MINUTES

CERTIFICATION OF CONFIRMATION OF AUDIT COMMITTEE MINUTES

19 November 2020

I, Cr Mel Congerton, hereby certify that the minutes from the Audit Committee Meeting held on 19 November 2020 pages (1) to (135) were confirmed at the meeting of the Audit Committee held on 4 March 2021.

Signature

Cr Mel Congerton
Person presiding at Meeting

AUDIT COMMITTEE

UNCONFIRMED MINUTES

19 November 2020

(REF: D2020/21392)

A meeting of the Audit Committee was held at the EMRC Administration Office, 1st Floor, 226 Great Eastern Highway, ASCOT WA 6104 on **Thursday, 19 November 2020**. The meeting commenced at **5:03pm.**

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1 DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

The Chairman opened the meeting at 5:03pm and welcomed visitors.

1.1 ACKNOWLEDGEMENT OF COUNTRY

The Chairman acknowledged the traditional custodians of the land on which we meet today and to pay our respects to elders past, present and future.

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

Councillor Attendance

Cr Mel Congerton (Chairman)	EMRC Member	City of Swan
Cr Lesley Boyd (Deputy Chairman)	EMRC Member	City of Kalamunda
Cr Kathryn Hamilton *(from 5.05pm)*	EMRC Member	Town of Bassendean
Cr Lorna Clarke	EMRC Member	City of Bayswater
Cr Phil Marks *(Deputising for Cr Powell)*	EMRC Deputy Member	City of Belmont
Cr Doug Jeans	EMRC Member	Shire of Mundaring

EMRC Officers

Mr Marcus Geisler	Chief Executive Officer
Mr Hua Jer Liew	Chief Financial Officer
Mr Douglas Bruce	Chief Project Officer
Mrs Wendy Harris	Chief Sustainability Officer
Mr Brad Lacey	Chief Operating Officer
Mr David Ameduri	Manager Financial Services
Ms Izabella Krzysko	Manager, Procurement and Governance
Mrs Lee Loughnan	Personal Assistant to Chief Financial Officer (Minutes)

EMRC Apologies

Cr Janet Powell	EMRC Member	City of Belmont

Observer(s)

Cr Giorgia Johnson	EMRC Member	City of Bayswater

Visitor(s)

Mr Liang Wong	Assistant Director	Office of Auditor General
Mr Robert Hall	Manager	Butler Settineri
Ms Lizl Coetzee	Supervisor	Butler Settineri

3 DISCLOSURE OF INTERESTS

Nil

4 ANNOUNCEMENTS BY THE CHAIRMAN OR PRESIDING MEMBER WITHOUT DISCUSSION

Nil

5 PETITIONS, DEPUTATIONS AND PRESENTATIONS

Nil

6 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

6.1 MINUTES OF AUDIT COMMITTEE MEETING HELD ON 4 JUNE 2020

The Chairman advised that two Audit Committee meetings were held in June to pass the annual budget. The minutes of the first of the meeting being the 4 June 2020 have already been confirmed and as such is not required to be confirmed again. Accordingly, the item 6.1 was withdrawn.

6.2 MINUTES OF AUDIT COMMITTEE MEETING HELD ON 11 JUNE 2020

AC RECOMMENDATION

That the Minutes of the Audit Committee meeting held on 11 June 2020 which have been distributed, be confirmed.

AC RESOLUTION

MOVED CR JEANS SECONDED CR BOYD

THAT THE MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 11 JUNE 2020 WHICH HAVE BEEN DISTRIBUTED, BE CONFIRMED.

CARRIED UNANIMOUSLY

7 QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN

Nil

8 QUESTIONS BY MEMBERS WITHOUT NOTICE

Nil

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

Nil

10 BUSINESS NOT DEALT WITH FROM A PREVIOUS MEETING

Nil

11 REPORTS OF EMPLOYEES

11.1 ANNUAL FINANCIAL REPORT AND AUDIT REPORT FOR YEAR ENDED 30 JUNE 2020

REFERENCE: D2020/21437

PURPOSE OF REPORT

The purpose of this report is to review and adopt Council's Annual Financial Report for the year ended 30 June 2020.

KEY ISSUES AND RECOMMENDATION(S)

- The Terms of Reference of the Audit Committee includes a list of duties and responsibilities, among which is a requirement for the Committee to:
  - Review Council's draft annual financial report; and
  - Recommend adoption of the Annual Financial Report to Council.
- The Office of the Auditor General (OAG), via contractors Butler Settineri, has completed the audit of the 2019/2020 Financial Report, which is attached for Council adoption.

Recommendation(s)

That:

1. Council adopts the audited Annual Financial Report for the year ended 30 June 2020 and the Independent Auditor’s Report on that Annual Financial Report forming attachment 1 of this report.
2. Council notes the contents of the Interim Audit Report and the management comments provided in the response forming attachment 2 of this report.
3. Council notes the contents of the Audit Completion Report to the Audit Committee for the year ended 30 June 2020 forming attachment 3 of this report.
4. In accordance with Regulation 51(2) of the *Local Government (Financial Management) Regulations 1996*, a copy of the 2019/2020 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government, Sport and Cultural Industries, within 30 days of the receipt by the EMRC’s CEO of the auditor’s report on that financial report.

SOURCE OF REPORT

Chief Financial Officer

BACKGROUND

It is a requirement under s6.4 of the *Local Government Act 1995* that a Local Government is to prepare an annual financial report and submit it to its auditor by 30 September following each financial year.

Item 11.1 continued

The Terms of Reference of the Audit Committee includes a list of duties and responsibilities, among which (clauses 2.5 (a) (v) and (vi) are requirements for the Committee to:

(i) Review Council's draft annual financial report, focusing on:

- Accounting policies and practices;
- Changes to accounting policies and practices;
- The process used in making significant accounting estimates;
- Significant adjustments to the financial report (if any) arising from the audit process;
- Compliance with accounting standards and other reporting requirements; and
- Significant variances from prior years.

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

On 7 April 2016 Circular No 3-2016 was received titled "*Auditing of Local Government by the Auditor General - Renewal of Audit Contracts*", which outlined the intention to amend the *Local Government Act 1995* to allow for the Auditor General and the OAG to take responsibility for the local government financial audits from 1 July 2017.

The *Local Government Amendment (Auditing) Act 2017* (No 5 of 2017) - An Act to amend the *Local Government Act 1995* and provide for the auditing of local governments by the Auditor General and for related purposes was assented to on 1 September 2017.

The Interim Audit for the 2019/2020 financial year was undertaken during April/May 2020 by Butler Settineri as contactors to the OAG. The Interim Audit Report including the management comments provided in response has been included as attachment 2 to this report.

The Annual Audit for the 2019/2020 financial year was undertaken during August 2020 by Butler Settineri as contactors to the OAG.

REPORT

In accordance with *The Local Government Amendment (Auditing) Act 2017,* the Office of the Auditor General (OAG) has completed the audit of the Eastern Metropolitan Regional Council Annual Financial Report for the year ended 30 June 2020, which is attached for Council adoption (refer attachment 1).

The following comments are provided on key elements of the financial results for 2019/2020:

Statement of Comprehensive Income (pg 6 - 7 of 64)

Total Revenue of $44,370,170 for the period ending 30 June 2020 is $1,859,276 above the 2018/2019 actual revenue and $2,674,194 below budget for 2019/2020.

Total Expenses of $51,693,459 is $17,438,419 above the 2018/2019 actual expenses and $13,356,427 above budget for 2019/2020. This was due predominantly to the $13,789,200 that was paid to member Councils during June 2020 as a contribution toward the implementation of FOGO.

A profit of $71,728 was realised from the Disposal of Assets for the period ending 30 June 2020 and is more than the 2018/2019 actual loss on disposals of $10,131 and more than the budgeted profit for 2019/2020 of $51,001.

The changes in revaluation of non-current assets have resulted in an increase of $1,189,840 in 2019/2020 and relates to the revaluation undertaken on the Plant and Equipment, and Furniture and Fittings classes of assets. There were no revaluations undertaken during the 2018/2019 financial year.

Item 11.1 continued

Total Comprehensive Income of $6,061,721 (deficit) for the period ending 30 June 2020 is $14,307,444 below the 2018/2019 result and $14,820,054 below the 2019/2020 budget. This is predominantly due to the $13,789,200 contribution that was paid to member Councils during June 2020 as a contribution toward their implementation of the FOGO system.

Statement of Financial Position/Statement of Changes in Equity (pg 8 - 9 of 64)

Current assets as at 30 June 2020 have decreased by $18,165,305 to $89,551,063 from $107,716,368 as at 30 June 2019. This is primarily due to the $13,789,200 contribution that was paid to member Councils during June 2020 as a contribution toward their implementation of the FOGO system together with a dividend distribution of $5,000,000 that was also paid to member Councils during June 2020.

The overall impact on cash and cash equivalents and other financial assets at the close of the financial year is a decrease of $17,896,640 to $86,102,124 as at 30 June 2020 compared to the level of cash and cash equivalents/other financial assets from the previous year totalling $103,998,764.

Current liabilities as at 30 June 2020 have increased by $850,522 to $8,026,410 compared to $7,175,888 as at 30 June 2019.

The balance in the Reserves has decreased by $15,990,202 to $75,968,090 over the past 12 months.

Overall equity has decreased during the 2019/2020 financial year by $11,061,721 to $184,451,881.

Cash Flow Statement (pg 10 of 64)

The overall impact on the cash position at the end of the 2019/2020 financial year is a decrease of $14,396,640 to $21,602,124 from the previous corresponding period (2018/2019) of $35,998,764.

It should also be noted that other financial assets (term deposit investments) decreased by $3,500,000 to $64,500,000 from the 2018/2019 total of $68,000,000.

Net Cash provided by Operating Activities of $558,835 in the 2019/2020 financial year reflects a decrease of $15,094,617 from the cash generated in 2018/2019 of $15,653,452.

The cash flows utilised in investing activities for 2019/2020 reflects capital expenditure totalling $13,781,612 compared to capital expenditure totalling $8,965,979 during 2018/2019.

Significant items of capital expenditure during the year included:

- Construct Class III Cell - Stage 14 - Red Hill Landfill Facility - $4,081,160;
- Purchase / Replace Plant - Red Hill Landfill Facility - $2,591,225;
- Develop Lots 8, 9 and 10 for Future Waste Activities - Red Hill Landfill Facility - $1,550,832;
- Construct and Commission RRP - WWtE Building - $1,364,344;
- Purchase RRP - WWtE Plant and Equipment - $1,094,435;
- Construct and Commission RRP - Site Infrastructure - $1,019,998;
- Purchase Vehicles - Ascot Place and Red Hill Landfill Facility - $378,733;
- Purchase / Replace Minor Plant and Equipment Plant - Red Hill Landfill Facility - $275,560.
- Construct Class III Cell - Stage 16 - Red Hill Landfill Facility - $263,583; and
- Refurbish Plant - Hazelmere - $214,571.

Item 11.1 continued

Significant capital items that were budgeted but not purchased, constructed below budget or construction not completed during the year included:

- Construct RRP - Site Infrastructure - $1,550,000;
- Liquid Waste Project - Red Hill Landfill Facility - $1,550,000;
- Construct RRP - Site/Administration Office - $800,000;
- Construct RRP - Site Workshop - $600,000;
- Construct RRP - Community Recycling Centre - $529,182;
- Construct RRP - Community Reuse Store - $500,000;
- Purchase RRP - C&I Building, Plant and Equipment - $500,000;
- Liquid Waste Project Plant - Red Hill Landfill Facility $450,000;
- Design and Construct Class IV Cell Stage 2 - Red Hill Landfill Facility - $420,000;
- Purchase RRP Transfer Station, Plant & Equipment - $300,000;
- Construct RRP - Reuse Store Infrastructure - $250,000;
- Construct Drainage Diversion & Infrastructures - Red Hill Landfill Facility - $250,000;
- Construct Stormwater Infrastructure/Siltation Ponds - Red Hill Landfill Facility - $200,000;
- Capital Improvement - Ascot Place Administration Building - $155,750;
- Purchase Vehicles - Ascot Place - $110,000;
- Construct Litter Fence - Red Hill Landfill Facility - $100,000; and
- Purchase / Replace Plant - Hazelmere - $100,000.

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

- RRP - WWtE, Building, Plant & Infrastructure - $1,015,702;

  This was subject to a confidential report submitted to Council and approved by Council at its meeting held on 19 September 2019 (Reference: D2019/13752).
- Purchase / Replace / Refurbish Plant - Red Hill Landfill Facility - $531,475; and

  This relates to committed capital expenditure for the purchase of a loader and a truck at the Red Hill Landfill Facility which were ordered and expected to be received in the 2018/2019 financial year. The plant items were however not received until early 2019/2020 and as the 2019/2020 Annual Budget had been finalised and adopted a carried forward provision for these purchases was not able to be undertaken.
- Purchase Vehicles - Red Hill Landfill Facility - $86,000.

  This relates specifically to the timing of the replacement of various items of plant and vehicles not previously budgeted for change over during the 2019/2020 financial year that have now been forecast to be changed over as they will have attained the specified change over criteria as per the EMRC Fleet Policy and 10 Year Plant Replacement Schedule.

Funding for the majority of the capital items budgeted but not purchased in 2019/2020 has been carried forward into the 2020/2021 financial year.

Footnote:

RRP = Resource Recovery Park. *WWtE = Wood Waste to Energy.*

Item 11.1 continued

Reserves (pg 39 - 42 of 64)

At the end of the 2019/2020 financial year the amount held in Reserves (page 41 of 64, Note 17) decreased by $15,990,202 to a balance of $75,968,090 compared to the 2018/2019 balance of $91,958,292 and lower than the 2019/2020 budget of $85,821,967 by $9,853,877.

This is as a result of the $13,789,200 contribution that was paid to member Councils during June 2020 as a contribution toward their implementation of the FOGO system that was funded from the Secondary Waste Reserve together with the dividend distribution of $5,000,000 that was also paid to member Councils during June 2020 of which $2,500,000 was funded from the Future Development Reserve.

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

STRATEGIC/POLICY IMPLICATIONS

Key Result Area 3 - Good Governance

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

3.4 To continue to improve financial and asset management practices

FINANCIAL IMPLICATIONS

As outlined within the report and attachments.

SUSTAINABILITY IMPLICATIONS

Nil

MEMBER COUNCIL IMPLICATIONS

Member Council	Implication Details
Town of Bassendean	Proportional share in the total equity of the EMRC.
City of Bayswater	
City of Belmont	
City of Kalamunda	
Shire of Mundaring	
City of Swan	

<u>ATTACHMENT(S)</u>

1. Annual Financial Report for the Year Ended 30 June 2020 (Ref: D2020/21438)
2. Interim Audit Report for Year Ended 30 June 2020 (Ref: D2020/21439)
3. Audit Completion Report to the Audit Committee for the Year Ended 30 June 2020 (Ref: D2020/25061)

Item 11.1 continued

VOTING REQUIREMENT

Simple Majority

RECOMMENDATION(S)

That:

1. Council adopts the audited Annual Financial Report for the year ended 30 June 2020 and the Independent Auditor's Report on that Annual Financial Report forming attachment 1 of this report.
2. Council notes the contents of the Interim Audit Report and the management comments provided in the response forming attachment 2 of this report.
3. Council notes the contents of the Audit Completion Report to the Audit Committee for the year ended 30 June 2019 forming attachment 3 of this report.
4. In accordance with Regulation 51(2) of the *Local Government (Financial Management) Regulations 1996*, a copy of the 2019/2020 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government, Sport and Cultural Industries, within 30 days of the receipt by the EMRC's CEO of the auditor's report on that financial report.

Discussion ensued.

AC RECOMMENDATION(S)

MOVED CR CLARKE SECONDED CR BOYD

That:

1. Council adopts the audited Annual Financial Report for the year ended 30 June 2020 and the Independent Auditor's Report on that Annual Financial Report forming attachment 1 of this report.
2. Council notes the contents of the Interim Audit Report and the management comments provided in the response forming attachment 2 of this report.
3. Council notes the contents of the Audit Completion Report to the Audit Committee for the year ended 30 June 2019 forming attachment 3 of this report.
4. In accordance with Regulation 51(2) of the *Local Government (Financial Management) Regulations 1996*, a copy of the 2019/2020 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government, Sport and Cultural Industries, within 30 days of the receipt by the EMRC's CEO of the auditor's report on that financial report.

