchase Furniture Fittings &amp; Equipment - Corporate Services</b> ( 24510/01 )	\$28,250	\$28,250	\$0	(F)
\$9,645	\$423,870	\$414,225	(F)	\$3,331	<b>Purchase Information Technology &amp; Communication Equipment</b> ( 24550/00 )	\$588,250	\$632,250	\$44,000	(F)
\$0	\$17,500	\$17,500	(F)	\$0	<b>Purchase Art Works</b> ( 24620/00 )	\$30,000	\$30,000	\$0	(F)
\$0	\$151,662	\$151,662	(F)	\$0	<b>Capital Improvement Administration Building - Ascot Place</b> ( 25240/01 )	\$260,000	\$260,000	\$0	(F)
\$0	\$2,128	\$2,128	(F)	\$0	<b>Upgrade Security Equipment - Ascot Place</b> ( 25530/01 )	\$3,650	\$3,650	\$0	(F)
<b>\$145,634</b>	<b>\$774,640</b>	<b>\$629,006</b>	<b>(F)</b>	<b>\$48,149</b>		<b>\$1,089,644</b>	<b>\$1,233,585</b>	<b>\$143,941</b>	<b>(F)</b>



# CAPITAL EXPENDITURE STATEMENT

**JANUARY 2016**

Year to Date			On Order	(F) = Favourable variation (U) = Unfavourable variation		Full Year		
Actual	Budget	Variance				Forecast	Budget	Variance

## Environmental Services

\$5,909	\$0	(\$5,909)	(U)	\$0	Purchase / Replace Minor Plant and Equipment - Environmental Services ( 24420/05 )	\$5,909	\$0	(\$5,909)	(U)
\$0	\$581	\$581	(F)	\$0	Purchase Office Equipment - Environmental Services ( 24510/05 )	\$1,000	\$1,000	\$0	(F)
\$3,935	\$0	(\$3,935)	(U)	\$0	Purchase Other Equipment - Environmental Services ( 24590/05 )	\$3,935	\$0	(\$3,935)	(U)
\$0	\$581	\$581	(F)	\$0	Purchase Office Furniture and Fittings - Environmental Services ( 24610/05 )	\$0	\$1,000	\$1,000	(F)
<b>\$9,844</b>	<b>\$1,162</b>	<b>(\$8,682)</b>	<b>(U)</b>	<b>\$0</b>		<b>\$10,844</b>	<b>\$2,000</b>	<b>(\$8,844)</b>	<b>(U)</b>

## Regional Development

\$0	\$581	\$581	(F)	\$0	Purchase Office Equipment - Regional Development ( 24510/04 )	\$0	\$1,000	\$1,000	(F)
\$0	\$581	\$581	(F)	\$0	Purchase Office Furniture and Fittings - Regional Development ( 24610/04 )	\$0	\$1,000	\$1,000	(F)
<b>\$0</b>	<b>\$1,162</b>	<b>\$1,162</b>	<b>(F)</b>	<b>\$0</b>		<b>\$0</b>	<b>\$2,000</b>	<b>\$2,000</b>	<b>(F)</b>

## Risk Management

\$0	\$287	\$287	(F)	\$0	Purchase Office Equipment - Risk Management ( 24510/06 )	\$0	\$500	\$500	(F)
\$0	\$287	\$287	(F)	\$0	Purchase Office Furniture and Fittings - Risk Management ( 24610/06 )	\$0	\$500	\$500	(F)
<b>\$0</b>	<b>\$574</b>	<b>\$574</b>	<b>(F)</b>	<b>\$0</b>		<b>\$0</b>	<b>\$1,000</b>	<b>\$1,000</b>	<b>(F)</b>

## Resource Recovery

# CAPITAL EXPENDITURE STATEMENT

**JANUARY 2016**

Year to Date						Full Year			
Actual	Budget	Variance		On Order	(F) = Favourable variation (U) = Unfavourable variation	Forecast	Budget	Variance	
<b>Resource Recovery</b>									
\$0	\$100,000	\$100,000	(F)	\$38,995	<b>Resource Recovery Park - Land</b> ( 24150/05 )	\$43,000	\$100,000	\$57,000	(F)
\$19,405	\$1,050,000	\$1,030,595	(F)	\$1,432,078	<b>Construct and Commission Resource Recovery Park - C &amp; I Building</b> ( 24259/04 )	\$2,000,000	\$3,050,000	\$1,050,000	(F)
\$900	\$0	(\$900)	(U)	\$0	<b>Construct and Commission Resource Recovery Park - Wood Waste to Energy Building</b> ( 24259/05 )	\$625,000	\$625,000	\$0	(F)
\$0	\$25,000	\$25,000	(F)	\$0	<b>Construct and Commission Resource Recovery Park - MRF Building - Hazelmere</b> ( 24259/09 )	\$30,000	\$55,000	\$25,000	(F)
\$0	\$0	\$0	(F)	\$0	<b>Construct and Commission Resource Recovery Park - Weighbridges (x2)</b> ( 24392/02 )	\$0	\$150,000	\$150,000	(F)
\$0	\$100,000	\$100,000	(F)	\$0	<b>Resource Recovery Park - Fencing</b> ( 24394/06 )	\$20,000	\$100,000	\$80,000	(F)
\$125,117	\$850,000	\$724,883	(F)	\$50,419	<b>Construct and Commission Resource Recovery Park - Site Infrastructure</b> ( 24399/01 )	\$603,000	\$1,820,000	\$1,217,000	(F)
\$41,577	\$350,000	\$308,423	(F)	\$6,106	<b>Wood Waste to Energy Utilities/Infrastructure - Resource Recovery Park</b> ( 24399/11 )	\$900,000	\$1,900,000	\$1,000,000	(F)
\$0	\$1,467,543	\$1,467,543	(F)	\$0	<b>Purchase Resource Recovery Park - Wood Waste to Energy Plant &amp; Equipment</b> ( 24410/03 )	\$1,143,000	\$2,785,000	\$1,642,000	(F)
\$0	\$400,000	\$400,000	(F)	\$1,438,050	<b>Purchase Resource Recovery Park C &amp; I Building - Plant &amp; Equipment</b> ( 24410/04 )	\$440,000	\$3,425,000	\$2,985,000	(F)
\$0	\$100,000	\$100,000	(F)	\$0	<b>Purchase Resource Recovery Park MRF - Plant &amp; Equipment</b> ( 24410/06 )	\$0	\$300,000	\$300,000	(F)

# CAPITAL EXPENDITURE STATEMENT

**JANUARY 2016**

Year to Date				Full Year			
Actual	Budget	Variance		Forecast	Budget	Variance	

On (F) = Favourable variation  
Order (U) = Unfavourable variation

## Resource Recovery

\$0	\$2,000	\$2,000	(F)	\$0	Purchase Other Equipment - Resource Recovery ( 24590/07 )	\$2,000	\$2,000	\$0	(F)
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<b>\$186,999</b>	<b>\$4,444,543</b>	<b>\$4,257,544</b>	<b>(F)</b>	<b>\$2,965,649</b>		<b>\$5,806,000</b>	<b>\$14,312,000</b>	<b>\$8,506,000</b>	<b>(F)</b>
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## Waste Management

\$1,263	\$0	(\$1,263)	(U)	\$0	Construct Waste Management Facility Buildings - Hazelmere ( 24250/02 )	\$1,263	\$0	(\$1,263)	(U)
\$0	\$63,000	\$63,000	(F)	\$0	Construct Storage Shed for Mattresses - Hazelmere ( 24250/05 )	\$63,000	\$63,000	\$0	(F)
\$0	\$40,000	\$40,000	(F)	\$0	Refurbish Workshops - Red Hill Landfill Facility ( 24259/11 )	\$40,000	\$40,000	\$0	(F)
\$1,176	\$0	(\$1,176)	(U)	\$0	Construct Class III Cell Farm Stage 2 - Red Hill Landfill Facility ( 24310/11 )	\$1,176	\$0	(\$1,176)	(U)
\$0	\$0	\$0	(F)	\$0	Construct Class III Cell Stage 14 - Red Hill Landfill Facility ( 24310/12 )	\$0	\$160,000	\$160,000	(F)
\$10,248	\$100,000	\$89,752	(F)	\$0	Construct Class III Landfill Cell Farm Stage 3 - Red Hill Landfill Facility ( 24310/13 )	\$760,000	\$2,000,000	\$1,240,000	(F)
\$70,241	\$100,000	\$29,759	(F)	\$8,572	Construct Class III Cell Stage 15 - Red Hill Landfill Facility ( 24310/16 )	\$100,000	\$1,800,000	\$1,700,000	(F)
\$0	\$600,000	\$600,000	(F)	\$0	Construct Class III Leachate Pond - Red Hill Landfill Facility ( 24320/01 )	\$0	\$600,000	\$600,000	(F)
(\$235,509)	\$110,000	\$345,509	(F)	\$12,410	Leachate Project - Red Hill Landfill Facility ( 24320/02 )	\$200,000	\$3,500,000	\$3,300,000	(F)
\$0	\$0	\$0	(F)	\$0	Design and Construct Class IV Cell Stage 2 - Red Hill Landfill Facility ( 24330/04 )	\$0	\$500,000	\$500,000	(F)
\$0	\$0	\$0	(F)	\$0	Construct Stormwater and Siltation Ponds - Red Hill Landfill Facility ( 24350/01 )	\$200,000	\$200,000	\$0	(F)

# CAPITAL EXPENDITURE STATEMENT

**JANUARY 2016**

Year to Date				Full Year			
Actual	Budget	Variance	On Order	Forecast	Budget	Variance	

(F) = Favourable variation  
(U) = Unfavourable variation

## Waste Management

\$0	\$100,000	\$100,000	(F)	\$0	Construct Nutrient Stripping Pond - Red Hill Landfill Facility ( 24360/00 )	\$186,000	\$186,000	\$0	(F)
\$0	\$0	\$0	(F)	\$0	Construct Roads / Carparks - Red Hill Landfill Facility ( 24370/00 )	\$120,000	\$490,000	\$370,000	(F)
\$0	\$0	\$0	(F)	\$0	Construct Access Road to Lots 8 9 10 - Red Hill Landfill Facility ( 24370/02 )	\$0	\$475,000	\$475,000	(F)
\$0	\$0	\$0	(F)	\$55,534	Construct Drainage Diversion and Earthworks Infrastructures - Red Hill Landfill Facility ( 24380/00 )	\$500,000	\$500,000	\$0	(F)
\$0	\$50,000	\$50,000	(F)	\$0	Construct Litter Fence - Redhill Landfill Facility ( 24394/05 )	\$50,000	\$50,000	\$0	(F)
\$0	\$60,000	\$60,000	(F)	\$0	Construct Hardstand and Road - Hazelmere ( 24395/01 )	\$124,000	\$124,000	\$0	(F)
\$0	\$0	\$0	(F)	\$0	Relocate Greenwaste Processing area - Red Hill Landfill Facility ( 24395/04 )	\$0	\$200,000	\$200,000	(F)
\$0	\$0	\$0	(F)	\$0	Construct Monitoring Bores - Red Hill Landfill Facility ( 24396/00 )	\$34,000	\$34,000	\$0	(F)
\$0	\$70,000	\$70,000	(F)	\$0	Washdown bay Upgrade - Red Hill Landfill Facility ( 24399/04 )	\$70,000	\$70,000	\$0	(F)
\$0	\$30,000	\$30,000	(F)	\$0	Truck Washdown Bay for Member Councils - Red Hill Landfill Facility ( 24399/05 )	\$30,000	\$30,000	\$0	(F)
\$9,977	\$40,000	\$30,023	(F)	\$0	Plant Washdown Bay - Hazelmere ( 24399/08 )	\$20,000	\$40,000	\$20,000	(F)
\$13,979	\$20,000	\$6,021	(F)	\$0	Air Supply lines - Waste Management Structures - Red Hill Landfill Facility ( 24399/10 )	\$70,000	\$150,000	\$80,000	(F)
\$5,886	\$0	(\$5,886)	(U)	\$0	Construct Brick Structure around Diesel Tank area - Red Hill Landfill Facility ( 24399/12 )	\$5,886	\$0	(\$5,886)	(U)

# CAPITAL EXPENDITURE STATEMENT

**JANUARY 2016**

Year to Date						Full Year		
Actual	Budget	Variance		On Order	(F) = Favourable variation (U) = Unfavourable variation	Forecast	Budget	Variance
<b>Waste Management</b>								
\$404,848	\$2,353,000	\$1,948,152	(F)	\$1,189,728	<b>Purchase / Replace Plant - Red Hill Landfill Facility ( 24410/00 )</b>	\$4,220,000	\$4,220,000	\$0 (F)
\$405,899	\$2,200,000	\$1,794,101	(F)	\$383,000	<b>Purchase / Replace Plant - Hazelmere ( 24410/01 )</b>	\$3,036,000	\$2,630,000	(\$406,000) (U)
\$261,622	\$0	(\$261,622)	(U)	\$0	<b>Purchase Plant for Leachate Project - Red Hill Landfill Facility ( 24410/08 )</b>	\$0	\$0	\$0 (F)
\$955	\$111,000	\$110,045	(F)	\$0	<b>Purchase / Replace Minor Plant and Equipment-Red Hill Landfill Facility ( 24420/00 )</b>	\$145,000	\$220,000	\$75,000 (F)
\$1,868	\$12,000	\$10,132	(F)	\$4,258	<b>Purchase / Replace Minor Plant and Equipment - Hazelmere ( 24420/02 )</b>	\$15,000	\$15,000	\$0 (F)
\$4,092	\$0	(\$4,092)	(U)	\$0	<b>Purchase Minor Plant for Leachate Project - Red Hill Landfill Facility ( 24420/06 )</b>	\$0	\$0	\$0 (F)
\$0	\$39,179	\$39,179	(F)	\$0	<b>Purchase / Replace Vehicles - Red Hill Landfill Facility ( 24430/00 )</b>	\$39,179	\$39,179	\$0 (F)
\$0	\$550	\$550	(F)	\$0	<b>Purchase / Replace Office Equipment - Engineering / Waste Management ( 24510/02 )</b>	\$550	\$550	\$0 (F)
\$0	\$20,000	\$20,000	(F)	\$0	<b>Purchase / Replace Office Equipment - Red Hill Landfill Facility ( 24510/08 )</b>	\$4,000	\$24,000	\$20,000 (F)
\$0	\$6,000	\$6,000	(F)	\$3,693	<b>Purchase Fire Fighting System/Equipment - Hazelmere ( 24520/07 )</b>	\$10,000	\$10,000	\$0 (F)
\$0	\$0	\$0	(F)	\$0	<b>Purchase / Replace Fire Fighting Equipment - Red Hill Landfill Facility ( 24520/08 )</b>	\$1,000	\$1,000	\$0 (F)
\$0	\$53,000	\$53,000	(F)	\$4,085	<b>Purchase / Replace Security System - Red Hill Waste Management Facility ( 24530/08 )</b>	\$29,000	\$159,000	\$130,000 (F)
\$6,270	\$6,000	(\$270)	(U)	\$0	<b>Purchase / Replace Security System - Hazelmere ( 24530/10 )</b>	\$6,270	\$6,000	(\$270) (U)