CARRIED UNANIMOUSLY

ANNUAL FINANCIAL REPORT

For the Year Ended 30 June 2020

EASTERN METROPOLITAN REGIONAL COUNCIL

2019/2020 ANNUAL FINANCIAL REPORT

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STATEMENT BY CHIEF EXECUTIVE OFFICER

EMRC

For the Year Ended
30 June 2020

EASTERN METROPOLITAN REGIONAL COUNCIL

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Eastern Metropolitan Regional Council for the financial year ended 30 June 2020 is based on proper accounts and records to present fairly the financial position of the Eastern Metropolitan Regional Council at 30 June 2020 and the results of the operations for the financial year then ended in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 19th day of November 2020

MARCUS J. GEISLER
Chief Executive Officer

FINANCIAL REPORT

EMRC

For the Year Ended
30 June 2020

EASTERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

BY PROGRAM	NOTE	ACTUAL 2019/2020 $	BUDGET 2019/2020 $	ACTUAL 2018/2019 $
REVENUE				
Governance		6,594	76,650	58,080
General Purpose Funding		2,166,724	1,874,959	2,733,167
Community Amenities		41,315,591	44,079,308	38,650,193
Other Property and Services		881,261	1,013,447	1,069,454
TOTAL REVENUE		**44,370,170**	**47,044,364**	**42,510,894**
EXPENSES				
Governance		589,641	1,080,394	1,067,969
Community Amenities		48,271,827	34,437,293	30,370,473
Other Property and Services		2,831,991	2,819,345	2,816,598
TOTAL EXPENSES		**51,693,459**	**38,337,032**	**34,255,040**
INCREASE / (DECREASE)		**(7,323,289)**	**8,707,332**	**8,255,854**
DISPOSAL OF ASSETS				
Profit on Sale		71,728	51,001	0
Loss on Sale		0	0	(10,131)
PROFIT / (LOSS) ON DISPOSALS	22	**71,728**	**51,001**	**(10,131)**
NET RESULT		**(7,251,561)**	**8,758,333**	**8,245,723**
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Changes in Revaluation of Non-Current Assets		1,189,840	0	0
TOTAL OTHER COMPREHENSIVE INCOME		**1,189,840**	**0**	**0**
TOTAL COMPREHENSIVE INCOME/(DEFICIT)		**(6,061,721)**	**8,758,333**	**8,245,723**

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

EASTERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

BY NATURE AND TYPE	NOTE	ACTUAL 2019/2020 $	BUDGET 2019/2020 $	ACTUAL 2018/2019 $
REVENUE				
Fees and Charges	4	38,848,340	40,036,790	36,429,818
Grants, Subsidies and Contributions	5	1,575,633	1,878,756	1,522,191
Interest Earnings	2	2,157,757	1,874,959	2,719,271
Other Revenue	2	1,788,440	3,253,859	1,839,614
TOTAL REVENUE		**44,370,170**	**47,044,364**	**42,510,894**
EXPENSES				
Employee Costs		9,221,519	10,685,148	7,783,709
Materials and Contracts		5,461,014	6,746,589	4,601,752
Utility Expenses		374,806	356,225	338,184
Insurance Expenses		315,363	313,951	282,699
Other Expenditure	2	32,496,415	14,808,198	16,716,319
Depreciation Expenses on Non-Current Assets	2	3,824,342	5,426,921	4,532,377
TOTAL EXPENSES		**51,693,459**	**38,337,032**	**34,255,040**
INCREASE / (DECREASE)		**(7,323,289)**	**8,707,332**	**8,255,854**
DISPOSAL OF ASSETS				
Profit on Sale		71,728	51,001	0
Loss on Sale		0	0	(10,131)
PROFIT / (LOSS) ON DISPOSALS	22	**71,728**	**51,001**	**(10,131)**
NET RESULT		**(7,251,561)**	**8,758,333**	**8,245,723**
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Changes in Revaluation of Non-Current Assets		1,189,840	0	0
TOTAL OTHER COMPREHENSIVE INCOME		**1,189,840**	**0**	**0**
TOTAL COMPREHENSIVE INCOME/(DEFICIT)		**(6,061,721)**	**8,758,333**	**8,245,723**

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

EASTERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	NOTE	ACTUAL 2019/2020 $	ACTUAL 2018/2019 $
CURRENT ASSETS			
Cash and Cash Equivalents	10	21,602,124	35,998,764
Other Financial Assets	11	64,500,000	68,000,000
Trade and Other Receivables	6	3,342,523	3,620,310
Inventories	7	39,034	54,739
Other Assets	8	67,382	42,555
TOTAL CURRENT ASSETS	21	**89,551,063**	**107,716,368**
NON CURRENT ASSETS			
Property, Plant and Equipment	12	80,201,964	74,731,756
Infrastructure	13	30,157,275	24,734,783
TOTAL NON CURRENT ASSETS	21	**110,359,239**	**99,466,539**
TOTAL ASSETS	21	**199,910,302**	**207,182,907**
CURRENT LIABILITIES			
Trade and Other Payables	15	6,191,155	5,546,564
Provisions	16	1,835,255	1,629,324
TOTAL CURRENT LIABILITIES		**8,026,410**	**7,175,888**
NON CURRENT LIABILITIES			
Provisions	16	7,432,011	4,493,417
TOTAL NON CURRENT LIABILITIES		**7,432,011**	**4,493,417**
TOTAL LIABILITIES		**15,458,421**	**11,669,305**
NET ASSETS		**184,451,881**	**195,513,602**
EQUITY			
Retained Surplus		66,352,626	62,308,230
Reserves	17	75,968,090	91,958,292
Revaluation Surplus	14	42,131,165	41,247,080
TOTAL EQUITY		**184,451,881**	**195,513,602**

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

EASTERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	RETAINED SURPLUS $	RESERVES $	REVALUATION SURPLUS $	TOTAL EQUITY $
Balance as at 30 June 2018		**58,987,953**	**86,979,194**	**41,300,732**	**187,267,879**
Net Result		8,245,723	0	0	8,245,723
Total Other Comprehensive Income		0	0	0	0
Revaluation Surplus Reversal	14	53,652	0	(53,652)	0
Transfer (from) / to Reserves		(4,979,098)	4,979,098	0	0
Balance as at 30 June 2019		**62,308,230**	**91,958,292**	**41,247,080**	**195,513,602**
Net Result		(7,251,561)	0	0	(7,251,561)
Total Other Comprehensive Income		0	0	1,189,840	1,189,840
Revaluation Surplus Reversal	14	305,755	0	(305,755)	0
Transfer (from) / to Reserves		15,990,202	(15,990,202)	0	0
Dividend Distribution to Member Councils		(5,000,000)	0	0	(5,000,000)
Balance as at 30 June 2020		**66,352,626**	**75,968,090**	**42,131,165**	**184,451,881**

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

EASTERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	ACTUAL 2019/2020 $	BUDGET 2019/2020 $	ACTUAL 2018/2019 $
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Fees and Charges		42,808,221	40,036,791	39,110,610
Grants, Subsidies and Contributions		1,575,633	1,878,756	1,522,191
Interest Earnings		2,732,151	1,874,959	3,060,946
Other Revenue		1,788,439	3,631,859	1,839,614
Total Receipts		**48,904,444**	**47,422,365**	**45,533,361**
Payments				
Employee Costs		(8,949,596)	(10,655,523)	(7,699,816)
Materials and Contracts		(6,951,131)	(6,746,589)	(4,184,610)
Utility Expenses		(374,806)	(356,225)	(338,184)
Insurance Expenses		(315,363)	(313,951)	(282,699)
Other Expenditure		(29,549,428)	(14,949,379)	(14,861,886)
Goods and Services Tax paid		(2,205,285)	0	(2,512,714)
Total Payments		**(48,345,609)**	**(33,021,667)**	**(29,879,909)**
NET CASH PROVIDED BY OPERATING ACTIVITIES	18(ii)	**558,835**	**14,400,698**	**15,653,452**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of property, plant and equipment		326,137	205,000	131,091
Payments for purchase of property, plant and equipment		(13,781,612)	(26,940,712)	(8,965,979)
NET CASH USED IN INVESTING ACTIVITIES		**(13,455,475)**	**(26,735,712)**	**(8,834,888)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Net Movement to Other Financial Assets		3,500,000	(5,800,000)	(13,000,000)
Divident distribution to Member Councils		(5,000,000)	0	0
NET CASH PROVIDED BY FINANCING ACTIVITIES		**(1,500,000)**	**(5,800,000)**	**(13,000,000)**
SUMMARY OF CASH FLOWS				
Cash and cash equivalents at the beginning of the year		35,998,764	34,708,894	42,180,200
Net Increase/(Decrease) in Cash Held		(14,396,640)	(12,335,014)	(6,181,436)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	18(i)	**21,602,124**	**22,373,880**	**35,998,764**

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

EMRC

For the Year Ended 30 June 2020

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

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

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

Amendments to Local Government (Financial Management) Regulations 1996

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

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

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

The Local Government Reporting Entity

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

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

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

(a) Trust Funds

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

The EMRC currently does not hold any trust fund monies for the year ended 30 June 2020.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Cash and Cash Equivalents

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

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

The EMRC does not have any bank overdrafts for the year ended 30 June 2020.

(c) Fixed Assets

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

Mandatory Requirements to Revalue Non-Current Assets

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

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

The land and buildings class of assets were last revalued in the 2016/2017 financial year whilst the infrastructure class of assets was last revalued in the 2017/2018 financial year.

It is proposed to undertake the next revaluation of the land, buildings and infrastructure classes of assets during the 2020/2021 financial year and then every 4 years thereafter.

Initial Recognition and Measurement between Mandatory Revaluation Dates

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Fixed Assets (continued)

Initial Recognition and Measurement between Mandatory Revaluation Dates (continued)

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

Revaluation

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

Depreciation

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

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

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

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Fixed Assets (continued)

Capitalisation Threshold

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

(d) Fair Value of Assets and Liabilities

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

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

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

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

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

Fair Value Hierarchy

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

Level 1

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

Level 2

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fair Value Hierarchy (continued)

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation Techniques

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

Market Approach

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

Income Approach

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

Cost Approach

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Grants, Donations and Other Contributions

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

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

(f) Trade and Other Payables

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

(g) Impairment

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

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

(h) Inventories

General

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

(i) Goods and Services Tax

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Provisions

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

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

(k) Provision for Site Rehabilitation

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

Increments in the provision are calculated annually based on the change in the net present value of the future cash outflows of costs for site rehabilitation (unwinding of the discount rate).

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

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

(l) Provision for Environmental Monitoring

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

Increments in the provision are calculated annually based on the change in the net present value of the future cash outflows of costs for environmental monitoring (unwinding of the discount rate).

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

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

(m) Critical Accounting Estimates

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Trade and Other Receivables

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

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

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

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

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

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

(o) Employee Entitlements

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

(i) Short-term Employee Benefits

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

(ii) Other long-term Employee Benefits

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Employee Entitlements (Continued)

(iii) Superannuation Fund

The Council contributes to the WA Local Government Superannuation Plan (LGSP) and other choice funds for qualifying employees as per statutory requirements (9.50% for 2019/2020). It also contributes to the LGSP and other choice funds for full scheme members (5% for 2019/2020). Contributions to defined contribution plans are recognised as an expense as they become payable.

(p) Rounding Off Amounts

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

(q) Comparative Figures

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

(r) Budget Comparative Figures

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

(s) Leases

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

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

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

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

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

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

The EMRC does not currently have any leases.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Other Financial Assets

(i) Other Financial Assets at Amortised Cost

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

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

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

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

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

(iii) Impairment and Risk

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

(u) Current and Non-Current Classification

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

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

(v) Landfill Cells

There are three general components of cell construction:

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Revenue and Expenses

Revenue Recogintion Policy

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Australian Accounting Standards Board (AASB) has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Council.

Management's assessment of the new and amended pronouncements that may be relevant to the Council, applicable to future reporting periods and which have not yet been adopted are set out as follows:

On 1 July 2020 the following new accounting standards are to be adopted:

- *AASB 1059 Service Concession Arrangements: Grantors*
- *AASB 2018-7 Amendments to Australian Accounting Standards - Materiality*

AASB 1059 Service Concession Arrangements: Grantors is not expected to impact the financial report.

Specific impacts of *AASB 2018-7 Amendments to Australian Accounting Standards - Materiality*, have not been identified.

(y) Adoption of New and Revised Accounting Standards

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

- *AASB 15: Revenue from Contracts with Customers*

Council adopted *AASB 15 Revenue from Contracts with Customers* (issued December 2014) on 1 July 2019 resulting in changes in accounting policies.

This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

The effect of this Standard will depend upon the nature of future transactions the Council has with those third parties it has dealings with. In accordance with the transition provisions, Council adopted the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. Comparative information for prior reporting periods was not restated in accordance with AASB transition requirements.

The adoption of AASB 15 does not have a material impact on the financial statements of the Council.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- *AASB 1058: Income of Not-For-Profit Entities*

  Council adopted *AASB 1058 Income of Not-For-Profit Entities* (issued December 2016) on 1 July 2019 resulting in changes in accounting policies.

  This standard will have an impact on the income recognition for the Council. In accordance with the transition provisions, Council adopted the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. Comparative information for prior reporting periods was not restated in accordance with AASB transition requirements.

  The adoption of AASB 1058 does not have a material impact on the financial statements of the Council.

- *AASB 16: Leases*

  Council adopted *AASB 16 Leases* (issued February 2016) on 1 July 2019 resulting in changes in accounting policies.

  Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-of-use asset and lease liability onto the statement of financial position for all leases. Operating leases which did not impact the statement of financial position will now be required to be capitalised on the statement of financial position.

  Operating lease payments were previously expensed as incurred. This has now ceased and replaced by both depreciation and interest charges.

  In accordance with the transition provisions, Council adopted the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. As the Council does not currently hold any leases this has not had any impact on the Council's financial statements.

2. REVENUE AND EXPENSES

	ACTUAL 2019/2020 $	BUDGET 2019/2020	ACTUAL 2018/2019 $
Net Result			
The Net Result includes:			
(i) Crediting as Revenue:			
Interest Earnings			
Interest on funds held in Reserves	1,882,908	1,604,959	2,598,761
Interest on Municipal Cash and Investments	274,849	270,000	120,510
	2,157,757	**1,874,959**	**2,719,271**
Other Revenue			
Sale of Products	1,159,634	1,978,031	1,520,386
Gas Royalty Income	385,626	700,000	49,788
Miscellaneous Income	243,180	575,828	269,440
	1,788,440	**3,253,859**	**1,839,614**
(ii) Charging as an Expense:			
Auditors Remuneration			
Audit of the Financial Report	31,000	31,000	31,000
Audit and assurance of grant acquittals	1,400	1,000	600
	32,400	**32,000**	**31,600**
Depreciation and Amortisation Expense			
Buildings	112,736	165,251	109,659
Plant	2,026,344	2,431,315	1,674,774
Equipment	110,646	240,572	116,595
Furniture and Fittings	8,950	3,975	6,521
Structures - Landfill Cells	1,002,617	1,679,658	2,253,467
- Other	563,049	906,150	371,361
	3,824,342	**5,426,921**	**4,532,377**
Other Expenditure			
State Landfill levy	14,326,231	14,607,723	13,725,227
Other Expenses	4,380,984	200,475	2,991,092
FOGO Contribution to member Councils *	13,789,200	0	0
	32,496,415	**14,808,198**	**16,716,319**

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

3. COMPONENT FUNCTIONS/ACTIVITIES

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

EASTERN METROPOLITAN REGIONAL COUNCIL (EMRC) MISSION STATEMENT

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

Governance

Objective:

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

Activities:

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

General Purpose Funding

Objective:

To provide responsible and accountable financial management practices.

Activities:

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

Community Amenities

Objective:

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

Activities:

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

Other Property and Services

Objective:

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

Activities:

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

4. FEES AND CHARGES SUMMARY BY PROGRAM

	ACTUAL 2019/2020 $	BUDGET 2019/2020 $	ACTUAL 2018/2019 $
Community Amenities	38,848,040	40,036,790	36,429,818
Other Property and Services	300	0	0
Total Statutory Fees and Charges	**38,848,340**	**40,036,790**	**36,429,818**

5. GRANT, SUBSIDY AND CONTRIBUTION REVENUE BY PROGRAM

	ACTUAL 2019/2020 $	BUDGET 2019/2020 $	ACTUAL 2018/2019 $
Governance	6,402	150	33,558
Community Amenities	889,597	1,030,159	589,198
Other Property and Services	679,634	848,447	899,435
Total Grant, Subsidy and Contribution Revenue	**1,575,633**	**1,878,756**	**1,522,191**

6. TRADE AND OTHER RECEIVABLES

Current	ACTUAL 2019/2020 $	ACTUAL 2018/2019 $
Sundry Debtors	2,995,046	2,734,375
Loan Receivable [1]	1,089,949	1,005,965
Other Debtors	18,018	14,486
GST Receivable	30,857	4,839
Accrued Interest Earnings	324,608	899,001
Allowance for Impairment of Receivables [2]	(1,115,955)	(1,038,356)
	3,342,523	**3,620,310**

[1] Loan Receivable is covered under a loan agreement on commercial terms with Anergy Australia Pty Ltd. The balance of this loan as at 30 June 2020 of $1,089,949 ($1,005,965 as at 30 June 2019) has been treated as a doubtful debt.