# CAPITAL EXPENDITURE STATEMENT

**JANUARY 2016**

Year to Date				On Order	(F) = Favourable variation (U) = Unfavourable variation	Full Year			
Actual	Budget	Variance	Forecast			Budget	Variance		
Waste Management									
\$4,912	\$107,500	\$102,588	(F)	\$53,138	Purchase / Replace Other Equipment - Red Hill Landfill Facility ( 24590/00 )	\$120,000	\$146,000	\$26,000	(F)
\$4,100	\$2,500	(\$1,600)	(U)	\$0	Purchase / Replace Miscellaneous Equipment - Hazelmere ( 24590/02 )	\$4,100	\$2,500	(\$1,600)	(U)
\$0	\$0	\$0	(F)	\$0	Purchase/Replace Other Equipment - Engineering and Waste Management ( 24590/03 )	\$3,000	\$3,000	\$0	(F)
\$0	\$0	\$0	(F)	\$0	Purchase Office Furniture and Fittings-Engineering and Waste Management ( 24610/03 )	\$1,000	\$1,000	\$0	(F)
\$0	\$2,000	\$2,000	(F)	\$0	Purchase / Replace Office Furniture and Fittings - Red Hill Landfill Facility ( 24610/08 )	\$3,000	\$3,000	\$0	(F)
\$0	\$1,500	\$1,500	(F)	\$0	Purchase Office Furniture and Fittings-Hazelmere ( 24610/10 )	\$2,000	\$2,000	\$0	(F)
\$0	\$0	\$0	(F)	\$0	Purchase Miscellaneous Furniture and Fittings - Red Hill Education Programme ( 24690/01 )	\$0	\$3,000	\$3,000	(F)
\$0	\$5,000	\$5,000	(F)	\$0	Refurbish Environmental Education Centre - Redhill Landfill Facility ( 25253/00 )	\$0	\$10,000	\$10,000	(F)
\$0	\$70,000	\$70,000	(F)	\$0	Refurbish Waste Transfer Station Building - Red Hill Landfill Facility ( 25259/01 )	\$140,000	\$140,000	\$0	(F)
\$0	\$0	\$0	(F)	\$0	Refurbish Plant - Red Hill Landfill Facility ( 25410/00 )	\$20,000	\$20,000	\$0	(F)
\$1,936	\$20,000	\$18,064	(F)	\$0	Refurbish Plant - Hazelmere ( 25410/01 )	\$25,000	\$70,000	\$45,000	(F)
\$973,764	\$6,392,229	\$5,418,465	(F)	\$1,714,417		\$10,399,424	\$18,937,229	\$8,537,805	(F)
\$1,316,241	\$11,614,310	\$10,298,069	(F)	\$4,728,215	TOTAL CAPITAL EXPENDITURE	\$17,305,912	\$34,487,814	\$17,181,902	(F)

## JANUARY 2016

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# CASH AND INVESTMENTS

## JANUARY 2016

Actual June 2015	Actual Year to Date	(F) = Favourable variation (U) = Unfavourable variation	Full Year			
			Forecast	Budget	Variance	
Municipal Cash and Investments						
2,883,897	3,324,707	Cash at Bank - Municipal Fund 01001/00	17,107,132	3,248,644	13,858,488	(F)
1,250	1,250	Cash on Hand - Ascot Place 01019/00	1,250	1,250	0	(F)
400	400	Cash on Hand - Walliston/Mathieson & Coppin Road Transfer Stations 01019/01	400	400	0	(F)
1,800	1,800	Cash on Hand - Red Hill / Hazelmere 01019/02	1,800	1,800	0	(F)
13,815,909	17,943,111	Investments - Municipal Fund 02021/00	4,008,482	3,577,415	431,067	(F)
16,703,255	21,271,268	Total Municipal Cash	21,119,063	6,829,508	14,289,555	(F)
Restricted Cash and Investments						
3,635,347	3,714,392	Restricted Investments - Plant and Equipment 02022/01	1,997,091	1,916,042	81,049	(F)
1,930,073	1,972,039	Restricted Investments - Post Closure Site Rehabilitation Red Hill 02022/02	1,997,385	1,980,229	17,156	(F)
3,648,218	3,727,543	Restricted Investments - Future Development 02022/03	2,414,453	2,370,712	43,741	(F)
680,965	695,771	Restricted Investments - Environmental Monitoring Red Hill 02022/04	704,714	697,558	7,156	(F)
89,410	91,354	Restricted Investments - Environmental Insurance Red Hill 02022/05	40,549	39,204	1,345	(F)
13,507	13,801	Restricted Investments - Risk Management 02022/06	13,977	13,887	90	(F)
19,475	19,898	Restricted Investments - Class IV Cells Red Hill 02022/07	55,211	55,552	(341)	(U)
99,650	101,817	Restricted Investments - Regional Development 02022/08	19,740	17,894	1,846	(F)
44,950,540	45,927,920	Restricted Investments - Secondary Waste Processing 02022/09	36,862,585	36,447,847	414,738	(F)
2,710,350	2,769,282	Restricted Investments - Class III Cells 02022/10	4,482,672	4,488,170	(5,498)	(U)
68,200	69,683	Restricted Investments - Building Refurbishment (Ascot Place) 02022/11	70,578	70,120	458	(F)
334,891	195,625	Restricted Investments - Accrued Interest 02022/19	334,891	334,891	0	(F)
0	0	Restricted Investments - Unrealised Loss/Gain on Investments 02022/20	0	0	0	(F)
761,142	777,692	Restricted Investments - Long Service Leave 02022/90	808,035	803,209	4,826	(F)
58,941,769	60,076,819	Total Restricted Cash	49,801,882	49,235,316	566,566	(F)
75,645,024	81,348,087	TOTAL CASH AND INVESTMENTS	70,920,945	56,064,824	14,856,121	(F)

The Cash at Bank - Municipal Fund represents the balance on the last day of the relevant month. Any portion of the balance available for investment is transferred into the Investment - Municipal Fund account in the following period. Funds held in the Cash at Bank - Municipal Fund continue to accrue interest as per the Westpac commercial rates.





## **12.2 COMPLIANCE AUDIT RETURN 2015**

**REFERENCE: D2015/20538**

### **PURPOSE OF REPORT**

The purpose of the report is to present to Council for adoption the Compliance Audit Return (CAR) for the year ending 31 December 2015.

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

- Each local government is required to complete a compliance audit return at the end of each calendar year.
- The CAR is required to be reviewed by the Audit Committee (AC) before being adopted by Council, certified by the Chairman and Chief Executive Officer (CEO) and submitted to the Director General of the Department of Local Government and Communities, by 31 March 2016.

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

That Council adopts the draft Compliance Audit Return 2015, that it be certified by the Chairman and Chief Executive Officer and be submitted to the Director General, Department of Local Government and Communities by 31 March 2016.

### **SOURCE OF REPORT**

Director Corporate Services

### **BACKGROUND**

The audit and applicable return is completed in accordance with the requirements of Regulations 14 and 15 of the *Local Government (Audit) Regulations 1996*. It is a compliance audit for the period 1 January to 31 December 2015 against the requirements included in the Compliance Audit Return for that period.

A change to Regulation 14 of the Regulations in 2011 now requires the Audit Committee to review the CAR and to report the results of the review to Council prior to adoption by Council.