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

	ACTUAL 2019/2020 $	ACTUAL 2018/2019 $
Balance at start of period	1,038,356	48,422
Doubtful debts expense	84,151	1,006,057
Amounts written off during the period	(78)	(6,494)
Impairment losses reversed during the period	(6,474)	(9,629)
Balance at end of period	**1,115,955**	**1,038,356**

7. INVENTORIES

Current	ACTUAL 2019/2020 $	ACTUAL 2018/2019 $
Distillate		
Opening Balance	48,691	25,315
Purchases	643,677	728,016
Allocations	(658,705)	(704,640)
Closing Balance	**33,663**	**48,691**
Oils		
Opening Balance	6,048	4,530
Purchases	4,582	7,406
Allocations	(5,259)	(5,888)
Closing Balance	**5,371**	**6,048**
Total Inventories	**39,034**	**54,739**

8. OTHER ASSETS

Current	ACTUAL 2019/2020 $	ACTUAL 2018/2019 $
Prepayment - General	55,165	33,067
Prepayment - Miscellaneous	12,217	9,488
	67,382	**42,555**

9. CONTROL OVER GRANTS/CONTRIBUTIONS

Conditions Over Grants/Contributions Grants	Function/Activity	Opening Balance [1] 1 July 2018 $	Received [2] 2018/19 $	Expended [3] 2018/19 $	Closing [4] Balance 30 June 2019 $
Avon Descent	Other Property and Services	0	145,400	(145,400)	**0**
Keep Australia Beautiful Community Litter Program	Other Property and Services	1,740	0	0	**1,740**
Enhancing Biodiversity SALP Project	Other Property and Services	2,909	0	(2,909)	**0**
SALP 20 Year Celebration	Other Property and Services	0	800	(800)	**0**
Coordination of Community Led Projects	Other Property and Services	52,500	105,000	(105,000)	**52,500**
Community Capability Project	Other Property and Services	65,529	59,000	(81,858)	**42,671**
Farm Dams Project	Other Property and Services	7,999	42,926	(50,061)	**864**
Perth's Autumn Festival	Other Property and Services	0	12,000	(12,000)	**0**
Greenwaste Waste Stream Audits	Community Amenities	0	25,000	(25,000)	**0**
		130,677	**390,126**	**(423,028)**	**97,775**

Conditions Over Grants/Contributions Grants	Function/Activity	Opening Balance [1] 1 July 2019 $	Received [2] 2019/20 $	Expended [3] 2019/20 $	Closing Balance 30 June 2020 $
Avon Descent	Other Property and Services	0	174,538	(174,538)	**0**
Keep Australia Beautiful Community Litter Program	Other Property and Services	1,740	0	(1,740)	**0**
Coordination of Community Led Projects	Other Property and Services	52,500	105,000	(105,000)	**52,500**
Community Capability Project	Other Property and Services	42,671	0	(42,671)	**0**
Farm Dams Project	Other Property and Services	864	0	(864)	**0**
Income Communities Environment Programme (CEO)	Other Property and Services	0	12,116	(3,210)	**8,906**
Income Regional Integrated Transport Strategy	Other Property and Services	0	20,000	0	**20,000**
Contributions					
Avon Descent	Other Property and Services	0	27,882	(27,882)	**0**
Income Regional Integrated Transport Strategy	Other Property and Services	0	73,156	(73,156)	**0**
Income Environmental Building Benchmarking Project	Other Property and Services	0	90,460	(18,722)	**71,738**
Income Flood Risk Project	Other Property and Services	0	14,545	0	**14,545**
Income Achieving Carbon Emissions Reduction (ACEr)	Other Property and Services	0	12,430	(12,430)	**0**
Income Eastern Region Catchment Management Program (ERCMP)	Other Property and Services	0	132,260	(132,260)	**0**
Income Environmental Sustainability Programs	Other Property and Services	0	112,898	(112,898)	**0**
Income Regional Development Business Unit	Other Property and Services	0	65,595	(65,595)	**0**
Income Regional Spartial Mapping	Other Property and Services	0	6,000	(6,000)	**0**
Income FOGO - Waste Education	Other Property and Services	0	525	(525)	**0**
		97,775	**847,405**	**(777,491)**	**167,689**

Notes:

(1) Grants/contributions which were not expended at the close of the previous reporting period.

(2) New grants/contributions which were received during the reporting period.

(3) Grants/contributions which had expended in the current reporting period in the manner specified by the contributor.

(4) The closing balance has been disclosed as Contract Liabilities in Note 15 - Trade and Other Payables. Balance as at 30 June 2019 has not been adjusted against opening retained surplus due to immateriality.

10. CASH AND CASH EQUIVALENTS

	Note	ACTUAL 2019/2020 $	ACTUAL 2018/2019 $
Cash and Cash Equivalents - Unrestricted	25	3,034,431	4,885,437
Cash and Cash Equivalents - Restricted	25	18,567,693	31,113,327
Total Cash and Cash Equivalents		21,602,124	35,998,764
Financial assets at amortised cost - term deposits	11	64,500,000	68,000,000
		86,102,124	**103,998,764**

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

	Note	ACTUAL 2019/2020 $	ACTUAL 2018/2019 $
Plant and Equipment		141,856	1,937,863
Site Rehabilitation Red Hill - Post Closure		4,986,647	2,709,862
Future Development		18,263,389	20,180,980
Environmental Monitoring Red Hill		2,350,987	1,098,527
Environmental Insurance Red Hill		46,892	37,510
Risk Management		15,631	15,192
Class IV Cells Red Hill		649,866	602,871
Regional Development		321,608	312,587
Secondary Waste Processing		45,240,494	57,994,036
Class III Cells		2,873,244	6,031,536
Building Refurbishment (Ascot Place)		78,920	76,706
Long Service Leave		998,556	960,622
	17	75,968,090	91,958,292
Add movement in accrued interest		324,607	189,362
Add unspent grants	9	167,689	97,775
		76,460,386	**92,245,429**

11. OTHER FINANCIAL ASSETS

Current Assets

	Note	ACTUAL 2019/2020 $	ACTUAL 2018/2019 $
Financial assets at amortised cost - term deposits			
- Unrestricted	25	6,607,306	6,867,898
- Restricted	25	57,892,694	61,132,102
Total Financial assets at amortised cost		**64,500,000**	**68,000,000**

12. PROPERTY, PLANT AND EQUIPMENT

Movements in Carrying Amounts

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

	Land	Buildings	Total Land & Buildings	Plant	Equipment	Furniture & Fittings	Artworks	Work in Progress	Total
	$	$	$	$	$	$	$	$	$
Balance at 1 July 2018	**50,570,000**	**7,383,797**	**57,953,797**	**9,820,628**	**359,254**	**57,794**	**83,800**	**4,941,693**	**73,216,966**
Additions		7,909	**7,909**	2,449,627	67,545	8,129		1,005,502	**3,538,712**
(Disposals)	0		**0**	(116,373)	0	0	0	0	**(116,373)**
Depreciation expense		(109,659)	**(109,659)**	(1,674,774)	(116,595)	(6,521)	0	0	**(1,907,549)**
Balance at 30 June 2019	**50,570,000**	**7,282,047**	**57,852,047**	**10,479,108**	**310,204**	**59,402**	**83,800**	**5,947,195**	**74,731,756**
Comprises:									
Gross Carrying Amount at 30 June 2019	50,570,000	7,501,453	**58,071,453**	16,228,147	663,531	78,114	83,800	5,947,195	**81,072,240**
Accumulated depreciation at 30 June 2019	0	(219,406)	**(219,406)**	(5,749,039)	(353,327)	(18,712)	0	0	**(6,340,484)**
Carrying amount at 30 June 2019	**50,570,000**	**7,282,047**	**57,852,047**	**10,479,108**	**310,204**	**59,402**	**83,800**	**5,947,195**	**74,731,756**
Additions	0	76,023	**76,023**	3,591,962	224,265	25,037	0	2,876,166	**6,793,453**
WIP - Transfers in/(out)	0	47,344	**47,344**	0	73,508	0	0	(120,852)	**0**
(Disposals)	0	0	**0**	(173,601)	(1,406)	0	0	0	**(175,007)**
Revaluation	0	0	**0**	1,103,826	110,224	(24,210)	0	0	**1,189,840**
Impairment (losses)/reversals	0	0	**0**	(79,402)	0	0	0	0	**(79,402)**
Depreciation expense	0	(112,736)	**(112,736)**	(2,026,344)	(110,646)	(8,950)	0	0	**(2,258,676)**
Carrying amount at 30 June 2020	**50,570,000**	**7,292,678**	**57,862,678**	**12,895,549**	**606,149**	**51,279**	**83,800**	**8,702,509**	**80,201,964**
Comprises:									
Gross Carrying Amount at 30 June 2020	50,570,000	7,624,820	**58,194,820**	12,895,549	606,149	51,279	83,800	8,702,509	**80,534,106**
Accumulated depreciation at 30 June 2020	0	(332,142)	**(332,142)**	0	0	0	0	0	**(332,142)**
Carrying amount at 30 June 2020	**50,570,000**	**7,292,678**	**57,862,678**	**12,895,549**	**606,149**	**51,279**	**83,800**	**8,702,509**	**80,201,964**

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Furniture and Fittings, Plant and Equipment:

Furniture and fittings and plant and equipment assets were revalued during the 2019/2020 financial year by independent valuers.

The revaluation resulted in an overall increase of $1,189,840 in the net value of the EMRC's furniture and fittings and plant and equipment. All of the increase was credited to the revaluation surplus in the Council's equity and was recognised as changes on Revaluation of non-current assets in the Statement of Comprehensive Income.

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

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

Land and Buildings:

Both land and buildings were revalued in 2017 as part of the mandatory requirements embodied in *Local Government (Financial Management) Regulations 1996, Reg.17A*.

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

They will next be revalued during the year ended 30 June 2021 in accordance with the mandatory asset measurement framework detailed in Note 1(c).

Artworks:

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

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

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

13. INFRASTRUCTURE

Movements in Carrying Amounts

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

	Landfill Cells	Other Structures	Post Closure Asset	Work in Progress	Total
	$	$		$	$
Balance at 1 July 2018	**6,676,510**	**6,442,681**	**1,826,092**	**7,011,910**	**21,957,193**
Additions	657,348	902,316	0	3,867,602	**5,427,266**
WIP - Transfers in/(out)	0	3,415,377	0	(3,415,377)	**0**
(Disposals)	0	(24,848)	0	0	**(24,848)**
Depreciation expense	(2,253,467)	(318,529)	(52,832)	0	**(2,624,828)**
Balance at 30 June 2019	**5,080,391**	**10,416,997**	**1,773,260**	**7,464,135**	**24,734,783**
Comprises:					
Gross Carrying Amount at 30 June 2019	7,333,858	10,735,526	1,865,431	7,464,135	27,398,950
Accumulated depreciation at 30 June 2019	(2,253,467)	(318,529)	(92,171)	0	**(2,664,167)**
Carrying amount at 30 June 2019	**5,080,391**	**10,416,997**	**1,773,260**	**7,464,135**	**24,734,783**
Additions	4,081,160	70,939	0	2,836,059	**6,988,158**
WIP - Transfers in/(out)	916,694	349,245	0	(1,265,939)	**0**
Depreciation expense	(1,002,617)	(507,948)	(55,101)	0	**(1,565,666)**
Carrying amount at 30 June 2020	**9,075,628**	**10,329,233**	**1,718,159**	**9,034,255**	**30,157,275**
Comprises:					
Gross Carrying Amount at 30 June 2020	12,331,712	11,155,710	1,865,431	9,034,255	34,387,108
Accumulated depreciation at 30 June 2020	(3,256,084)	(826,477)	(147,272)	0	**(4,229,833)**
Carrying amount at 30 June 2020	**9,075,628**	**10,329,233**	**1,718,159**	**9,034,255**	**30,157,275**

13. INFRASTRUCTURE (Continued)

Infrastructure:

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

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

They will next be revalued during the year ended 30 June 2021 in accordance with the mandatory asset measurement framework detailed in Note 1(c).

14. REVALUATION SURPLUS

Revaluation surpluses have arisen as a result of the revaluation of the following classes of non-current assets:

	ACTUAL 2019/2020	ACTUAL 2018/2019 $
Plant and Equipment and Furniture and Fittings		
Opening balance	4,239,210	4,264,966
Revaluation Increment/(decrement)	1,189,840	0
Revaluation writeback on disposals	(305,755)	(25,756)
Closing Balance	**5,123,295**	**4,239,210**
Land		
Opening balance	31,540,696	31,540,696
Revaluation Increment/(decrement)	0	0
Revaluation writeback on disposals	0	0
Closing Balance	**31,540,696**	**31,540,696**
Buildings		
Opening balance	1,699,769	1,699,769
Revaluation Increment/(decrement)	0	0
Revaluation writeback on disposals	0	0
Closing Balance	**1,699,769**	**1,699,769**
Artworks		
Opening balance	14,164	14,164
Revaluation Increment/(decrement)	0	0
Revaluation writeback on disposals	0	0
Closing Balance	**14,164**	**14,164**
Infrastructure - Other Structures		
Opening balance	3,753,241	3,781,137
Revaluation Increment/(decrement)	0	0
Revaluation writeback on disposals	0	(27,896)
Closing Balance	**3,753,241**	**3,753,241**
Total Revaluation Surplus	**42,131,165**	**41,247,080**
Revaluation Surplus Summary		
Opening balance	41,247,080	41,300,732
Revaluation Increment/(decrement)	1,189,840	0
Revaluation writeback on disposals	(305,755)	(53,652)
Total Revaluation Surplus	**42,131,165**	**41,247,080**

15. TRADE AND OTHER PAYABLES

	ACTUAL 2019/2020 $	ACTUAL 2018/2019 $
Current		
Payroll Accruals	158,234	83,850
Sundry Creditors	5,865,232	5,462,714
Contract Liabilities	167,689	0
	6,191,155	**5,546,564**

16. PROVISIONS

	ACTUAL 2019/2020 $	ACTUAL 2018/2019 $
Current Employee Benefits Related Provisions		
Employees Annual Leave	877,541	729,196
Employees Long Service Leave	730,965	688,230
Employment On-Costs	226,749	211,898
	1,835,255	**1,629,324**
Non-current Employee Benefits Related Provisions		
Employees Long Service Leave	82,249	91,057
Employment On-Costs	12,128	11,713
	94,377	**102,770**
Total Employee Benefits Provisions	**1,929,632**	**1,732,094**
Non-current Other Provisions		
Red Hill Landfill Site Post Closure Rehabilitation	4,986,647	2,859,911
Red Hill Landfill Environmental Monitoring	2,350,987	1,530,736
Total Other Provisions	**7,337,634**	**4,390,647**
Total Provisions	**9,267,266**	**6,122,741**
Analysis of total provisions:		
Current	1,835,255	1,629,324
Non-current	7,432,011	4,493,417
	9,267,266	**6,122,741**

	Provision for Annual Leave $	Provision for Long Service Leave $	Provision for Employment On-Costs $	Provision for Site Rehabilitation $	Provision for Environmental Monitoring $	Total $
Opening Balance as at 1 July 2018	**635,506**	**810,874**	**210,893**	**2,312,725**	**1,229,454**	**5,199,452**
Additional provisions made	543,432	191,765	12,718	547,186	301,282	**1,596,383**
Amounts used	(449,742)	(223,352)	0	0	0	**(673,094)**
Balance as at 1 July 2019	**729,196**	**779,287**	**223,611**	**2,859,911**	**1,530,736**	**6,122,741**
Additional provisions made	559,631	112,331	15,266	2,126,736	820,251	**3,634,215**
Amounts used	(411,286)	(78,404)	0	0	0	**(489,690)**
Balance as 30 June 2020	**877,541**	**813,214**	**238,877**	**4,986,647**	**2,350,987**	**9,267,266**

16. PROVISIONS (Continued)

Annual Leave Liabilities

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

	2019/2020	2018/2019
	$	$
Within 12 months of the end of the reporting period	635,614	573,815
More than 12 months after the end of the reporting period	241,927	155,381
	877,541	**729,196**

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

Long Service Leave Liabilities

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

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

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

	2019/2020	2018/2019
	$	$
Within 12 months of the end of the reporting period	420,210	230,767
More than 12 months after the end of the reporting period	393,004	548,520
	813,214	**779,287**

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

16. PROVISIONS (Continued)

Employment On-Cost Provision

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

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

17. RESERVES

	ACTUAL 2019/2020 $	BUDGET 2019/2020 $	ACTUAL 2018/2019 $
(a) Plant and Equipment Reserve			
Opening balance	1,937,863	2,582,821	3,383,664
Transfer from retained surplus	5,282,609	5,329,111	1,806,797
Transfer to retained surplus	(7,134,542)	(7,375,276)	(3,356,987)
Interest	55,926	27,858	104,389
Closing Balance	**141,856**	**564,514**	**1,937,863**
(b) Site Rehabilitation Reserve - Post Closure			
Opening balance	2,709,862	2,703,956	2,482,057
Transfer from retained surplus	2,198,580	146,500	151,231
Transfer to retained surplus	0	0	0
Interest	78,205	50,075	76,574
Closing Balance	**4,986,647**	**2,900,531**	**2,709,862**
(c) Future Development Reserve			
Opening balance	20,180,980	20,214,599	16,089,599
Transfer from retained surplus	0	1,261,778	3,595,000
Transfer to retained surplus	(2,500,000)	0	0
Interest	582,409	384,905	496,381
Closing Balance	**18,263,389**	**21,861,282**	**20,180,980**
(d) Environmental Monitoring Reserve			
Opening balance	1,098,527	1,092,610	975,126
Transfer from retained surplus	1,220,757	90,321	93,317
Transfer to retained surplus	0	0	0
Interest	31,703	20,514	30,084
Closing Balance	**2,350,987**	**1,203,445**	**1,098,527**
(e) Environmental Insurance Reserve			
Opening balance	37,510	37,494	11,844
Transfer from retained surplus	45,000	45,000	45,000
Transfer to retained surplus	(36,700)	(20,685)	(19,700)
Interest	1,082	887	366
Closing Balance	**46,892**	**62,696**	**37,510**

17. RESERVES (Continued)

	ACTUAL 2019/2020 $	BUDGET 2019/2020 $	ACTUAL 2018/2019 $
(f) Risk Management Reserve			
Opening balance	15,192	15,187	14,738
Transfer from retained surplus	0	0	0
Transfer to retained surplus	0	0	0
Interest	439	274	454
Closing Balance	**15,631**	**15,461**	**15,192**
(g) Class IV Reserve			
Opening balance	602,871	603,682	589,575
Transfer from retained surplus	59,597	59,597	45,107
Transfer to retained surplus	(30,000)	(450,000)	(50,000)
Interest	17,398	7,312	18,189
Closing Balance	**649,866**	**220,591**	**602,871**
(h) Regional Development Reserve			
Opening balance	312,587	312,464	328,109
Transfer from retained surplus	0	165,000	250,000
Transfer to retained surplus	0	(7,729)	(275,645)
Interest	9,021	7,065	10,123
Closing Balance	**321,608**	**476,800**	**312,587**
(i) Secondary Waste Reserve			
Opening balance	57,994,036	58,225,219	56,190,599
Transfer from retained surplus	4,989,166	4,756,004	4,872,031
Transfer to retained surplus	(19,219,825)	(9,307,041)	(4,802,132)
Interest	1,477,117	1,007,893	1,733,538
Closing Balance	**45,240,494**	**54,682,075**	**57,994,036**
(j) Class III Reserve			
Opening balance	6,031,536	6,028,612	5,929,276
Transfer from retained surplus	1,641,994	1,620,061	1,576,941
Transfer to retained surplus	(4,974,352)	(4,974,352)	(1,657,605)
Interest	174,066	79,227	182,924
Closing Balance	**2,873,244**	**2,753,548**	**6,031,536**

17. RESERVES (Continued)

	ACTUAL 2019/2020 $	BUDGET 2019/2020 $	ACTUAL 2018/2019 $
(k) Building Refurbishment Reserve			
Opening balance	76,706	76,910	74,410
Transfer from retained surplus	0	0	0
Transfer to retained surplus	0	0	0
Interest	2,214	1,387	2,296
Closing Balance	**78,920**	**78,297**	**76,706**
(l) Long Service Leave Reserve			
Opening balance	960,622	962,541	910,197
Transfer from retained surplus	10,211	22,624	22,344
Transfer to retained surplus	0	0	0
Interest	27,723	17,562	28,081
Closing Balance	**998,556**	**1,002,727**	**960,622**
TOTAL RESERVES			
Opening balance	91,958,292	92,856,095	86,979,194
Transfer from retained surplus	15,447,914	13,495,996	12,457,769
Transfer to retained surplus	(33,895,419)	(22,135,083)	(10,162,069)
Interest	2,457,303	1,604,959	2,683,398
CLOSING BALANCE	**75,968,090**	**85,821,967**	**91,958,292**

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

17. RESERVES (Continued)

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

Plant and Equipment Reserve (Ongoing Reserve)
This reserve was established to finance the replacement of major items of plant and equipment.

Site Rehabilitation Reserve - Post Closure (Ongoing Reserve)
This reserve was established to finance the rehabilitation of the Red Hill waste disposal site at time of decommissioning.

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

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

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

Environmental Monitoring Reserve (Ongoing Reserve)
This reserve was established to provide funds for environmental monitoring after decommissioning of the Red Hill Waste disposal site.

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

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

Secondary Waste Reserve (Anticipated date of Use - 2019/2020 to 2021/2022 financial years)
This reserve was established to accumulate and to make provision for Secondary Waste Treatment Technology in the future.

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

Building Refurbishment Reserve (Ongoing Reserve)
This reserve was established to accumulate and provide funds for the refurbishment of the Ascot Place administration building.

Long Service Leave Reserve (Ongoing Reserve)
This reserve was established to accumulate and provide funds to enable the EMRC to fund staff long service leave.

18. NOTES TO THE STATEMENT OF CASH FLOWS

(i) Reconciliation of Cash

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

	ACTUAL 2019/2020 $	BUDGET 2019/2020 $	ACTUAL 2018/2019 $
Cash and Cash Equivalents - Unrestricted	3,034,431	4,081,732	4,885,437
Cash and Cash Equivalents - Restricted	18,567,693	18,292,148	31,113,327
Total Cash and Cash Equivalents	**21,602,124**	**22,373,880**	**35,998,764**

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

Net Result	(7,251,561)	8,758,333	8,245,723
Non-Cash Flows in Net Result			
Depreciation	3,824,342	5,426,921	4,532,377
Doubtful debts	84,151	0	1,006,057
Impairement losses reversed	(6,474)	0	(9,629)
(Profit)/Loss on sale of assets	(71,728)	(51,001)	10,131
Changes in Assets and Liabilities			
Increase/(Decrease) in provisions - Other	2,946,987	236,821	848,469
Increase/(Decrease) in provisions - Employee	197,538	29,624	74,821
Increase/(Decrease) in Sundry Creditors	644,592	0	1,999,789
Increase/(Decrease) in GST	(26,018)	0	(67,894)
(Increase)/Decrease in accrued interest earnings	574,393	0	341,675
(Increase)/Decrease in Receivables	(348,265)	0	(1,281,995)
(Increase)/Decrease in Inventory	15,705	0	(24,894)
(Increase)/Decrease in Prepayments	(24,827)	0	(21,178)
Net cash from operating activities	**558,835**	**14,400,698**	**15,653,452**

(iii) Undrawn Borrowing Facilities

Credit Standby Arrangements

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

Credit Card Limits	59,000		43,000
Credit Utilised at Balance Date	(14,488)		(15,018)
Total amount of credit unutilised	**44,512**		**27,982**

19. EMPLOYEE ENTITLEMENTS

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

Provision for Employee Entitlements (Refer to Note 16)	**ACTUAL 2019/2020 $**	**ACTUAL 2018/2019 $**
- Current	1,835,255	1,629,324
- Non-current	94,377	102,770
Total Employee Entitlements	**1,929,632**	**1,732,094**

	ACTUAL FTE's 2019/2020	**ACTUAL FTE's 2018/2019**
Total number of (FTE) employees at end of financial year	**94**	**78**

20. COUNCILLORS FEES AND ALLOWANCES

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

	ACTUAL 2019/2020 $	**BUDGET 2019/2020 $**	**ACTUAL 2018/2019 $**
Councillors' meeting fees	113,520	116,160	115,005
Chairman's meeting fees	18,479	15,839	15,682
Deputy Councillors' meeting fees	3,359	12,376	3,068
Chairman's Local Government fee	20,063	20,063	19,864
Deputy Chairman's Local Government fee	5,016	5,016	4,966
	160,437	**169,454**	**158,585**

21. ASSETS CLASSIFIED BY TYPE AND LOCAL GOVERNMENT PROGRAM

	ACTUAL 2019/2020 $	ACTUAL 2018/2019 $
CURRENT ASSETS		
General Purpose Funding	11,206,617	17,506,578
Governance	794,535	1,241,881
Community Amenities	77,228,304	88,655,323
Economic Services	321,607	312,586
TOTAL CURRENT ASSETS	**89,551,063**	**107,716,368**
NON-CURRENT ASSETS		
Land		
Governance	5,450,000	5,450,000
Community Amenities	45,120,000	45,120,000
Buildings		
Governance	3,806,227	3,866,664
Community Amenities	3,486,451	3,415,383
Structures		
Governance	9,471	9,471
Community Amenities	21,113,549	17,261,177
Plant		
Governance	224,420	138,662
Community Amenities	12,671,129	10,340,446
Equipment		
Governance	330,565	164,326
Community Amenities	275,584	145,878
Furniture and Fittings		
Governance	135,079	143,202
Work In Progress		
Unclassified	17,736,764	13,411,330
TOTAL NON CURRENT ASSETS	**110,359,239**	**99,466,539**
TOTAL ASSETS	**199,910,302**	**207,182,907**

22. DISPOSAL OF ASSETS

	ACTUAL 2019/2020			BUDGET 2019/2020			ACTUAL 2018/2019		
	Net Book Value $	Sale Price $	Gain (Loss) $	Net Book Value $	Sale Price $	Gain (Loss) $	Net Book Value $	Sale Price $	Gain (Loss) $
Plant	253,002	326,136	73,134	153,999	205,000	51,001	116,373	131,091	14,718
Structures	0	0	0	0	0	0	24,849		(24,849)
Equipment	1,406	0	(1,406)	0	0	0	0	0	0
Total Assets Disposed	**254,408**	**326,136**	**71,728**	**153,999**	**205,000**	**51,001**	**141,222**	**131,091**	**(10,131)**

23. INFORMATION ON BORROWINGS

(a) Borrowings

The EMRC does not have any loans or borrowings.

(b) New Borrowings

There were no new borrowings during the 2019/2020 financial year.

(c) Unspent Loans

There were no unspent loans during the 2019/2020 financial year.

24. INTEREST IN THE EMRC

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

Member Council	**2019/2020**		**2018/2019**	
	%	**$**	**%**	**$**
Town of Bassendean	*4.26*	7,852,617	*4.29*	8,386,081
City of Bayswater	*18.40*	33,926,600	*18.60*	36,355,492
City of Belmont	*11.32*	20,882,412	*11.31*	22,117,430
City of Kalamunda	*15.86*	29,257,611	*16.06*	31,407,709
Shire of Mundaring	*10.52*	19,404,495	*10.67*	20,854,109
City of Swan	*39.64*	73,128,146	*39.07*	76,392,781
Total Equity	***100.00***	**184,451,881**	***100.00***	**195,513,602**

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

25. FINANCIAL RISK MANAGEMENT

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

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

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

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2019/2020	**2018/2019**	**2019/2020**	**2018/2019**
	$	**$**	**$**	**$**
Financial Assets				
Cash and cash equivalents	21,602,124	35,998,764	21,602,124	35,998,764
Financial assets at amortised costs:				
- Term deposits	64,500,000	68,000,000	64,500,000	68,000,000
- Receivables *	3,311,666	3,615,471	3,311,666	3,615,471
	89,413,790	**107,614,235**	**89,413,790**	**107,614,235**
Financial Liabilities				
Financial liabilities at amortised cost:				
- Payables *	6,023,467	5,546,564	6,023,467	5,546,564
	6,023,467	**5,546,564**	**6,023,467**	**5,546,564**

Fair value is determined as follows:

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

Financial Assets at Fair Value through profit and loss - based on market valuations and verified by independent financial advisors.

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

25. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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

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

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

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

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

	2019/2020 $	2018/2019 $
Impact of a +10% movement in price of investments:		
- Equity	0	0
- Statement of Comprehensive Income	0	0
Impact of a +1% movement in interest rates on cash and investments:		
- Equity	10,982	14,953
- Statement of Comprehensive Income	10,982	14,953

(b) Receivables

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

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

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

25. FINANCIAL RISK MANAGEMENT (Continued)

(c) Ageing Analysis of Receivables

			Past due but not Impaired					
	Carrying Amount	Not Past due and not Impaired	Up to 1 month	1 - 3 Months	3 Months to 1 Year	1 - 5 Years	More than 5 Years	Impaired Receivables
	$	$	$	$	$	$	$	$
2019/2020								
Receivables *	2,221,717	2,057,929	135,182	2,601	0	0	0	26,006
Loan receivable	1,089,949	0	0	0	0	0	0	1,089,949
	3,311,666	**2,057,929**	**135,182**	**2,601**	**0**	**0**	**0**	**1,115,955**
2018/2019								
Receivables *	2,609,506	2,250,872	306,808	19,436	0	0	0	32,391
Loan receivable	1,005,965	0	0	0	0	0	0	1,005,965
	3,615,471	**2,250,872**	**306,808**	**19,436**	**0**	**0**	**0**	**1,038,356**

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

25. FINANCIAL RISK MANAGEMENT (Continued)

(d) Payables

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

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

	Due within 1 year $	Due between 1 & 5 years $	Due after 5 years $	Total contractual cash flows $	Carrying values $
2019/2020					
Payables *	6,023,467	0	0	6,023,467	6,023,467
	6,023,467	**0**	**0**	**6,023,467**	**6,023,467**
2018/2019					
Payables *	5,546,564	0	0	5,546,564	5,546,564
	5,546,564	**0**	**0**	**5,546,564**	**5,546,564**

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

(e) Borrowings

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

Council does not have any borrowings or loans.

25. FINANCIAL RISK MANAGEMENT (Continued)

(f) Liquidity Risk and Interest Rate Exposure

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

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

			Interest Rate Exposure				Maturity Dates			
	Weighted Average Effective Interest Rate %	Carrying Amount $	Fixed Interest Rate $	Variable Interest Rate $	Non-Interest Bearing $	Nominal Amount $	Up to 1 month $	1 - 3 Months $	3 Months to 1 Year $	More than 1 Year $
2019/2020										
Financial Assets										
Cash and cash equivalents	1.54%	3,034,431	2,099,997	930,484	3,950	3,034,431	1,753,946	1,280,485	0	0
Restricted cash and cash equivalents	2.12%	18,567,693	18,400,004	167,689	0	18,567,693	7,348,178	11,219,515	0	0
Financial Assets at amortised cost										
Term Deposits - Unrestricted	2.12%	6,607,306	6,607,306	0	0	6,607,306	0	0	6,607,306	0
Term Deposits - Restricted	2.12%	57,892,694	57,892,694	0	0	57,892,694	0	0	57,892,694	0
Receivables *	-	2,221,717	0	0	2,221,717	2,221,717	2,221,717	0	0	0
Loan receivable	8.00%	1,089,949	1,089,949	0	0	1,089,949	0	0	1,089,949	0
		89,413,790	**86,089,950**	**1,098,173**	**2,225,667**	**89,413,790**	**11,323,841**	**12,500,000**	**65,589,949**	**0**
Financial Liabilities										
Payables *	-	6,023,467	0	0	6,023,467	6,023,467	6,023,467	0	0	0
		6,023,467	**0**	**0**	**6,023,467**	**6,023,467**	**6,023,467**	**0**	**0**	**0**
2018/2019										
Financial Assets										
Cash and cash equivalents	2.05%	4,885,437	3,484,428	1,397,559	3,450	4,885,437	2,562,472	2,322,965	0	0
Restricted cash and cash equivalents	2.70%	31,113,327	31,015,552	97,775	0	31,113,327	10,436,292	20,677,035	0	0
Financial Assets at amortised cost										
Term Deposits - Unrestricted	2.70%	6,867,898	6,867,898	0	0	6,867,898	0	0	6,867,898	0
Term Deposits - Restricted	2.70%	61,132,102	61,132,102	0	0	61,132,102	0	0	61,132,102	0
Receivables *	-	2,609,506	0	0	2,609,506	2,609,506	2,609,506	0	0	0
Loan receivable	8.00%	1,005,965	1,005,965	0	0	1,005,965	0	0	1,005,965	0
		107,614,235	**103,505,945**	**1,495,334**	**2,612,956**	**107,614,235**	**15,608,270**	**23,000,000**	**69,005,965**	**0**
Financial Liabilities										
Payables *	-	5,546,564	0	0	5,546,564	5,546,564	5,546,564	0	0	0
		5,546,564	**0**	**0**	**5,546,564**	**5,546,564**	**5,546,564**	**0**	**0**	**0**

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

26. COMMITMENTS FOR CAPITAL EXPENDITURE

	ACTUAL 2019/2020 $	ACTUAL 2018/2019 $
Commitments for the acquisition of assets contracted for at the reporting date but not recognised as liabilities:		
- Payable not longer than one year	4,174,920	4,158,188
Total Capital Commitments	**4,174,920**	**4,158,188**

27. CONTINGENT LIABILITIES

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

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

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

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

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

28. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events after the reporting period required to be included in the 2019/2020 Annual Financial Report.