### **REPORT**

The CAR, as required by the *Local Government Act 1995* (the Act) and relevant Regulations, was received from the Director General of the Department of Local Government and Communities with Departmental Circular No 24-2015 (the circular) on 23 December 2015.

The CAR sought advice on the extent of compliance by the EMRC to a range of sections of the Act and the local government regulations.

A satisfactory level of compliance was achieved. Where applicable, the details and explanations relating to the completion of the return appear in the relevant comment sections of the CAR.

After the CAR has been adopted by Council a certified copy of the Return along with the relevant section of the minutes and additional information explaining or qualifying the compliance audit, is to be submitted to the Director General of the Department of Local Government and Communities by 31 March 2016.



*Item 12.2 continued*

## **STRATEGIC/POLICY IMPLICATIONS**

Key Result Area 4 – Good Governance

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

## **FINANCIAL IMPLICATIONS**

Nil

## **SUSTAINABILITY IMPLICATIONS**

Nil

## **MEMBER COUNCIL IMPLICATIONS**

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

## **ATTACHMENT(S)**

Local Government Compliance Audit Return from 1 January 2015 to 31 December 2015.  
(Ref: D2016/02353)

## **VOTING REQUIREMENT**

Simple Majority

## **RECOMMENDATION(S)**

That Council adopts the draft Compliance Audit Return 2015, that it be certified by the Chairman and Chief Executive Officer and be submitted to the Director General, Department of Local Government and Communities by 31 March 2016.

## **AC RECOMMENDATION(S)**

MOVED CR FÄRDIG

SECONDED CR BRIDGES

That Council adopts the draft Compliance Audit Return 2015, that it be certified by the Chairman and Chief Executive Officer and be submitted to the Director General, Department of Local Government and Communities by 31 March 2016.

**CARRIED UNANIMOUSLY**

Department of Local Government and Communities - Compliance Audit Return



Government of **Western Australia**  
Department of **Local Government and Communities**

## Eastern Metropolitan Regional Council - Compliance Audit Return Regional Local Government 2015

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a)(b)(c) Functions & General Regulation 7,9	Has the local government prepared a business plan for each major trading undertaking in 2015.	N/A		Kevin Porter
2	s3.59(2)(a)(b)(c) Functions & General Regulation 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2015.	N/A		Kevin Porter
3	s3.59(2)(a)(b)(c) Functions & General Regulation 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2015.	N/A		Kevin Porter
4	s3.59(4)	Has the local government given Statewide public notice of each proposal to commence a major trading undertaking or enter into a major land transaction for 2015.	N/A		Kevin Porter
5	s3.59(5)	Did the Council, during 2015, resolve to proceed with each major land transaction or trading undertaking by absolute majority.	N/A		Kevin Porter



## Eastern Metropolitan Regional Council - Compliance Audit Return Regional Local Government 2015

Delegation of Power / Duty					
No	Reference	Question	Response	Comments	Respondent
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority.	Yes		Kevin Porter
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing.	Yes		Kevin Porter
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17.	Yes		Kevin Porter
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations.	Yes		Kevin Porter
5	s5.18	Has Council reviewed delegations to its committees in the 2014/2015 financial year.	Yes		Kevin Porter
6	s5.42(1), 5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act.	Yes		Kevin Porter
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority.	Yes		Kevin Porter
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing.	Yes		Kevin Porter
9	s5.44(2)	Were all delegations by the CEO to any employee in writing.	Yes		Kevin Porter
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority.	N/A		Kevin Porter
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees.	Yes		Kevin Porter
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2014/2015 financial year.	Yes		Kevin Porter
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required.	Yes		Kevin Porter



## Eastern Metropolitan Regional Council - Compliance Audit Return Regional Local Government 2015

Disclosure of Interest					
No	Reference	Question	Response	Comments	Respondent
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68).	Yes		Kevin Porter
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings.	Yes		Kevin Porter
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made.	Yes		Kevin Porter
4	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day.	Yes		Kevin Porter
5	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day.	N/A		Kevin Porter
6	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2015.	Yes		Kevin Porter
7	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2015.	Yes		Kevin Porter
8	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return.	Yes		Kevin Porter
9	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76	Yes		Kevin Porter
10	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28.	Yes		Kevin Porter
11	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76.	Yes		Kevin Porter
12	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a	Yes		Kevin Porter



		council member or designated employee.		
13	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes.	Yes	Kevin Porter
14	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report.	Yes	Kevin Porter
15	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee.	Yes	Kevin Porter
16	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees.	Yes	Kevin Porter



## Eastern Metropolitan Regional Council - Compliance Audit Return Regional Local Government 2015

Disposal of Property					
No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was any property that was not disposed of by public auction or tender, given local public notice prior to disposal (except where excluded by Section 3.58(5)).	N/A		Kevin Porter
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property.	N/A		Kevin Porter



## Eastern Metropolitan Regional Council - Compliance Audit Return Regional Local Government 2015

Finance					
No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act.	Yes		Kevin Porter
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority.	N/A		Kevin Porter
3	s7.3	Was the person(s) appointed by the local government to be its auditor, a registered company auditor.	N/A		Kevin Porter
4	S7.3, s7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council.	N/A		Kevin Porter
5	Audit Reg 10	Was the Auditor's report for the financial year ended 30 June 2015 received by the local government within 30 days of completion of the audit.	Yes		Kevin Porter
6	s7.9(1)	Was the Auditor's report for 2014/2015 received by the local government by 31 December 2015.	Yes		Kevin Porter
7	s7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9(1) of the Act required action to be taken by the local government, was that action undertaken.	N/A		Kevin Porter
8	s7.12A(4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9(1) of the Act) required action to be taken by the local government, was a report prepared on any actions undertaken.	N/A		Kevin Porter
9	s7.12A(4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9(1) of the Act) required action to be taken by the local government, was a copy of the report forwarded to the Minister by the end of the financial year or 6 months after the last report prepared under s7.9 was received by the local government whichever was the latest in time.	N/A		Kevin Porter
10	A Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit.	N/A		Kevin Porter





11	A Reg 7	Did the agreement between the local government and its auditor include the scope of the audit.	N/A	Kevin Porter
12	A Reg 7	Did the agreement between the local government and its auditor include a plan for the audit.	N/A	Kevin Porter
13	A Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor.	N/A	Kevin Porter
14	A Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor.	N/A	Kevin Porter



## Eastern Metropolitan Regional Council - Compliance Audit Return Regional Local Government 2015

Local Government Employees					
No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position was advertised.	N/A		Kevin Porter
2	s5.36(4), 5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s5.36(4), s5.37(3) and Admin Reg 18A.	N/A		Kevin Porter
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4).	N/A		Kevin Porter
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only).	N/A		Kevin Porter
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss a designated senior employee.	N/A		Kevin Porter



## Eastern Metropolitan Regional Council - Compliance Audit Return Regional Local Government 2015

Official Conduct					
No	Reference	Question	Response	Comments	Respondent
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer.	Yes		Kevin Porter
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c).	Yes		Kevin Porter
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made.	Yes		Kevin Porter
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint.	Yes		Kevin Porter
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred.	Yes		Kevin Porter
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) or (c).	Yes		Kevin Porter