29. FINANCIAL RATIOS

	ACTUAL 2019/2020	ACTUAL 2018/2019	ACTUAL 2017/2018
Liquidity Ratio			
Current Ratio (1) *	1.82	2.40	3.07
Current Assets less Restricted Current Assets / Current Liabilities less Liabilities Associated with Restricted Assets			
Debt Ratio			
Debt Service Cover Ratio (2)	Not Applicable	Not Applicable	Not Applicable
Operating Surplus before Interest and Depreciation Expenses / Principal and Interest Repayments			
Coverage Ratio			
Own Source Revenue Coverage Ratio (3) *	0.83	1.20	1.34
Own Source Operating Revenue / Operating Expense			
Financial Performance Ratio			
Operating Surplus Ratio (4) **	(0.17)	0.20	0.30
Operating Revenue less Operating Expense / Own Source Operating Revenue			
Asset Management Ratio			
Asset Sustainability Ratio (5)	1.20	1.02	0.10
Capital Renewal and Replacement Expenditure / Depreciation Expense			
Asset Consumption Ratio (6)	0.96	0.81	0.85
Depreciated Replacement Cost of Depreciable Assets / Current Replacement Cost of Depreciable Assets			
Asset Renewal Funding Ratio (7)	1.00	1.00	1.00
NPV of planned Capital renewals over 10 years / NPV of required Capital expenditure over 10 years			

Notes

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

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

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

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

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

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

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

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

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

30. FAIR VALUE MEASUREMENT

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

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

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

Recurring Fair Value Measurements

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

30. FAIR VALUE MEASUREMENT (Continued)

		30 June 2019			
	Note	**Level 1**	**Level 2**	**Level 3**	**Total**
		$	**$**	**$**	**$**
Financial Assets	10	0	0	0	0
Total financial assets recognised at fair value on a recurring basis		**0**	**0**	**0**	**0**
Non-Financial Assets					
Land	12	0	50,570,000	0	50,570,000
Buildings	12	0	3,866,664	3,415,383	7,282,047
Plant	12	0	5,074,119	5,404,989	10,479,108
Equipment	12	0	310,204	0	310,204
Furniture and Fittings	12	0	59,402	0	59,402
Artworks	12	0	83,800	0	83,800
Infrastructure	13	0	0	17,270,648	17,270,648
Total non-financial assets recognised at fair value on a recurring basis		**0**	**59,964,189**	**26,091,020**	**86,055,209**

(a) Transfers Policy

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

There were no transfers between level 2 and 3 during the current and previous year.

(b) Highest and Best Use

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

30. FAIR VALUE MEASUREMENT (Continued)

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

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

Asset	Level of Valuation Input	Fair Value at 30 June 2020 $	Valuation Technique(s)	Inputs Used
Non-Financial Assets subject to revaluation				
Land	2	32,880,000	Market approach	Price per square metre.
	2	17,690,000	Cost Approach	Price per square metre.
Buildings	3	3,486,451	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount.
	2	3,806,227	Market and income approach	Rental yields and price per square metre.
Infrastructure	3	21,123,020	Cost approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount.
TOTAL		**78,985,698**		

30. FAIR VALUE MEASUREMENT (Continued)

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

Recurring fair value measurements

Land

Where there is directly comparable market evidence Level 2 valuation inputs were used to value land held in freehold title (investment and non-investment) as well as land used for special purposes which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Level 2 valuation inputs were used to value land held in freehold title (investment and non-investment) as well as land used for special purposes which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

The land purchased in December 2012, Lot 8, 9 & 10 land parcels at Red Hill Waste Management Facility, was a strategically planned and prolonged acquisition over a period of several years. It was a closed negotiation and was not open to market participants. Market research and analysis was undertaken by the Valuers who have acknowledged that the cost of this land area equates to a land rate per hectare greater than analysis of nearby market evidence. The difference is a premium rate which Council paid to obtain the asset. AASB13 requires Fair Value of this land to be calibrated to the transactional cost. The Valuers have therefore adopted the Fair Value of this land at the purchase price as it provides calibration with actual price required for purchasing a land fill site.

Buildings

Level 2 valuation inputs

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

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

Level 3 valuation inputs

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

30. FAIR VALUE MEASUREMENT (Continued)

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

Recurring fair value measurements

Infrastructure

Road and Civil Assets

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

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

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

(d) Valuation processes

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

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

31. RELATED PARTY TRANSACTIONS

Key Management Personal (KMP) Compensation Disclosure

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

	2019/2020	2018/2019
	$	$
Short-term employee benefits	904,878	701,934
Post-employment benefits	112,817	88,569
Other long term benefits	102,370	48,635
Termination benefits	0	0
	1,120,065	**839,138**

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

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

Termination benefits

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

Related Parties

The Council's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

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

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

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

31. RELATED PARTY TRANSACTIONS (Continued)

Related Parties (Continued)

Transactions with related parties

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

The following transactions occurred with related parties:

	2019/2020 $	2018/2019 $
Member Councils:		
• Sale of goods and services	28,520,361	27,782,087
• FOGO contribution to member Councils	13,789,000	0
• Dividend distribution to member Councils	5,000,000	0
Amounts outstanding from related parties:		
• Trade and other receivables	2,113,528	1,945,340

32. NET CURRENT ASSET POSITION

The net current asset position balance carried forward from the previous financial year after adjustment for Restricted Assets for the purpose of the 2019/2020 budget was $6,880,897.

The actual net current asset position balance shown in the audited financial report as at 30 June 2019 and after adjustment for Restricted Assets was $8,392,826.

INDEPENDENT AUDITOR'S REPORT

EMRC

For the Year Ended
30 June 2020

Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Eastern Metropolitan Regional Council

Report on the Audit of the Financial Report

Opinion
I have audited the annual financial report of the Eastern Metropolitan Regional Council which comprises the Statement of Financial Position as at 30 June 2020, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the Eastern Metropolitan Regional Council:
(i) is based on proper accounts and records; and
(ii) fairly represents, in all material respects, the results of the operations of the Council for the year ended 30 June 2020 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

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

Responsibilities of the Chief Executive Officer and Council for the Financial Report
The Chief Executive Officer (CEO) of the Council is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of the annual financial report that is free from material misstatement, whether due to fraud or error.

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

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

7th Floor Albert Facey House 469 Wellington Street Perth MAIL TO: Perth BC PO Box 8489 Perth WA 6849 TEL: 08 6557 7500 FAX: 08 6557 7600

Auditor's Responsibility for the Audit of the Financial Report

The objectives of my audit are to obtain reasonable assurance about whether the annual financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual financial report.

A further description of my responsibilities for the audit of the annual financial report is located on the Auditing and Assurance Standards Board website at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This includes the identification and assessment of the risk of material misstatement due to fraud arising from management override of controls. This description forms part of my auditor's report.

Report on Other Legal and Regulatory Requirements

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

(i) All required information and explanations were obtained by me.

(ii) All audit procedures were satisfactorily completed.

(iii) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the Eastern Metropolitan Regional Council for the year ended 30 June 2020 included on the Council's website. The Council's management is responsible for the integrity of the Council's website. This audit does not provide assurance on the integrity of the Council's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.

VINCE TURCO
ACTING ASSISTANT AUDITOR GENERAL
FINANCIAL AUDIT
Delegate of the Auditor General for Western Australia
Perth, Western Australia
25 November 2020

RECEIVED
20 AUG 2020

Office of the Auditor General
Serving the Public Interest

Our Ref: 7911

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PERTH WA 6849

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

Dear Mr Geisler

ANNUAL FINANCIAL REPORT
INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2020

We have completed the interim audit for the year ending 30 June 2020. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to evaluate your overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report.

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

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

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

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

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

Yours faithfully

LIANG WONG
ASSISTANT DIRECTOR FINANCIAL AUDIT
18 August 2020

Attach

ATTACHMENT

EASTERN METROPOLITAN REGIONAL COUNCIL

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
Current Year Issues	**Significant**	**Moderate**	**Minor**
1. Physical Access Controls to Server Room		✓	
2. Lack of Sufficient Quotes for Purchases		✓	
3. Purchase Order Dated After Invoice Date			✓

KEY TO RATINGS

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

Significant - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.

Moderate - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.

Minor - Those findings that are not of primary concern but still warrant action being taken.

EASTERN METROPOLITAN REGIONAL COUNCIL

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. Physical Access Controls to Server Room

Finding
We noted that the server room at the Red Hill facility is not securely locked and is open to access by unauthorised employees and members of the public.

Rating: Moderate
Implication
Sensitive or confidential information could be stolen or compromised if physical access controls to server room is not implemented.

Recommendation
The server room should be securely locked when not in use with the key safely stored in the safe custody of management. Access to the server room should be restricted to authorised employees only and that access controls be implemented to prevent access by members of the public.

Management's comments
There are two server rooms at the Red Hill site. The Red Hill Disaster Recovery (DR) centre is located in the old administration building. All virtualised servers in the Ascot Administration building are replicated to this site on a daily basis. The DR centre does not have windows, is separately alarmed and is kept locked at all times.

The audit finding refers to the server that is kept at Red Hill Administration Building. The server in Red Hill Administration building has a multi-function room that contains photocopiers, the video surveillance recording system and a server rack. This room is not kept locked.

This server does not contain any vital information as it manages staff login prompts, print queues and the network link to the Ascot site. Access from this server to the core server is virtually impossible given the level of firewalls and security protocols. Staff access to the EMRC's core business systems located in the Ascot site is via terminal server (remote desktop) access.

The server rack is required to be accessed on a daily basis (Monday to Friday) to change over backup tapes. The server rack has a lockable door and the door can be kept locked to prevent unauthorised access as an added security feature.

Responsible person:	Manager Information Services
Completion date:	ASAP

EASTERN METROPOLITAN REGIONAL COUNCIL

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

2. Lack of Sufficient Quotes for Purchases

Finding

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

Amount of Purchases	Form of Quotation (Minimum Requirements)
$5,000.00 to $10,000.00	Obtain 3 verbal quotes
$10,001.00 to $49,999.00	Obtain 3 written quotes
$50,000.00 to $149,999.99	Obtain at least 3 written quotes containing price and specification of goods or services.

As part of our payments testing, we noted that there was no documented evidence that the required number of quotes was obtained prior to a purchase on 1 instance in the lower band and on 1 instance in the middle band out of our sample of 60 payments tested.

Rating: Moderate

Implication

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

Recommendation

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

Management's comments

Auditors noted that there was one instance in the $5,000 - $10,000 band and one instance in the $10,001 - $49,999 band.

i) Tranen Pty Ltd ($7,893.00)

Tranen has undertaken the monitoring of the Red Hill site since 2007 and has significant experience and ground knowledge of the site which is invaluable for the type of work required to be undertaken.

There are 25 quadrats that were set up in the offsets area 3 years ago. These are formally demarcated with fence droppers and are pre-set, mapped and referenced with equipment belonging to Tranen. Tranen has a GIS database set up with these site locations, they have the history of the site and substantial knowledge to meet the EMRC's regulatory requirements.

Due to the work undertaken to setup these locations, including an understanding of the issues pertinent to the site, the results of the previous quadrat monitoring, the site history to be able to make observations and draw conclusions as to the regulatory requirements, Tranen has the comparative advantage to continue to maintain this work given the level of ongoing costs compared to new setup costs.

However, it is recognised that the team should have sought the CEO's exemption allowed for under the Council Policy 3.5 - Purchasing Policy.

Going forward, the Team will either ensure that exemptions are obtained ahead of the expenditure or three (verbal) quotes are obtained in the future. Subject to the circumstances, a review will be undertaken to recognise which option is the more appropriate value for money proposition in line with the Council Policy.

ii) Petro Min Engineers ($41,043.20)

The expenditure relates to the Wood Waste to Energy (WWtE) Project.

Petro Min Engineers (PME) originally undertook preliminary electrical design for the WWtE plant contractor - Anergy.

Anergy was unable to resolve technical electrical engineering issues/scope issue in the tender they issued for the electrical works as part of the contract.

Due to their technical and intimate knowledge of the project, PME was therefore preferred to intervene and act on behalf of EMRC. EMRC officers insisted on PME's involvement to resolve the issues to minimise the potential for the tender cost to exceed the contract value as the tender costs will be borne by the EMRC.

As these works are at the cost of the plant contractor, EMRC officers have advised Anergy that PME's costs would go against the cost to complete at Anergy's cost.

On this basis a purchasing policy exemption to use PME was not sought from the CEO.

Responsible person: Chief Projects Officer
Completion date: N/A - Action is noted

EASTERN METROPOLITAN REGIONAL COUNCIL

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

3. Purchase Order Dated After Invoice Date

Finding
As part of our payments testing we noted that 1 purchase order from a sample of 60 payments tested was raised and dated after receipt of the supplier's tax invoice.

Rating: Minor
Implication
There is no evidence that the ordering of goods was approved prior to ordering.

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

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

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

Management's comments
Echo Newspapers
This is an annual subscription relating to the ongoing supply of the weekly community newspaper. The subscription for the supply of the newspaper is on-going and the purchase order was raised after the invoice was received and primarily served to provide the appropriate costing details for the processing of the invoice.

This was an oversight and the responsible officer has now set up a reminder task in the on-line calendar for a purchase order to be raised ahead of time each year.

Also, details are being compiled for the various "on-going" supplies of this nature with a view to being kept in a centralised register so that they are easily monitored in the event that the relevant responsible officer leaves the employment of the EMRC.

Responsible person:	Manager Procurement and Governance
Completion date:	N/A - Action is noted

Office of the Auditor General
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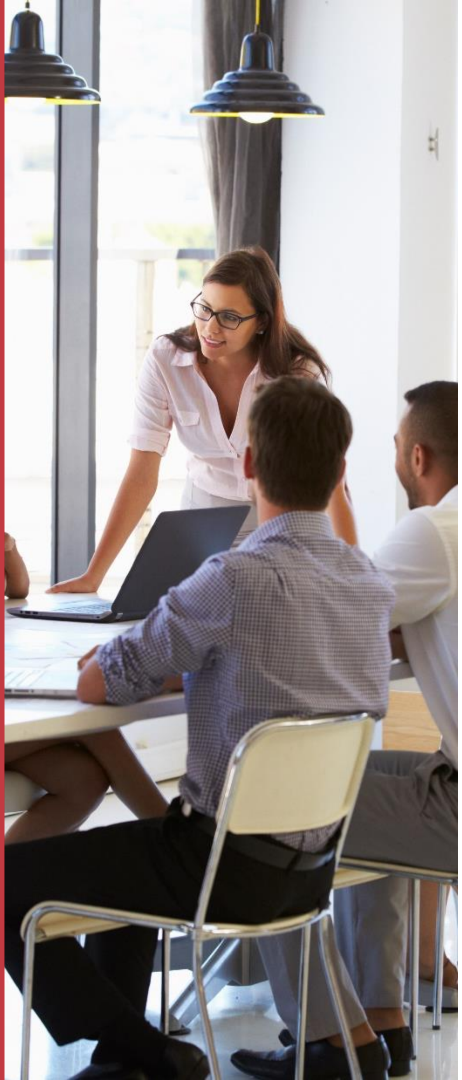
BUTLER SETTINERI
Real People. Better Business

Annual Audit Completion Report

EASTERN METROPOLITAN REGIONAL COUNCIL

butlersettineri.com.au

Introduction



From our Partner

We have set out in this report the significant matters arising from our audit of the Eastern Metropolitan Regional Council for the year ended 30 June 2020.

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

MARIUS VAN DER MERWE

Partner

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ROBERT HALL

Manager

B.Com (Hons) CA
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LIANG WONG

Assistant Director Financial Audit

(OAG Representative)
liang.wong@audit.wa.gov.au

EXECUTIVE SUMMARY

- Butler Settineri (Audit) Pty Ltd were appointed as the contract auditor by the Office of the Auditor General for the years ended 30 June 2019 and 30 June 2020;
- Butler Settineri (Audit) Pty Ltd have completed the external statutory audit for the year ended 30 June 2020 as contract auditor on behalf of the Office of the Auditor General;
- No sign of any unresolved issues;
- We intend to recommend to the Auditor General to issue an unqualified audit opinion;
- No outstanding matters apart from the sign off of the financial report and management representation letter.

INDEPENDENCE

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

Threats to independence include the following:

SELF INTEREST THREATS

SELF REVIEW THREATS

ADVOCACY THREATS

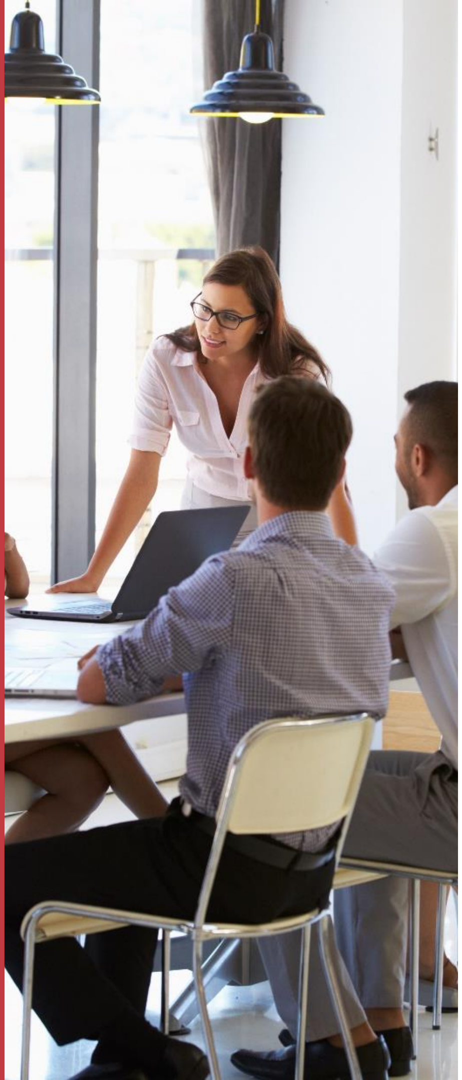
FAMILIARITY THREATS

INTIMIDATION THREATS

What we do to remain independent:

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

Audit Outcomes



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

AUDIT OUTCOMES

Details of Risk / Issue	Audit Approach
Audit findings reported in the previous audit	We followed up on last year's audit issues during the audit. All issues were resolved except for one issue relating to excessive leave balance.
Changes to accounting standards: • AASB 15 Revenue from Contracts with Customers • AASB 1058 Income for Not-For Profit Entities • AASB 16 Leases	We reviewed management's assessment of the impact of this accounting standard on the financial statements. No significant impact of the standards for the Council.
We have identified the following areas that we consider require additional focus during our 2019-20 local government audits: • Related party disclosures • Revenue recognition • Revaluation of Plant & Equipment • Unauthorised expenditure • Unrecorded liabilities and expenses • Fictitious employees • Valuation and estimation on rehabilitation of landfill cells and site usage	We reviewed the related audit evidence as part of our audit testing and confirmed that appropriate disclosures have been made in the financial statements. Plant & equipment was revalued during the 2019-20 financial year. In accordance with the amended *Local Government (Financial Management) Regulations 1996, Reg.17A* the Council has adopted and applied the cost model effective from 30 June 2020.
The following annual financial report items are derived from accounting estimates and hence will receive specific audit attention: • Provision for annual and long service leave • Fair value of assets and Infrastructure • Impairment of assets • Provision for Site Rehabilitation	We reviewed the methodology and underlying data that management used when determining critical accounting estimates. We confirmed the reasonableness of the assumptions and corroborating representations.
Important changes in management or the control environment	There were no changes in management or the control environment impacting the audit risk.

AUDIT MISSTATEMENTS

- As a result of the changes associated with the adoption of AASB 15 and AASB 1058 at 1 July 2019, the outstanding grants, subsidies and contributions value of $97,775 as at 30 June 2019 was deemed immaterial by management and was not accounted for in the 2019/2020 financial year.
- The adjustment, which is listed below, represents the uncorrected misstatements for the year which was deemed immaterial:

Account	Reported balance	Actual balance	Variance
Opening Retained Earnings	62,308,230	62,210,455	97,775
Grants, Subsidies & Contributions	1,575,633	1,673,408	-97, 775

AUDIT FINDINGS

Per the Interim Management Letter:

1. The server room at the Red Hill administration building is not securely locked and is open to access by unauthorized employees
2. No documented evidence that the required number of quotes was obtained prior to a purchase on 1 instance in the lower band and on 1 instance in the middle band out of our sample of 60 payments tested
3. 1 Purchase order from a sample of 60 payments tested was raised and dated after receipt of the supplier's tax invoice

Per the Final Management Letter:

1. A number of employees with annual leave balances in excess of 304 hours (40 days) at year end (16 out of 103 employees)

NON COMPLIANCE WITH LAWS & REGULATIONS AND FRAUD

Laws and Regulations applicable to the Local Government include the following:

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

During the audit process we noted:

- No issues found in relation to the above Laws and Regulations.
- No findings or indications of suspected fraud.

CHANGES IN ACCOUNTING & AUDIT STANDARDS

Accounting Issues for 2020

- AASB 15, 1058 and 16 implemented

Minimal impact of adopting AASB 15, 1058 and 16

Accounting Issues for 2021

- AASB 1059

No impact of adopting AASB 1059 is anticipated

MATTERS THAT AFFECTED THE AUDIT

New AASB 15 & 1058 Revenue from Contracts with Customers and Income for Not-For-Profit Entities

Policy updated and implemented

Site Rehabilitation and Monitoring Provision

Audited the assumptions and inputs used to calculate the site rehabilitation and monitoring provision

New AASB 16 Leases

Policy updated and implemented

Amended Local Government (Financial Management) Regulations 1996

Policies updated and implemented in the 2019-20 year to comply with:

- *Regulation 17A – plant & equipment measured under the cost model*
- *Regulation 16 deleted as covered by AASB 16 Leases*

THANK YOU

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

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11.2 REVIEW OF COUNCIL POLICY 7.1 - RISK MANAGEMENT POLICY

REFERENCE: D2020/21187

PURPOSE OF REPORT

The purpose of this report is to revoke the EMRC Policy 7.1 - Risk Management Policy and to adopt a new and revised 7.1 - Risk Management Policy to achieve best practice in the management of all risks that may affect the EMRC in meeting its objectives.

KEY POINTS AND RECOMMENDATION(S)

- The EMRC's existing 7.1 - Risk Management Policy has been reviewed and a new Risk Management Framework has been created setting out the EMRC's approach to the management, reporting and monitoring of the EMRC's risks.
- The new and proposed 7.1 - Risk Management Policy aims to achieve best practice aligned with AS/NZS ISO 31000:2018 Risk management – Guidelines, in the management of all risks that may affect the EMRC in meeting its objectives.

Recommendation(s)

That Council:

1. Cancels 7.1 - Risk Management Policy, forming Attachment 1 of this report.
2. Adopts a new 7.1 - Risk Management Policy, forming Attachment 3 of this report.
3. Endorses the new Risk Management Framework, forming Attachment 4 of this report and the new Risk Appetite Statement, forming Attachment 5 of this report to ensure that the appropriate governance of risk management within the EMRC is provided.

SOURCE OF REPORT

Chief Financial Officer

BACKGROUND

A review of the EMRC's risk management framework was recently conducted by a consultant from the Local Government Insurance Scheme (LGIS). The review included a revision of the EMRC's current risk management policy and updates to the procedural risk documentation including the formation of a new EMRC Risk Register, Risk Appetite Statement and Risk Profile document.

Training was also conducted by the LGIS consultant with the EMRC leadership and management teams in a workshop setting as well as one on one interviews.

As a result of the review a new risk management policy and framework was created to ensure a systematic application of management policies and procedures to manage and control the EMRC with regards to risk.

Item 11.2 continued

REPORT

It is the EMRC's Policy to achieve best practice, aligned with AS/NZS ISO 31000:2018 Risk management – Guidelines, in the management of all risks that may affect the EMRC in meeting its objectives.

The new proposed 7.1 - Risk Management Policy in conjunction with the Risk Management Framework document sets out the EMRC's approach to the identification, assessment, management, reporting and monitoring of the EMRC's risks.

A copy of the revised 7.1 - Risk Management Policy highlighting the changes is included, forming Attachment 2 of this Report.

The EMRC has quantified its broad risk appetite through the EMRC's risk assessment and acceptance criteria. The criteria are included within the proposed new Risk Management Policy, forming Attachment 2 of this report together with the Risk Management Framework, forming Attachment 4 of this report and a new Risk Appetite Statement, forming Attachment 5 of this report.

It is essential that the EMRC adopts these procedures to ensure:

- Strong corporate governance.
- Best practice aligned with AS/NZS ISO 31000:2018 Risk management – Guidelines
- Compliance with the relevant legislation, regulations and internal policies.
- Integrated planning and reporting requirements are met.
- Uncertainty and its effects on objectives is understood.

The EMRC is to implement and integrate a monitor and review process to report on the achievement of the risk management objectives, the management of individual risks and the ongoing identification of issues and trends. The proposed new policy and risk framework will be reviewed by the EMRC's Leadership Team at least once every three (3) years and any changes or modifications to the risk policy and framework are to be brought back to Council for consideration.

STRATEGIC/POLICY IMPLICATIONS

Key Result Area 3 – Good Governance

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

FINANCIAL IMPLICATIONS

Nil

SUSTAINABILITY IMPLICATIONS

Nil

Item 11.2 continued

RISK IMPLICATIONS

RISK: The EMRC is required to adopt a risk management policy and framework to ensure that all risks are reviewed, monitored and controlled.		
Consequence	**Likelihood**	**Rating**
Moderate	Likely	High
Action/Strategy		
Council to adopt the proposed Risk Management Policy, Framework and associated documents		

MEMBER COUNCIL IMPLICATIONS

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

ATTACHMENT(S)

1. Council Policy 7.1 - Risk Management Policy (Ref: D2020/21396)
2. Council Policy 7.1 - Risk Management Policy with tracked changes (Ref: D2020/21398)
3. Proposed new Council Policy 7.1 - Risk Management Policy (Ref: D2020/21399)
4. Proposed new Risk Management Framework (Ref: D2020/24600)
5. Proposed Risk Appetite Statement (Ref: D2020/24601)

VOTING REQUIREMENT

Simple Majority

RECOMMENDATION(S)

That Council:

1. Cancels 7.1 - Risk Management Policy, forming Attachment 1 of this report.
2. Adopts a new 7.1 - Risk Management Policy, forming Attachment 3 of this report.
3. Endorses the new Risk Management Framework, forming Attachment 4 of this report and the new Risk Appetite Statement, forming Attachment 5 of this report to ensure that the appropriate governance of risk management within the EMRC is provided.

Item 11.2 continued

Discussion ensued.

Cr Jeans proposed an Audit Committee meeting be held quarterly to review the progress of the risk management treatment plan.

The CEO agreed that this request could be accommodated.

AC RECOMMENDATION(S)

MOVED CR JEANS SECONDED CR HAMILTON

That Council:

1. Cancels 7.1 - Risk Management Policy, forming Attachment 1 of this report.
2. Adopts a new 7.1 - Risk Management Policy, forming Attachment 3 of this report.
3. Endorses the new Risk Management Framework, forming Attachment 4 of this report and the new Risk Appetite Statement, forming Attachment 5 of this report to ensure that the appropriate governance of risk management within the EMRC is provided.

CARRIED UNANIMOUSLY

7.1 Risk Management Policy

STRATEGIC PLAN OBJECTIVE

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

PURPOSE

To set out the objectives and corporate approach for managing business and workplace related risk in a systematic and formal manner.

LEGISLATION / STANDARDS

AS/NZS ISO 31000:2009 Australian/ New Zealand standard "Risk Management – Principles and Guidelines".

POLICY STATEMENT

The EMRC is committed to the management of risk to continue to protect its:

- Employees, contractors and volunteers;
- Customers, clients and stakeholders;
- Natural and built environment;
- Quality of service;
- Assets and intellectual property;
- Contractual and statutory obligations; and
- Image and reputation.

Risk management is a continuous process demanding awareness and proactive action from all employees and outsourced service providers to reduce the likelihood and impact of accidents and losses, whether caused by the EMRC or a business partner.

Senior management seeks to improve the integration of formal risk management practices into the EMRC's everyday business operations and those of its contractors and business partners. In this way the risk implications of decisions and actions will be better planned for and dealt with. The involvement of all staff is both encouraged and expected in order to meet the goals of this policy.

Risk management is viewed as a critical element of good governance and together with innovative and committed staff will continue to make the EMRC a leader in its field.

The risk management system, as supported by suitable standards and guidelines, will involve risk identification and risk evaluation linked to practical and cost-effective risk control measures commensurate with our business. The standards will also be flexible enough to consider the severity and consequences of new initiatives in a manner that does not stifle innovation.

The Risk Management Plan provides an operating framework that outlines:

- Goals of Risk Management at the EMRC;
- Key strategies;
- Overview of the EMRC 's risk management process;
- Risk management structure and responsibilities;
- Risk assessment methodology;
- Implementation, monitoring and review processes;
- Risk criteria to ensure the right focus;
- Summary of the EMRC 's key risks; and
- Detailed assessment of the EMRC's risks, together with risk treatment plans.

Responsibilities

The Audit Committee, in conjunction with the Chief Executive Officer (CEO), will have responsibility for monitoring the effectiveness of the EMRC's risk management function to ensure that the necessary resources and risk management processes are in place.

The primary responsibility for cascading risk standards and procedures and approval of the treatment of major risk exposures, as identified by all staff, ultimately rests with the Chief Executive Officer.

This risk management activities will have a strong emphasis toward the prevention of situations or incidents that may damage the EMRC as an entity or injure staff and relevant others. The CEO in executing his duty will establish a Strategic Risk Management Steering Group (SRMSG) comprising the Executive team who will be responsible for:

- Initiating activities that are consistent with the Risk Management Policy and Plan.
- Ensuring that key risk management documentation is up to date.
- Ensuring the Corporate Risk Register is up to date and that Risk Treatment Plans are being implemented.
- Ensuring appropriate linkages to business and corporate planning processes, and where necessary, to budget processes.
- Analysing risk information and reporting to Council as required.

The systematic management of business and workplace risk is a core responsibility of all managers. Suitable risk management activities will be incorporated into business planning, operations and the management of contractors and service providers.

The scope of these activities will encompass:

- Education and training in risk management for staff;
- Identifying and supporting the development of risk management standards and procedures where applicable, that assist staff to understand and deal with risk; and

- Building a staff culture that identifies and eliminates risks in a consistent manner
- Helping to prioritise and schedule risk control improvements (risk treatment) in each of the EMRC's business units
- Reporting to the EMRC Executive and Council on risk improvement outcomes.

FINANCIAL CONSIDERATIONS

Funding will be provided to properly resource risk management activities as identified through the annual budgeting process.

Adopted/Reviewed by Council	1. 31 October 2002 2. 20 May 2004 3. 23 February 2006 4. 18 September 2008 5. 23 September 2010 6. 18 September 2014 7. 06 December 2018
Next Review	Following the Ordinary Elections in 2021
Responsible Directorate	Corporate Services

Council Policy 7.12~~7.1 Risk Management Policy~~
Risk Management

Policy Objective~~STRATEGIC PLAN OBJECTIVE~~

~~3.3 To provide responsible and accountable governance and management of the EMRC~~
The objective of this policy is to state the Eastern Metropolitan Regional Council's (EMRC's) intention to identify potential risks before they occur so that impacts can be minimized or opportunities realized; ensuring that the EMRC achieves its Strategic and Corporate objectives efficiently, effectively and within good corporate governance principles.

~~PURPOSE~~

~~To set out the objectives and corporate approach for managing business and workplace related risk in a systematic and formal manner.~~

LEGISLATION / STANDARDS

AS/NZS ISO 31000:2018~~09 Australian/ New Zealand standard "Risk Management – Principles and Guidelines".~~

POLICY STATEMENT

It is the EMRC's Policy to achieve best practice (aligned with AS/NZS ISO 31000:2018 Risk management – Guidelines), in the management of all risks that may affect the EMRC meeting its objectives.

Risk management functions will be resourced appropriately to match the size and scale of the EMRC's operations, and will form part of the Strategic, Operational, and Project responsibilities and be incorporated within the EMRC's Integrated Planning Framework.

This policy applies to Council Members, Executive Management and all employees and contractors involved in any EMRC operations.

The following points provide detail on the objective specifics:

1. Optimises the achievement of the EMRC's values, strategies, goals and objectives.
2. Aligns with and assists the implementation of EMRC Policies.

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EMRC

3. Provides transparent and formal oversight of the risk and control environment enabling effective decision-making.

4. Reflects risk versus return considerations within the EMRC's risk appetite.

5. Embeds appropriate and effective controls to mitigate risk.

6. Achieves effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations.

7. Enhances organisational resilience.

8. Identifies and provides for the continuity of critical operations.

~~The EMRC is committed to the management of risk to continue to protect its:~~

- ~~Employees, contractors and volunteers;~~
- ~~Customers, clients and stakeholders;~~
- ~~Natural and built environment;~~
- ~~Quality of service;~~
- ~~Assets and intellectual property;~~
- ~~Contractual and statutory obligations; and~~
- ~~Image and reputation.~~

~~Risk management is a continuous process demanding awareness and proactive action from all employees and outsourced service providers to reduce the likelihood and impact of accidents and losses, whether caused by the EMRC or a business partner.~~

~~Senior management seeks to improve the integration of formal risk management practices into the EMRC's everyday business operations and those of its contractors and business partners. In this way the risk implications of decisions and actions will be better planned for and dealt with. The involvement of all staff is both encouraged and expected in order to meet the goals of this policy.~~

~~Risk management is viewed as a critical element of good governance and together with innovative and committed staff will continue to make the EMRC a leader in its field.~~

~~The risk management system, as supported by suitable standards and guidelines, will involve risk identification and risk evaluation linked to practical and cost-effective risk control measures commensurate with our business. The standards will also be flexible enough to consider the severity and consequences of new initiatives in a manner that does not stifle innovation.~~

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~~The Risk Management Plan provides an operating framework that outlines:~~

- ~~Goals of Risk Management at the EMRC;~~
- ~~Key strategies;~~
- ~~Overview of the EMRC 's risk management process;~~
- ~~Risk management structure and responsibilities;~~
- ~~Risk assessment methodology;~~
- ~~Implementation, monitoring and review processes;~~
- ~~Risk criteria to ensure the right focus;~~
- ~~Summary of the EMRC 's key risks; and~~
- ~~Detailed assessment of the EMRC's risks, together with risk treatment plans.~~

Key Policy Definitions

- **Risk** Effect of uncertainty on objectives.
  Note 1 An effect is a deviation from the expected – positive or negative.
  Note 2 Objectives can have different aspects (such as financial, health and safety and environmental goals) and can apply at different levels (such as strategic, organisation-wide, project, product or process).
- **Risk Management** Coordinated activities to direct and control an organisation with regard to risk.
- **Risk Management Process** Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk.

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Roles and Responsibilities

The CEO is responsible for the:

- Implementation of this Policy.
- Measurement and reporting on the performance of risk management.
- Review and improvement of this Policy and the EMRC's Risk Management Framework at least triennially, or in response to a material event or change in circumstances.

The EMRC's Risk Management Framework outlines in detail all roles and responsibilities under CEO delegation associated with managing risks within the EMRC.