## Eastern Metropolitan Regional Council - Compliance Audit Return Regional Local Government 2015

Tenders for Providing Goods and Services					
No	Reference	Question	Response	Comments	Respondent
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2)).	Yes		Kevin Porter
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract.	Yes		Kevin Porter
3	F&G Reg 14(1)&(3)	Did the local government invite tenders via Statewide public notice.	Yes		Kevin Porter
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14 & 15.	Yes		Kevin Porter
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation.	Yes		Kevin Porter
6	F&G Reg 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Reg 16.	Yes		Kevin Porter
7	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender.	Yes		Kevin Porter
8	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria.	Yes		Kevin Porter
9	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17.	Yes		Kevin Porter
10	F&G Reg 19	Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted.	Yes		Kevin Porter
11	F&G Reg 21 & 22	Did the local governments' advertising and expression of interest	N/A		Kevin Porter



		documentation comply with the requirements of F&G Regs 21 and 22.		
12	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice.	N/A	Kevin Porter
13	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services.	N/A	Kevin Porter
14	F&G Reg 24	Was each person who submitted an expression of interest, given a notice in writing in accordance with Functions & General Regulation 24.	N/A	Kevin Porter
15	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice.	N/A	Kevin Porter
16	F&G Reg 24AD(4) & 24AE	Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE.	N/A	Kevin Porter
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16 as if the reference in that regulation to a tender were a reference to a panel application.	N/A	Kevin Porter
18	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application, notice of the variation.	N/A	Kevin Porter
19	F&G Reg 24AH(1)	Did the local government reject the applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time specified in the invitation for applications.	N/A	Kevin Porter
20	F&G Reg 24AH(3)	In relation to the applications that were not rejected, did the local government assess which application(s) to accept and which application(s) were most advantageous to the local government to accept, by means of written evaluation criteria.	N/A	Kevin Porter
21	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers, comply with the requirements of F&G Reg 24AG.	N/A	Kevin Porter
22	F&G Reg 24AI	Did the local government send each person who submitted an application, written notice advising if the person's application was accepted and they are to be part of a panel of pre-qualified suppliers, or, that the application was	N/A	Kevin Porter



		not accepted.		
23	F&G Reg 24E	Where the local government gave regional price preference in relation to a tender process, did the local government comply with requirements of F&G Reg 24E in relation to the preparation of a regional price preference policy (only if a policy had not been previously adopted by Council).	N/A	Kevin Porter
24	F&G Reg 24F	Did the local government comply with the requirements of F&G Reg 24F in relation to an adopted regional price preference policy.	N/A	Kevin Porter
25	F&G Reg 11A	Does the local government have a current purchasing policy in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$150,000 or less.	Yes	Kevin Porter



## 12.3 DRAFT STRATEGIC INTERNAL AUDIT PLAN 2016-2019

**REFERENCE: D2016/02046**

### PURPOSE OF REPORT

The purpose of this report is to present a draft internal audit programme for endorsement.

### KEY ISSUES AND RECOMMENDATION(S)

- At its meeting of 24 August 2006, Council noted that the internal audit function was to be outsourced following the retirement of the Manager Compliance and Internal Audit and requested that an internal audit programme be developed and received by the Audit Committee.
- A four year cyclical programme has been developed to coincide with the CEO's legislative requirement to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government.
- At the September 2011 round of meetings, Council endorsed a four year internal audit programme.
- Stantons International was awarded the tender to provide the internal audit services and the contract was executed on 29 March 2012.
- The tabling of the 2015 Internal Audit Report to the Audit Committee at its 3 September 2015 meeting, represented the completion of the four year audit programme.

#### Recommendation(s)

That Council notes the review of the internal audit programme by the Audit Committee and endorses the draft Strategic Internal Audit Plan 2016-2019 contained within the attachment to this report.

### SOURCE OF REPORT

Director Corporate Services

### BACKGROUND

Among the duties and responsibilities of the Audit Committee is:

*"To review the scope of the internal audit plan and programme and the effectiveness of the function. This review should consider whether, over a period of years the internal audit plan systematically addresses:*

- *Internal controls over revenue, expenditure, assets and liability processes;*
- *The efficiency, effectiveness and economy of significant Council programs; and*
- *Compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements."*

At the Audit Committee meeting held on 10 August 2006, a report was considered on satisfying the internal audit requirements following the retirement of the Manager Compliance and Internal Audit.



*Item 12.3 continued*

At the Audit Committee meeting held on 10 August 2006 a report was considered on satisfying the internal audit requirements following the retirement of the Manager Compliance and Internal Audit (Ref: DMDOC/55300).

In relation to this matter, Council resolved at its meeting of 24 August 2006 as follows:-

- "1. *“THAT THE RETIREMENT OF THE MANAGER COMPLIANCE AND INTERNAL AUDIT, MR KEVIN LANG, BE NOTED AND HE BE ACKNOWLEDGED AND THANKED FOR HIS CONTRIBUTION.*
2. *THAT IT BE NOTED THE INTERNAL AUDIT FUNCTION WILL BE OUTSOURCED TO A SUITABLY QUALIFIED CONTRACTOR.*
3. *THAT AN INTERNAL AUDIT PROGRAMME BE DEVELOPED AND REFERRED TO THE COMMITTEE FOR REVIEW IN ACCORDANCE WITH THE COMMITTEES TERMS OF REFERENCE.”*

Following Council's resolution of 24 August 2006, Stantons International was engaged to formulate a draft internal audit programme was formulated.

The resulting document, entitled "Draft Strategic Internal Audit Plan" (SIAP) was developed using a methodology, which included:

1. Review of previous internal audit activity, risk management plan and strategic planning documents, identifying auditable areas on a functional and strategic basis.
2. Develop a "base" audit plan utilising information gained in 1. above.
3. Run a facilitated workshop with "senior" management and selected stakeholders to discuss proposed auditable areas based on information gathered in step 1 above, professional judgement and corporate knowledge.
4. Based on outcomes from workshop in step 3, develop a draft strategic internal audit plan (SIAP), including scope and objectives of individual reviews.
5. Present strategic internal audit plan and annual internal audit plan to the Audit Committee for approval.

In addition to conducting a workshop with management, the draft SIAP was reviewed by the Executive Management Team prior to being finalised, as part of the due diligence process.

This was endorsed by the Audit Committee at its 12 April 2007 meeting and was subsequently adopted by Council at the 26 April 2007 meeting. Stantons International was engaged following a tender process for the provision of internal audit services in September 2007.

An updated Strategic Internal Audit Plan 2012-2015 was endorsed by the Audit Committee and Council at the September 2011 round of meetings. Stantons International was engaged following a tender process for the provision of internal audit services in 29 March 2012.

The *Local Government (Audit) Regulations 1996* were amended in February 2013 to extend the functions of local government Audit Committees. Regulation 17 now requires the Chief Executive Officer to review and report on the appropriateness and effectiveness of the local government's systems in regard to risk management, internal control and legislative compliance. The report and review process is to occur at least once every two calendar years.





*Item 12.3 continued*

## **REPORT**

The internal audit function is acknowledged as providing continuous improvement and is considered an important governance function. It also assists in providing effective risk management and internal control processes.

The tabling of the 2015 Internal Audit Report to the Audit Committee at its 3 September 2015 meeting marked the completion of the Strategic Internal Audit Plan 2012-2015.

Based on the previous Strategic Internal Audit Plan 2012-2015 and following discussions with the internal auditor, as well as incorporating the audit findings from the Internal Audit Reports for the past 4 years, an updated document, entitled "Draft Strategic Internal Audit Plan 2016–2019" (SIAP) has been developed (attached).

The internal audit programme has been spread over a four year cycle to coincide with the requirements of the *Local Government (Financial Management) Regulations 1996* for the CEO to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every four financial years) and report to the local government the results of those reviews (regulation 5(2)(c)).

The internal audit programme has also taken into account the requirement of the *Local Government (Audit) Regulations 1996* for the CEO to report on the appropriateness and effectiveness of the local government's systems in regard to risk management, internal control and legislative compliance every two years.

Once the SIAP has been approved by the Audit Committee it is intended that the document will form the basis of the specification for the internal audit function of the EMRC.

## **STRATEGIC/POLICY IMPLICATIONS**

Key Result Area 4 – Good Governance

- 4.3 To provide responsible and accountable governance and management of the EMRC
- 4.4 To continue to improve financial and asset management practices

## **FINANCIAL IMPLICATIONS**

The annual cost of the internal audit programme has been provided for in the adopted 2015/2016 annual budget and 5 year forecasts.

## **SUSTAINABILITY IMPLICATIONS**

Nil



*Item 12.3 continued*

## **MEMBER COUNCIL IMPLICATIONS**

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

## **ATTACHMENT(S)**

Draft Strategic Internal Audit Plan 2015-2019 (Ref: D2016/02931)

## **VOTING REQUIREMENT**

Simple Majority

## **RECOMMENDATION(S)**

That Council notes the review of the internal audit programme by the Audit Committee and endorses the draft Strategic Internal Audit Plan 2016-2019 contained within the attachment to this report.

The CEO gave a brief overview of the Draft Strategic Internal Audit Plan 2016-2019 and discussion ensued.

## **AC RECOMMENDATION(S)**

MOVED CR PERKS

SECONDED CR STALLARD

That Council notes the review of the internal audit programme by the Audit Committee and endorses the draft Strategic Internal Audit Plan 2016-2019 contained within the attachment to this report.

**CARRIED UNANIMOUSLY**



## Strategic Internal Audit Plan

2016 – 2019



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## 1. INTERNAL AUDIT FUNCTION

The internal audit function is conducted in accordance with the Institute of Internal Auditors Professional Practices Framework (PPF). The PPF consists of three categories of guidance: Standards and Ethics, Practice Advisories, and Development and Practice Aids. During the development of the PPF, the definition of Internal Auditing was amended to the following:

*Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.*

Based on the above definition, the audit types will fall under the following three broad categories:

- Risk Management (RM)
- Controls (C)
- Governance (G)

The objectives of each review will fall under the following two broad categories:

### **Assurance Audits (AA)**

- Review the reliability and integrity of accounting and financial management information and control systems – the focus of these reviews includes tests of the accuracy, reliability, completeness, timeliness and usefulness of information.
- Ensure compliance with policies, plans, procedures, laws and regulations
- Safeguarding assets – these reviews focus on physical and logical security and include testing for risks such as fire, theft, improper / illegal activities.
- Efficiency and effectiveness of operations.

### **Consulting Audits (CA)**

- During consulting engagements, we address risk consistent with the organisation's or unit's objectives and take into consideration the existence of other significant risks

These will be listed in the "Audit Type / Objectives" column of the Internal Audit Plan. For example;

- a controls review with the objective of providing assurance will be denoted as – C/AA.
- a governance review undertaken on a consulting basis will be denoted as – G/CA

### **Follow Up Reviews (FUR)**

- Undertaken to determine whether recommendations from previous reviews have been implemented in a timely manner and are achieving the intended results.

The following suggested business rules and strategic internal audit plan are designed to assist in the delivery of an efficient and effective internal audit function.



## 2. PROPOSED STRATEGIC INTERNAL AUDIT PLAN

2016 – 2019

Auditable Area	2016	2017	2018	2019
Contract Management	•		•	
IT General Controls	•			
Payroll	•			
Human Resource Management and OH&S	•		•	
Procurement		•		•
Corporate Governance		•		
Risk Management		•		
Waste Management		•		
Accounts Payable			•	
Grants Management			•	
Accounts Receivable			•	
Records Management			•	
Investment Policies				•
Taxation				•
IT Vulnerability Assessment				•
Review of Financial Management Systems				•
Review of Risk Management, Internal Control and Legislative Compliance	•		•	
Attendance at Audit Committee Meetings	•	•	•	•



### 3. AUDIT OBJECTIVES

Audit Objectives are categorised as follows:

PRIMARY OBJECTIVE	SUB FOCUS
<b>Reliability and Integrity of Information</b>	Accurate
	Reliable
	Timely
	Complete
	Useful
	Controls over record keeping and reporting adequate and effective
<b>Compliance</b>	Policies
	Plans
	Procedures
	Laws
	Regulations
<b>Safeguarding of Assets (Physical &amp; Logical)</b>	Theft
	Fire
	Improper / Illegal activities
	Exposure to the elements
<b>Efficiency / Effectiveness</b>	Standards established for measuring economy & efficiency
	Established standards understood and met
	Deviations from standards identified, etc.
	Corrective action taken
<b>Accomplishment of Established Objectives and Goals for Operations and Programs</b>	Established goals & objectives conform with those of the organisation and are being met



<b>Auditable Area:</b>	<b>Contract Management</b>
<b>Audit Year:</b>	2016 and 2018
<b>Estimated Audit Hours:</b>	40 per audit year
<b>Audit Type:</b>	C / AA
<b>Risks Identified:</b>	<ul style="list-style-type: none"> <li>▪ Compliance with Local Government Act and Regulations</li> <li>▪ Contract approval and advice to tenderers</li> <li>▪ Variations to contracts</li> <li>▪ Terms and conditions</li> <li>▪ Insurances – Termination of coverage &amp; renewals</li> <li>▪ Health Safety and Environment and quality control monitoring of contractor requirements</li> <li>▪ Timeliness of contract delivery</li> <li>▪ Contracts Register</li> <li>▪ Contracts expiring prior to us going out to tender</li> </ul>
<b>Audit Objectives:</b>	<p><b>Reliability and Integrity of Information</b></p> <ul style="list-style-type: none"> <li>▪ Determine whether contracts information is recorded accurately and in a timely manner.</li> <li>▪ Identify whether contracts are renewed on a timely basis.</li> <li>▪ Determine whether contract management reports assist in timely decision making.</li> </ul> <p><b>Compliance</b></p> <ul style="list-style-type: none"> <li>▪ Determine whether contracts are managed in accordance with the contract requirements.</li> <li>▪ Determine whether contract requirements are in accordance with applicable legislation.</li> <li>▪ Identify the processes in place to manage contract variations.</li> </ul> <p><b>Safeguarding of Assets</b></p> <ul style="list-style-type: none"> <li>▪ Determine whether contracts are required to have adequate insurance coverage in place for the duration of the contract.</li> </ul>





<b>Auditable Area:</b>	<b>IT General Controls</b>
<b>Audit Year:</b>	2016
<b>Estimated Audit Hours:</b>	40
<b>Audit Type:</b>	RM / AA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ Availability of information systems</li><li>▪ Integrity of information</li><li>▪ Confidentiality of information</li><li>▪ Ongoing use of legacy systems</li></ul>
<b>Audit Objectives:</b>	<p><b>Reliability and Integrity of Information</b></p> <ul style="list-style-type: none"><li>▪ Identify and review information system controls to ensure the availability, integrity and confidentiality of information.</li></ul> <p><b>Compliance</b></p> <ul style="list-style-type: none"><li>▪ Compare the information systems within the organisation against the baseline Australian standard AS/NZS 17799 Information security management.</li></ul> <p><b>Efficiency / Effectiveness</b></p> <ul style="list-style-type: none"><li>▪ Determine whether all current systems in use contribute to the efficiency and effectiveness of operations.</li></ul> <p><b>Achievement of Objectives</b></p> <ul style="list-style-type: none"><li>▪ Examine any information security policies and framework against the Australian standard AS/NZS17799.</li><li>▪ Review supporting policies and operational procedures and information systems documentation and identify any gaps.</li><li>▪ Provide pro active advice to enhance the prevention of information systems control risks.</li></ul>