~~The Audit Committee, in conjunction with the Chief Executive Officer (CEO), will have responsibility for monitoring the effectiveness of the EMRC's risk management function to ensure that the necessary resources and risk management processes are in place.~~

~~The primary responsibility for cascading risk standards and procedures and approval of the treatment of major risk exposures, as identified by all staff, ultimately rests with the Chief Executive Officer.~~

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- ~~Initiating activities that are consistent with the Risk Management Policy and Plan.~~
- ~~Ensuring that key risk management documentation is up to date.~~
- ~~Ensuring the Corporate Risk Register is up to date and that Risk Treatment Plans are being implemented.~~
- ~~Ensuring appropriate linkages to business and corporate planning processes, and where necessary, to budget processes.~~
- ~~Analysing risk information and reporting to Council as required.~~

~~The systematic management of business and workplace risk is a core responsibility of all managers. Suitable risk management activities will be incorporated into business planning, operations and the management of contractors and service provider.~~
~~The scope of these activities will encompass:~~

- ~~Education and training in risk management for staff;~~
- ~~Identifying and supporting the development of risk management standards and procedures where applicable, that assist staff to understand and deal with risk; and~~
- ~~Building a staff culture that identifies and eliminates risks in a consistent manner~~
- ~~Helping to prioritise and schedule risk control improvements (risk treatment) in each of the EMRC's business units~~
- ~~Reporting to the EMRC Executive and Council on risk improvement outcomes.~~

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Risk Assessment and Acceptance Criteria

The EMRC has quantified its broad risk appetite through the EMRC's Risk Assessment and Acceptance Criteria. The criteria are included within the Risk Management Framework and as a component of this policy.

All organisational risks are to be assessed according to the EMRC's Risk Assessment and Acceptance Criteria to allow consistency and informed decision-making. For operational requirements such as projects or to satisfy external stakeholder requirements, alternative risk assessment criteria may be utilised, however these cannot exceed the organisation's appetite and are to be noted within the individual risk assessment.

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Monitor and Review

The EMRC will implement and integrate a monitor and review process to report on the achievement of the risk management objectives, the management of individual risks and the ongoing identification of issues and trends.

This Policy will be kept under review by the EMRC's Leadership Team. It will be formally reviewed triennially.

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FINANCIAL CONSIDERATIONS

Funding will be provided to properly resource risk management activities as identified through the annual budgeting process.

Risk Assessment and Acceptance Criteria

Eastern Metropolitan Regional Council Measures of Consequences									
Rating (Level)	**Health / People**	**Financial Impact**	**Service Interruption**	**Compliance**	**Reputational**	**Property**	**Environment**	**Project Time**	**Project Cost**
Insignificant (1)	Near miss. Minor first aid injuries	Less than $20,000	No material service interruption	No noticeable regulatory or statutory impact	Unsubstantiated, low impact, low profile or 'no news' item	Inconsequential damage.	Contained, reversible impact managed by on site response	Exceeds deadline [illegible] of project timeline	Exceeds project [illegible] by 10%
Minor (2)	Medical type injuries	$20,001 - $500,000	Short term temporary interruption – backlog cleared < 1 day	Some temporary non-compliances	Substantiated, low impact, low news item	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response	Exceeds deadline by 15% of project timeline	Exceeds project budget by 15%
Moderate (3)	Lost time injury <30 days	$500,001 - $1.5 Million	Medium term temporary interruption – backlog cleared by additional resources	Short term non-compliance but with significant regulatory requirements imposed	Substantiated, public embarrassment, moderate impact, moderate news profile	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies	Exceeds deadline by 20% of project timeline	Exceeds project budget by 20%
Major (4)	Lost time injury >30 days	$1.5 Mil - $3 Million	< 1 week	Non-compliance results in termination of services or imposed penalties	Substantiated, public embarrassment, high impact, high news profile, third party actions	Significant damage requiring internal and external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies	Exceeds deadline by 25% of project timeline	Exceeds project budget by 25%
Catastrophic (5)	Fatality, permanent disability	More than $3 Million	Prolonged interruption of services – additional resources; performance affected	Non-compliance results in litigation, criminal charges or significant damages or penalties	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions	Extensive damage requiring prolonged period of restitution Complete loss of plant, equipment and building	Uncontained, irreversible impact	Exceeds deadline by 30% of project timeline	Exceeds project budget by 30%

Measures of Likelihood			
Level	Rating	Description	Frequency
1	Almost Certain	The event is expected to occur in most circumstances (>90% chance)	More than once per year
2	Likely	The event will probably occur in most circumstances (>50% chance)	At least once per year
3	Possible	The event should occur at some time (20% chance)	At least once in 3 years
4	Unlikely	The event could occur at some time (<10% chance)	At least once in 10 years
5	Rare	The event may only occur in exceptional circumstances (<5% chance)	Less than once in 15 years

Risk Matrix						
Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	1	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	2	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	4	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	5	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

Risk Acceptance Criteria			
Risk Rank	Description	Criteria	Responsibility
Low	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Supervisor / Team Leader
Moderate	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Service Manager
High	Urgent Attention Required	Risk acceptable with effective controls, managed by senior management / executive and subject to monthly monitoring	Executive Leadership Team
Extreme	Unacceptable	Risk only acceptable with effective controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring	CEO and Council

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Existing Control Ratings		
Rating	**Foreseeable**	**Description**
Effective	There is **little** scope for improvement	Processes (Controls) operating as intended and aligned to Policies / Procedures. Subject to ongoing monitoring. Reviewed and tested regularly.
Adequate	There is **some** scope for improvement	Processes (Controls) generally operating as intended, however inadequacies exist. Limited monitoring. Reviewed and tested, but not regularly.
Inadequate	There is a **need** for improvement or action	Processes (Controls) not operating as intended. Processes (Controls) do not exist, or are not being complied with. Have not been reviewed or tested for some time.

Adopted/Reviewed by Council	1. Xx xx 2020 ~~1.~~2. 31 October 2002 ~~2.~~3. 20 May 2004 ~~3.~~4. 23 February 2006 ~~4.~~5. 18 September 2008 ~~5.~~6. 23 September 2010 ~~6.~~7. 18 September 2014 ~~7.~~8. 06 December 2018
Next Review	Following the Ordinary Elections in 2021
Responsible Directorate	Business~~Corporate~~ Services

EMRC

Council Policy 7.1

Risk Management

Policy Objective

The objective of this Policy is to state the Eastern Metropolitan Regional Council's ('EMRC's') intention to identify potential risks before they occur so that impacts can be minimised or opportunities realised; ensuring that the EMRC achieves its Strategic and Corporate objectives efficiently, effectively and within good corporate governance principles.

Legislation / Standards

AS/NZS ISO 31000:2018 Risk management – Guidelines

Policy Statement

It is the EMRC's Policy to achieve best practice (aligned with AS/NZS ISO 31000:2018 Risk management – Guidelines), in the management of all risks that may affect the EMRC meeting its objectives.

Risk management functions will be resourced appropriately to match the size and scale of the EMRC's operations, and will form part of the Strategic, Operational, and Project responsibilities and be incorporated within the EMRC's Integrated Planning Framework.

This policy applies to Council Members, Executive Management and all employees and contractors involved in any EMRC operations.

The following points provide detail on the objective specifics:

1 Optimises the achievement of the EMRC's values, strategies, goals and objectives.

2 Aligns with and assists the implementation of EMRC Policies.

3 Provides transparent and formal oversight of the risk and control environment enabling effective decision-making.

4 Reflects risk versus return considerations within the EMRC's risk appetite.

5 Embeds appropriate and effective controls to mitigate risk.

6 Achieves effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations.

7 Enhances organisational resilience.

8 Identifies and provides for the continuity of critical operations.

Key Policy Definitions

Risk	Effect of uncertainty on objectives. Note 1 An effect is a deviation from the expected – positive or negative. Note 2 Objectives can have different aspects (such as financial, health and safety and environmental goals) and can apply at different levels (such as strategic, organisation-wide, project, product or process).
Risk Management	Coordinated activities to direct and control an organisation with regard to risk.
Risk Management Process	Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk.

Roles and Responsibilities

The CEO is responsible for the:

- Implementation of this Policy.
- Measurement and reporting on the performance of risk management.
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The EMRC's Risk Management Framework outlines in detail all roles and responsibilities under CEO delegation associated with managing risks within the EMRC.

Risk Assessment and Acceptance Criteria

The EMRC has quantified its broad risk appetite through the EMRC's Risk Assessment and Acceptance Criteria. The criteria are included within the Risk Management Framework and as a component of this policy.

All organisational risks are to be assessed according to the EMRC's Risk Assessment and Acceptance Criteria to allow consistency and informed decision-making. For operational requirements such as projects or to satisfy external stakeholder requirements, alternative risk assessment criteria may be utilised, however these cannot exceed the organisation's appetite and are to be noted within the individual risk assessment.

Monitor and Review

The EMRC will implement and integrate a monitor and review process to report on the achievement of the risk management objectives, the management of individual risks and the ongoing identification of issues and trends.

This Policy will be kept under review by the EMRC's Leadership Team. It will be formally reviewed triennially.

Financial Considerations

Funding will be provided to properly resource risk management activities as identified through the annual budgeting process.

Risk Assessment and Acceptance Criteria

Eastern Metropolitan Regional Council Measures of Consequences									
Rating (Level)	Health / People	Financial Impact	Service Interruption	Compliance	Reputational	Property	Environment	Project Time	Project Cost
Insignificant (1)	Near miss. Minor first aid injuries	Less than $20,000	No material service interruption	No noticeable regulatory or statutory impact	Unsubstantiated, low impact, low profile or 'no news' item	Inconsequential damage.	Contained, reversible impact managed by on site response	Exceeds deadline by 10% of project timeline	Exceeds project budget by 10%
Minor (2)	Medical type injuries	$20,001 - $500,000	Short term temporary interruption – backlog cleared < 1 day	Some temporary non-compliances	Substantiated, low impact, low news item	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response	Exceeds deadline by 15% of project timeline	Exceeds project budget by 15%
Moderate (3)	Lost time injury <30 days	$500,001 - $1.5 Million	Medium term temporary interruption – backlog cleared by additional resources	Short term non-compliance but with significant regulatory requirements imposed	Substantiated, public embarrassment, moderate impact, moderate news profile	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies	Exceeds deadline by 20% of project timeline	Exceeds project budget by 20%
Major (4)	Lost time injury >30 days	$1.5 Mil - $3 Million	< 1 week	Non-compliance results in termination of services or imposed penalties	Substantiated, public embarrassment, high impact, high news profile, third party actions	Significant damage requiring internal and external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies	Exceeds deadline by 25% of project timeline	Exceeds project budget by 25%
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Risk Matrix						
Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	1	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	2	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	4	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	5	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

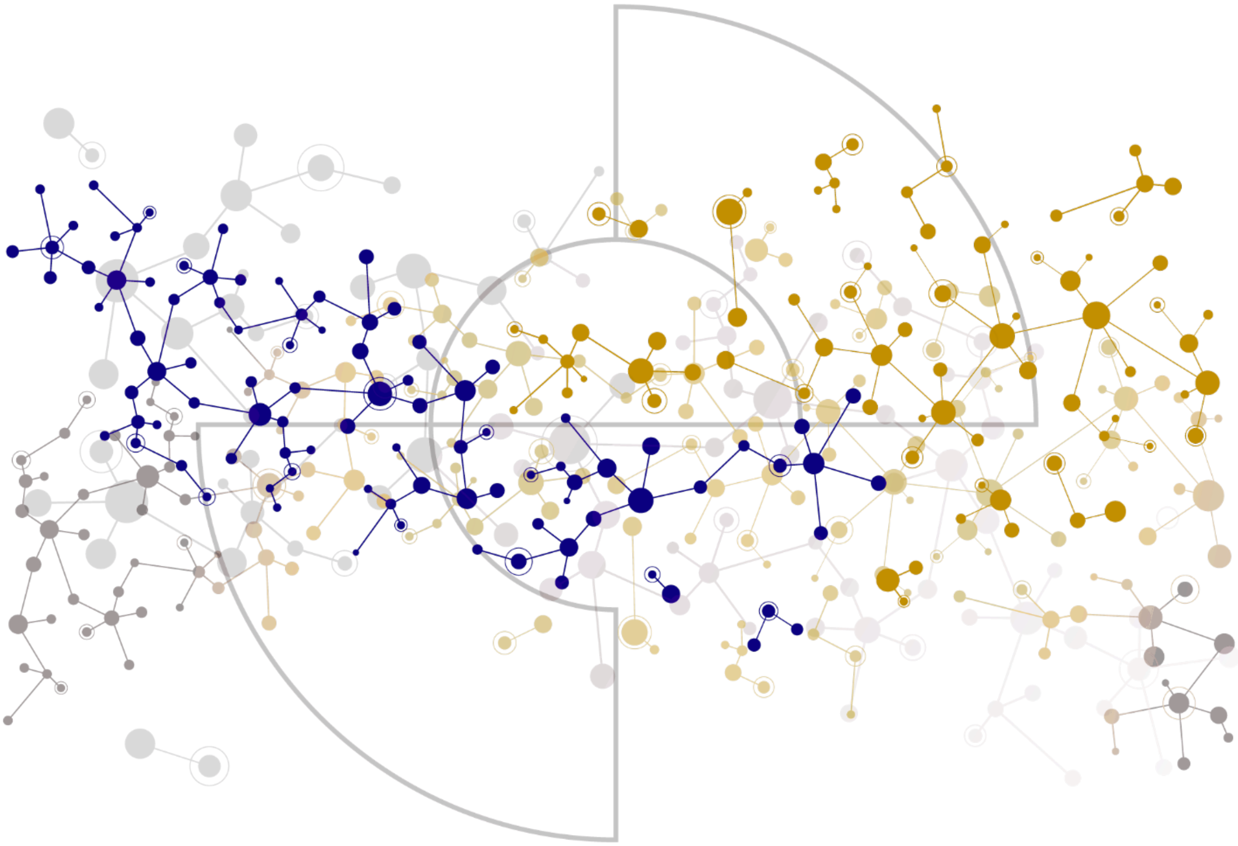
Risk Acceptance Criteria			
Risk Rank	Description	Criteria	Responsibility
Low	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Supervisor / Team Leader
Moderate	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Service Manager
High	Urgent Attention Required	Risk acceptable with effective controls, managed by senior management / executive and subject to monthly monitoring	Executive Leadership Team
Extreme	Unacceptable	Risk only acceptable with effective controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring	CEO and Council

Existing Control Ratings		
Rating	Foreseeable	Description
Effective	There is little scope for improvement	Processes (Controls) operating as intended and aligned to Policies / Procedures. Subject to ongoing monitoring. Reviewed and tested regularly.
Adequate	There is some scope for improvement	Processes (Controls) generally operating as intended, however inadequacies exist. Limited monitoring. Reviewed and tested, but not regularly.
Inadequate	There is a need for improvement or action	Processes (Controls) not operating as intended. Processes (Controls) do not exist, or are not being complied with. Have not been reviewed or tested for some time.

Adopted/Reviewed	xx xx 2020
Next Review	Following the Ordinary Elections in 2021
Responsible Team	Business Support

Eastern Metropolitan Regional Council

Risk Management Framework



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1 Introduction

The Eastern Metropolitan Regional Council's ('EMRC's') Risk Management Policy in conjunction with the components of this document encompasses the EMRC's Risk Management Framework. It sets out the EMRC's approach to the identification, assessment, management, reporting and monitoring of risks. All components of this document are based on AS/NZS ISO 31000:2018 Risk management - Guidelines.

It is essential that all areas of the EMRC adopt these procedures to ensure:

- Strong corporate governance.
- Compliance with relevant legislation, regulations and internal policies.
- Integrated Planning and Reporting requirements are met.
- Uncertainty and its effects on objectives is understood.

This Framework aims to balance a documented, structured and systematic process with the current size and complexity of the EMRC.