<b>Auditable Area:</b>	<b>Payroll</b>
<b>Audit Year:</b>	2016
<b>Estimated Audit Hours:</b>	40
<b>Audit Type:</b>	C / AA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ Authorisation of data being processed</li><li>▪ Compliance with awards and legislation</li><li>▪ Compliance with employment contracts</li></ul>
<b>Audit Objectives:</b>	<p><b>Reliability and Integrity of Information</b></p> <ul style="list-style-type: none"><li>▪ Identify controls over the accuracy and timeliness of payments.</li></ul> <p><b>Compliance</b></p> <ul style="list-style-type: none"><li>▪ Determine whether employees are paid in accordance with applicable awards and legislation.</li></ul> <p><b>Safeguarding of Assets</b></p> <ul style="list-style-type: none"><li>▪ Determine whether adequate security exists over payroll records.</li><li>▪ Identify whether the fortnightly payroll is appropriately authorised.</li></ul>



<b>Auditable Area:</b>	<b>Human Resource Management and Occupational Health &amp; Safety</b>
<b>Audit Year:</b>	2016 and 2018
<b>Estimated Audit Hours:</b>	40 per audit year
<b>Audit Type:</b>	C / AA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ Compliance with legislation</li><li>▪ Lack of awareness</li><li>▪ Not having appropriate policies in place</li><li>▪ Security</li><li>▪ Completeness of information</li></ul>
<b>Audit Objectives:</b>	<p><b>Compliance</b></p> <ul style="list-style-type: none"><li>▪ Assess whether procedures are in place to provide adequate assurance that personnel processes comply with documented and approved policies and procedures.</li><li>▪ Determine whether personnel policies are transparent, impartial and capable of review.</li><li>▪ Assess awareness of policies and procedures.</li><li>▪ Identify adequacy and gaps in internal controls and information security.</li><li>▪ Assess rigour and consistency of incident follow-up process.</li></ul> <p><b>Strategic</b></p> <ul style="list-style-type: none"><li>▪ Determine whether the workforce plan is developed and monitored in accordance with best practice.</li></ul>



<b>Auditable Area:</b>	<b>Procurement</b>
<b>Audit Year:</b>	2017 and 2019
<b>Estimated Audit Hours:</b>	40 per audit year
<b>Audit Type:</b>	C / AA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ Efficiency</li><li>▪ Probity on tenders</li><li>▪ Compliance with Local Government Act and Regulations</li></ul>
<b>Audit Objectives:</b>	<p><b>Compliance</b></p> <ul style="list-style-type: none"><li>▪ Determine whether the procurement process is conducted in accordance with applicable policies and legislation.</li></ul> <p><b>Safeguarding of Assets</b></p> <ul style="list-style-type: none"><li>▪ Identify whether there is adequate probity over the procurement process.</li></ul> <p><b>Efficiency / Effectiveness</b></p> <ul style="list-style-type: none"><li>▪ Determine whether the procurement process is conducted in an efficient manner.</li></ul> <p><b>Achievement of Objectives</b></p> <ul style="list-style-type: none"><li>▪ Determine whether the procurement process facilitates the Council achieving best value for money in its decision making.</li></ul>



<b>Auditable Area:</b>	<b>Corporate Governance</b>
<b>Audit Year:</b>	2017
<b>Estimated Audit Hours:</b>	40
<b>Audit Type:</b>	G / CA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ Register of Interests being out of date</li><li>▪ New Councillors not being fully informed about their roles and responsibilities about the EMRC.</li></ul>
<b>Audit Objectives:</b>	<p><b>Reliability and Integrity of Information</b></p> <ul style="list-style-type: none"><li>▪ Determine whether the Council receives relevant, timely, accurate and concise information.</li></ul> <p><b>Compliance</b></p> <ul style="list-style-type: none"><li>▪ Identify processes in place to monitor organisational compliance with applicable legislation.</li></ul> <p><b>Efficiency / Effectiveness</b></p> <ul style="list-style-type: none"><li>▪ Determine how the Council ensures it has access to required levels of skills and expertise.</li></ul> <p><b>Achievement of Objectives</b></p> <ul style="list-style-type: none"><li>▪ Determine how the Council assesses its own performance.</li><li>▪ Determine how the Council assesses the performance of the organisation.</li><li>▪ Determine how the Council establishes and monitors organisation direction.</li></ul>



<b>Auditable Area:</b>	<b>Risk Management</b>
<b>Audit Year:</b>	2017
<b>Estimated Audit Hours:</b>	40
<b>Audit Type:</b>	RM / AA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ What is the process and how is it measured and reported</li></ul>
<b>Audit Objectives:</b>	<b>Efficiency and Effectiveness</b> <ul style="list-style-type: none"><li>▪ Determine whether the risk management plan is developed and monitored in accordance with approved standards or policies.</li><li>▪ Determine whether the risk management plan is regularly updated and reported to senior management and the Council.</li></ul>



<b>Auditable Area:</b>	<b>Waste Management</b>
<b>Audit Year:</b>	2017
<b>Estimated Audit Hours:</b>	40
<b>Audit Type:</b>	C / AA
<b>Risks Identified:</b>	<ul style="list-style-type: none"> <li>▪ Leachate impacts on the surrounding environment leading to substantial cleanup costs</li> <li>▪ Inability to develop new disposal areas quickly enough to keep ahead of the waste</li> <li>▪ Cash Management eg. weighbridge operations</li> <li>▪ Safety of gatehouse operators from irate customers, particularly as gate fees increase.</li> <li>▪ Fraud eg. cash handling, incorrect charging etc.</li> <li>▪ Issue of incorrect tipping tickets</li> <li>▪ Charging incorrect tipping fees</li> <li>▪ Calibration of weighbridge</li> </ul>
<b>Audit Objectives:</b>	<p><b>Undertake a high level review of:</b></p> <p><b>Compliance</b></p> <ul style="list-style-type: none"> <li>▪ Determine compliance with legislative requirements and Council policy.</li> </ul> <p><b>Efficiency / Effectiveness</b></p> <ul style="list-style-type: none"> <li>▪ Assess whether processes are undertaken in an efficient manner.</li> </ul> <p><b>Achievement of Objectives</b></p> <ul style="list-style-type: none"> <li>▪ Determine whether processes facilitate the achievement of waste management objectives.</li> </ul>



<b>Auditable Area:</b>	<b>Accounts Payable</b>
<b>Audit Year:</b>	2018
<b>Estimated Audit Hours:</b>	40
<b>Audit Type:</b>	C / AA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ Authorisation (including receipt of goods/services)</li><li>▪ Accuracy (incl coding)</li><li>▪ Timeliness</li><li>▪ Compliance with legislation re: ABN/ Withholding Tax</li></ul>
<b>Audit Objectives:</b>	<p><b>Reliability and Integrity of Information</b></p> <ul style="list-style-type: none"><li>▪ Determine whether payments are accurate, complete, made in a timely manner and have adequate support.</li><li>▪ Determine whether adequate controls exist to provide reasonable assurance that payments are made to approved creditors.</li><li>▪ Determine whether controls over record keeping provide reasonable assurance that accounts are posted to the correct account in a timely manner.</li></ul> <p><b>Compliance</b></p> <ul style="list-style-type: none"><li>▪ Identify whether payments are made in accordance with approved policy.</li></ul> <p><b>Safeguarding of Assets</b></p> <ul style="list-style-type: none"><li>▪ Determine whether there are adequate procedures in place to mitigate the risk of fraudulent payments.</li></ul>





<b>Auditable Area:</b>	<b>Grants Management</b>
<b>Audit Year:</b>	2018
<b>Estimated Audit Hours:</b>	40
<b>Audit Type:</b>	C / AA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ Tracking of grants received or proposed</li><li>▪ Acquittal of grant funding</li><li>▪ Audit of grant expenditure for final report</li></ul>
<b>Audit Objectives:</b>	<p><b>Reliability and Integrity of Information</b></p> <ul style="list-style-type: none"><li>▪ Determine whether reports are produced to enable timely review of grant expenditure.</li></ul> <p><b>Compliance</b></p> <ul style="list-style-type: none"><li>▪ Determine whether acquittals are conducted in accordance with grant terms and conditions.</li><li>▪ Identify whether expenditure is in accordance with the grant approval.</li><li>▪ Determine whether grant expenditure is approved in accordance with delegated authority.</li></ul>



**Auditable Area:** **Accounts Receivable**

**Audit Year:** 2018

**Estimated Audit Hours:** 40

**Audit Type:** C / AA

**Risks Identified:**

- Credit checks – ongoing & review
- Payment procedures
- Debt incurred
- Timeliness
- Accuracy
- Authorisation
- Approval of bad debts and write offs
- Lack of outstanding debtors follow up

**Audit Objectives:** **Reliability and Integrity of Information**

- Determine whether accounts receivable are calculated accurately, completely and in a timely manner.

**Compliance**

- Determine whether policies and procedures are documented, understood by staff and followed.

**Safeguarding of Assets**

- Identify whether the Council has procedures in place for the timely identification of potential debtors' financial capacity.



<b>Auditable Area:</b>	<b>Records Management</b>
<b>Audit Year:</b>	2018
<b>Estimated Audit Hours:</b>	40
<b>Audit Type:</b>	C / AA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ Compliance with policies and legislation re: <i>State Records Act 2000</i></li></ul>
<b>Audit Objectives:</b>	<b>Compliance</b> <ul style="list-style-type: none"><li>▪ Determine the extent to which legislation, Australian Standards, policies and procedures have been complied with.</li></ul>



<b>Auditable Area:</b>	<b>Investment Policies</b>
<b>Audit Year:</b>	2019
<b>Estimated Audit Hours:</b>	20
<b>Audit Type:</b>	C / AA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ Compliance with policy</li><li>▪ Review for appropriateness</li><li>▪ Funds Management Procedures</li></ul>
<b>Audit Objectives:</b>	<p><b>Reliability and Integrity of Information</b></p> <ul style="list-style-type: none"><li>▪ Determine whether there are adequate reporting processes in place to provide reasonable assurance that investment information is useful and received in a timely manner.</li></ul> <p><b>Compliance</b></p> <ul style="list-style-type: none"><li>▪ Identify whether an investments policy exists, is authorised and available to the relevant staff.</li></ul> <p><b>Safeguarding of Assets</b></p> <ul style="list-style-type: none"><li>▪ Identify whether investments are authorised in accordance with approved policy.</li></ul> <p><b>Efficiency / Effectiveness</b></p> <ul style="list-style-type: none"><li>▪ Identify whether processes are in place to provide reasonable assurance that the Council is receiving the best possible return on investment.</li></ul>



<b>Auditable Area:</b>	<b>Taxation</b>
<b>Audit Year:</b>	2019
<b>Estimated Audit Hours:</b>	40
<b>Audit Type:</b>	C / AA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ Compliance with legislation</li><li>▪ Submission of returns and payments at correct time</li></ul>
<b>Audit Objectives:</b>	<b>Compliance</b> <ul style="list-style-type: none"><li>▪ Assess the level of compliance with applicable State and Commonwealth legislation.</li></ul>



<b>Auditable Area:</b>	<b>IT Vulnerability Assessment</b>
<b>Audit Year:</b>	2019
<b>Estimated Audit Hours:</b>	40
<b>Audit Type:</b>	RM / AA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ Availability of information systems</li><li>▪ Integrity of information</li><li>▪ Confidentiality of information</li><li>▪ Potential theft of data</li></ul>
<b>Audit Objectives:</b>	<p><b>Reliability and Integrity of Information</b></p> <ul style="list-style-type: none"><li>▪ Identify and review information system security controls to ensure the availability, integrity and confidentiality of information.</li></ul> <p><b>Compliance</b></p> <ul style="list-style-type: none"><li>▪ Reference to applicable internal IT policies.</li></ul> <p><b>Efficiency / Effectiveness</b></p> <ul style="list-style-type: none"><li>▪ Determine whether current systems provide effective controls to mitigate vulnerabilities and are operating efficiently.</li></ul> <p><b>Achievement of Objectives</b></p> <ul style="list-style-type: none"><li>▪ Conduct an external vulnerability assessment using no knowledge of the organisation using a set of defined tools.</li><li>▪ Conduct an external vulnerability assessment using detailed knowledge of key devices and services using a set of defined tools.</li><li>▪ Provide pro-active advice to enhance the prevention of malicious attacks to information systems.</li></ul>



## 4. STATUTORY REQUIREMENTS

### 4.1 Review of Financial Management Systems and Procedures

Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* requires the Chief Executive Officer to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every four financial years) and report to the local government the results of those reviews.

The financial management responsibilities of the CEO are established under Regulation 5 of the *Local Government (Financial Management) Regulations 1996*:

Efficient systems and procedures are to be established by the CEO of a local government:

- (a) For the proper collection of all money owing to the local government;
- (b) For the safe custody and security of all money collected or held by the local government;
- (c) For the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process);
- (d) To ensure proper accounting for municipal or trust:
  - i) revenue received or receivable;
  - ii) expenses paid or payable; and
  - iii) assets and liabilities;
- (e) To ensure proper authorisation for the incurring of liabilities and the making of payments;
- (f) For the maintenance of payroll, stock control and costing records; and
- (g) To assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.

As part of the Strategic Internal Audit Plan, the Internal Auditor is to assist and support the CEO with the review to meet the above requirement.

### 4.2 Review of Risk Management, Internal Control and Legislative Compliance

The *Local Government (Audit) Regulations 1996* were amended in February 2013 to extend the functions of local government Audit Committees. Regulation 17 requires the Chief Executive Officer to review and report on the appropriateness and effectiveness of the local government's systems in regard to risk management, internal control and legislative compliance. The report and review process is to occur at least once every two calendar years.

As part of the Strategic Internal Audit Plan, the Internal Auditor is to assist and support the CEO with the review to meet the above requirement.



### 13 REPORTS OF DELEGATES

Nil

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

Nil

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

Nil

### 16 FUTURE MEETINGS OF THE AUDIT COMMITTEE

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

#### **"2.3 Meetings"**

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

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

#### **Future Meetings 2016**

Thursday	7	April (if required)	at	EMRC Administration Office
Thursday	5	May (if required)	at	EMRC Administration Office
Thursday	9	June	at	EMRC Administration Office
Thursday	7	July (if required)	at	EMRC Administration Office
Thursday	4	August (if required)	at	EMRC Administration Office
Thursday	8	September	at	EMRC Administration Office
Thursday	6	October (if required)	at	EMRC Administration Office
Thursday	17	November (if required)	at	EMRC Administration Office

### 17 DECLARATION OF CLOSURE OF MEETING

There being no further business the meeting was closed at 6:28pm.