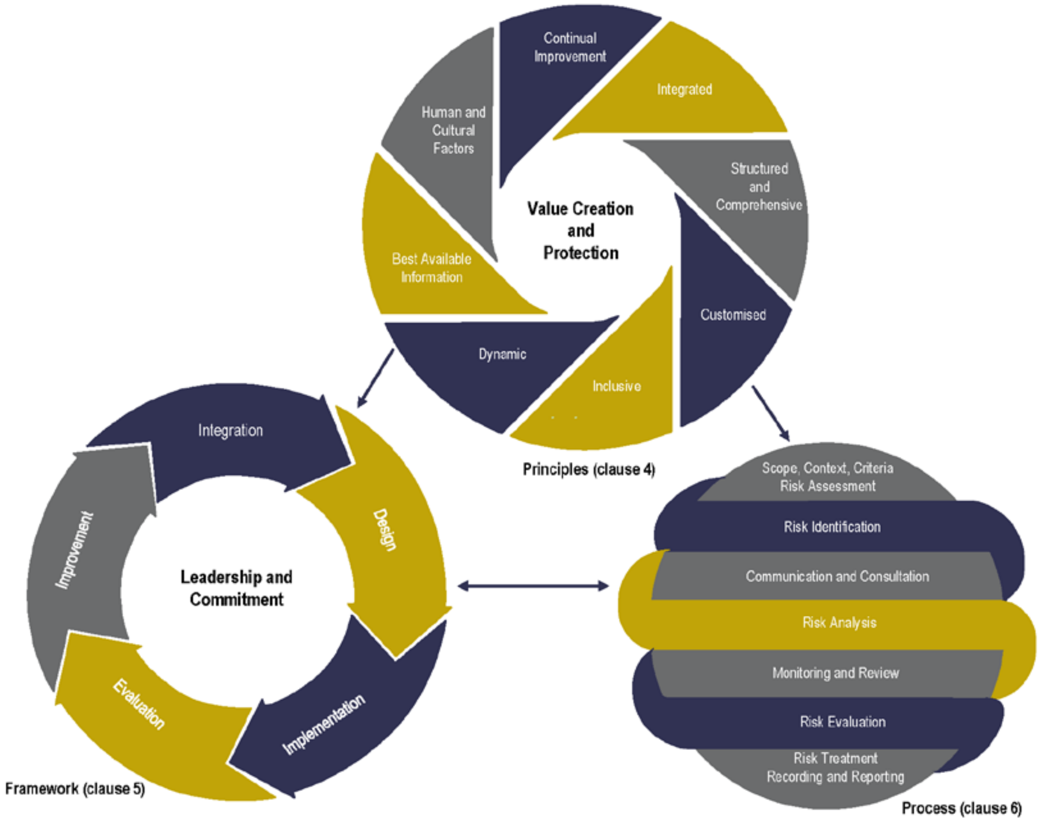


Figure 1 : Relationship between the Risk Management Principles, Framework and Process
(Source : ISO 31000:2018)

2 Governance

Appropriate governance of risk management within the EMRC provides:

- Transparency of decision-making.
- Clear identification of the roles and responsibilities of the risk management functions.
- An effective governance structure to support the risk framework.

Framework Review

The Risk Management Framework is to be reviewed for appropriateness and effectiveness at least every three years.

Operating Model

The EMRC has adopted a "Three Lines of Defence" model for the management of risk. This model ensures roles; responsibilities and accountabilities for decision-making are structured to demonstrate effective governance and assurance. By operating within the approved risk appetite and framework, the Council, Management and Community will have assurance that risks are managed effectively to support delivery of the EMRC's Strategic, Corporate and Operational Plans.

First Line of Defence

All operational areas of the EMRC are considered '1st Line'. They are responsible for ensuring that risks within their scope of operations are identified, assessed, managed, monitored and reported. Ultimately, they bear ownership and responsibility for losses or opportunities from the realisation of risk. Associated responsibilities include:

- Establishing and implementing appropriate processes and controls for the management of risk (in line with these procedures).
- Undertaking adequate analysis (data capture) to support the risk decision-making process.
- Prepare risk acceptance proposals where necessary, based on the level of residual risk.
- Retain primary accountability for the ongoing management of their risk and control environment.

Second Line of Defence

The Manager Procurement & Governance acts as the primary '2nd Line'. This position owns and manages the framework for risk management. They draft and implement the governance procedures and provide the necessary tools and training to support the 1st line process.

Maintaining oversight on the application of the framework provides a transparent view and level of assurance to the 1st and 3rd lines on the risk and control environment. Support can be provided by additional oversight functions completed by other 1st Line Teams (where applicable). Additional responsibilities include:

- Providing independent oversight of risk matters as required.
- Monitoring and reporting on emerging risks.
- Co-ordinating the EMRC's risk reporting for the CEO and Senior Management Team and the Audit Committee.

Third Line of Defence

Internal and External Audit are the third line of defence, providing independent assurance to the Council, Audit Committee and EMRC Management on the effectiveness of business operations and oversight frameworks (1st and 2nd Line).

Internal Audit	Appointed by the CEO to report on the adequacy and effectiveness of internal control processes and procedures. The scope of which would be determined by the CEO with input from the Audit Committee.
External Audit	Appointed by Council on the recommendation of the Audit Committee to report independently to the CEO on the annual financial statements only.

3 Governance Structure

The following diagram depicts the current operating structure for risk management within EMRC.

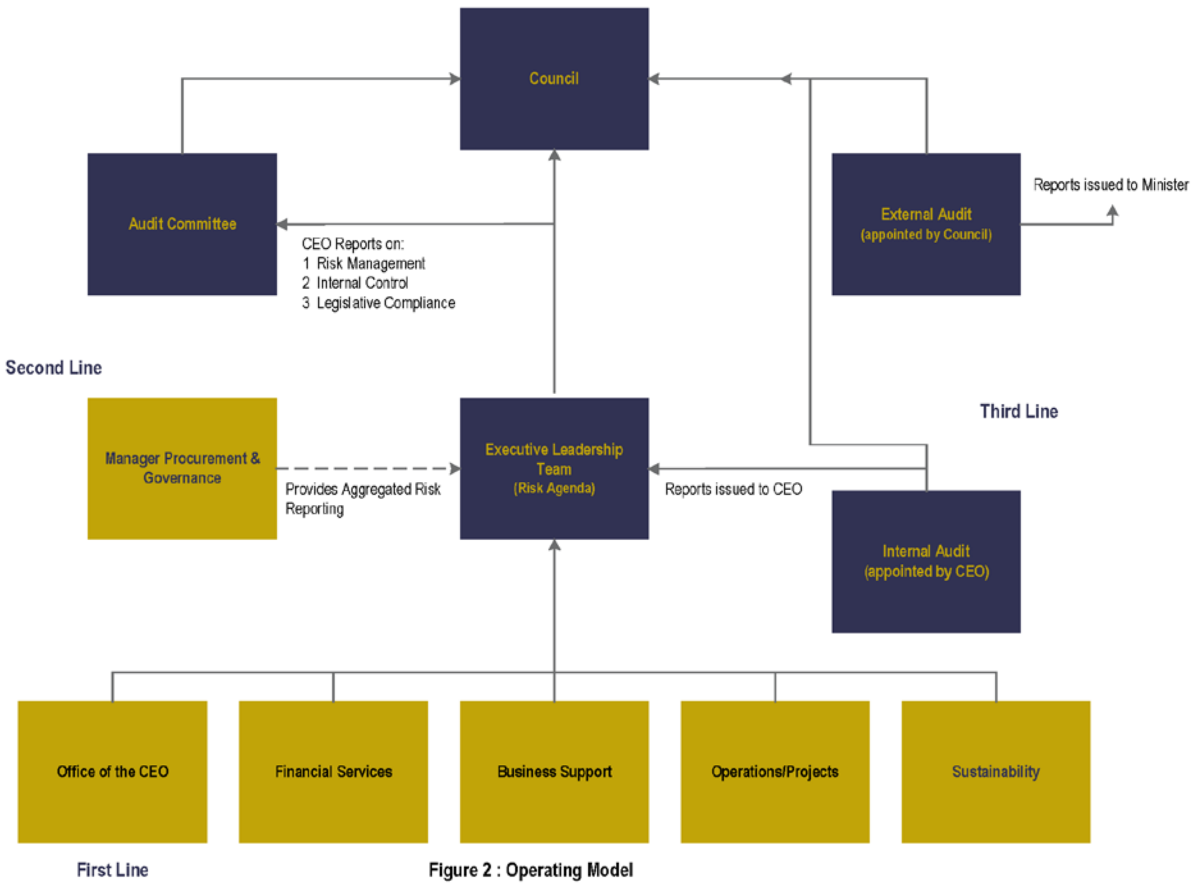


Figure 2 : Operating Model

4 Roles and Responsibilities

Council

- Review and approve the EMRC's Risk Management Policy and Risk Assessment & Acceptance Criteria.
- Appoint / Engage external Auditors to report on financial statements annually.
- Establish and maintain an Audit Committee in terms of *the Local Government Act 1995.*

Audit Committee

- Regular review of the appropriateness and effectiveness of the Framework.
- Support Council to provide effective corporate governance.
- Oversight of all matters that relate to the conduct of External Audits.
- Independent, objective and autonomous in deliberations.

CEO/Senior Management Team

- Appoint Internal Auditors as required under the *Local Government (Audit) Regulations 1996*.
- Liaise with Council in relation to risk acceptance requirements.
- Approve and review the appropriateness and effectiveness of the Risk Management Framework.
- Drive consistent embedding of a risk management culture.
- Analyse and discuss emerging risks, issues and trends.
- Document decisions and actions arising from risk-related matters.
- Own and manage the Risk Framework.

Manager Procurement and Governance

- Oversee and facilitate the Risk Management Framework.
- Support reporting requirements for risk-related matters.

Work Areas

- Drive risk management culture within work areas.
- Own, manage and report on specific risk issues as required.
- Assist in the risk & control management process as required.
- Highlight any emerging risks or issues accordingly.
- Incorporate risk management into meetings, by incorporating the following agenda items;
    - New or emerging risks.
    - Review existing risks.
    - Control adequacy.
    - Outstanding issues and actions.

5 Document Structure (Framework)

The following diagram depicts the relationship between the risk management Policy, Procedures and supporting documentation and reports.

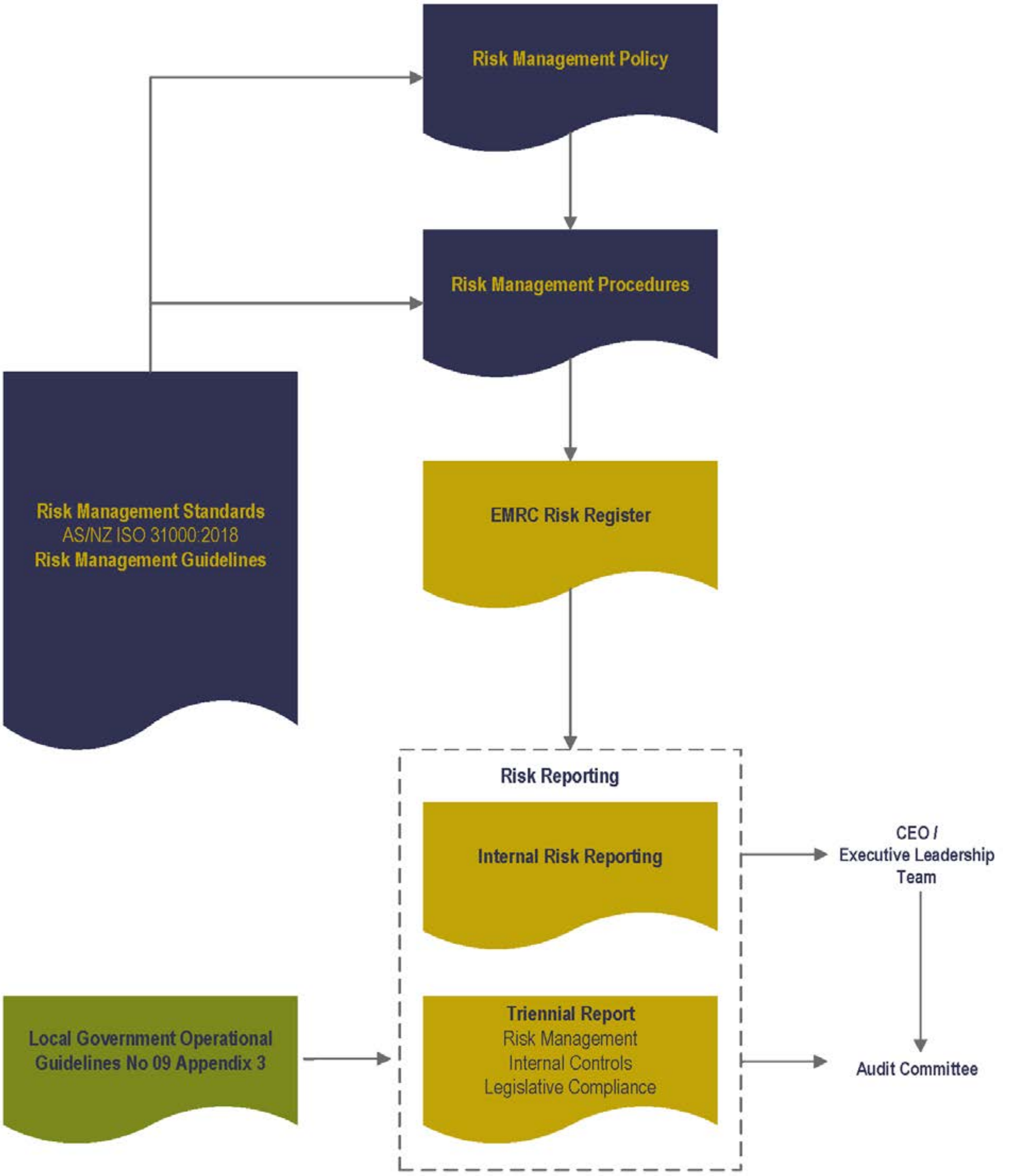


Figure 3 : Document Structure

6 Risk Management Procedures

All work areas of the EMRC are required to assess and manage risk on an ongoing basis.

Each manager, in conjunction with the Manager Procurement & Governance is accountable for ensuring that risk is:

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

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

The risk management process is standardised across all areas of the EMRC. The following diagram outlines that process with the following commentary providing broad descriptions of each step.

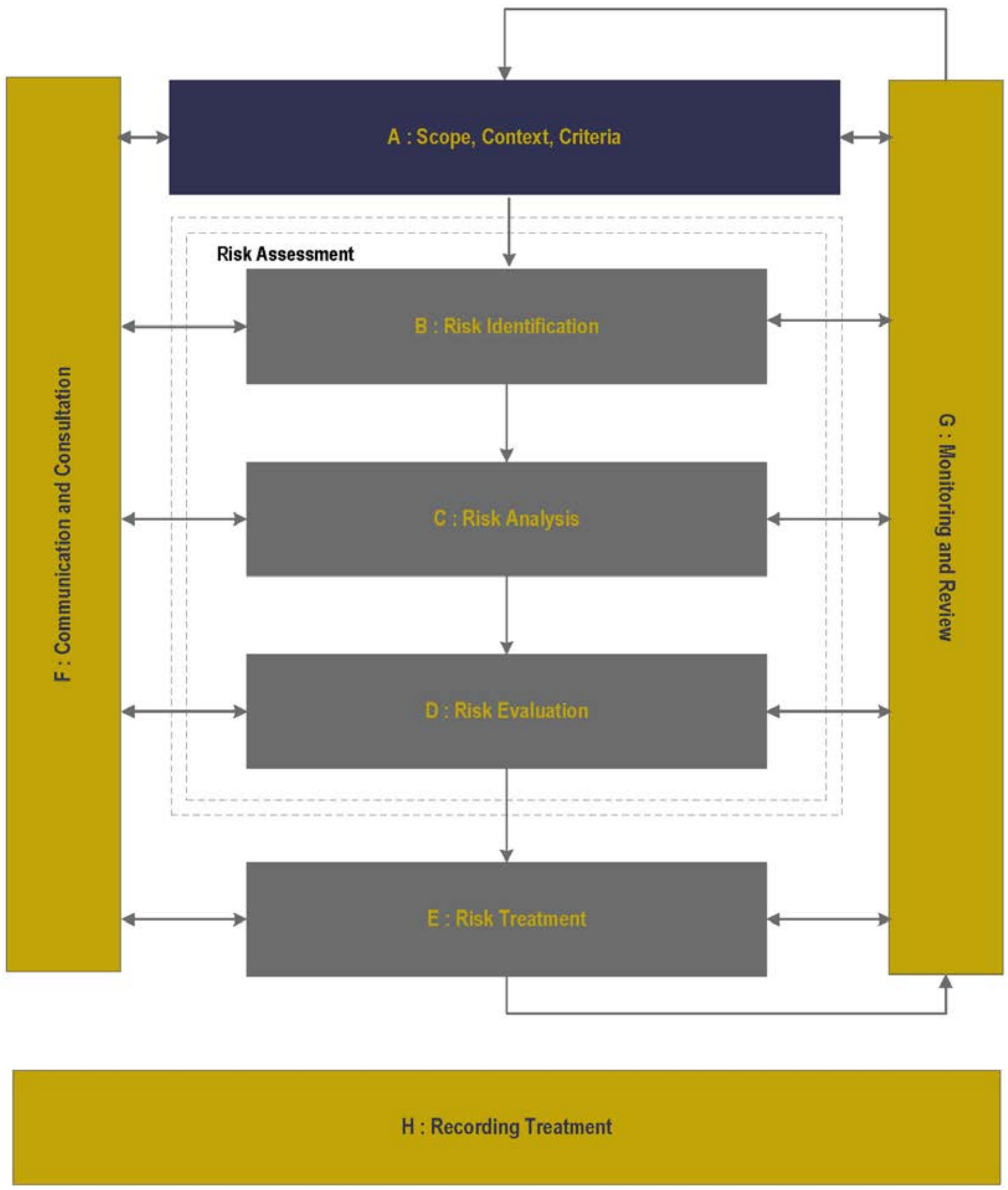


Figure 4: Risk Management Process ISO 31000:2018

A Scope, Context, Criteria

The first step in the risk management process is to understand the context within which risks are to be assessed and what is being assessed, this forms two elements:

Organisational Criteria

This includes the Risk Assessment and Acceptance Criteria (Appendix A) and any other tolerance tables as developed.

All risk assessments are to utilise these matrixes to allow consistent and comparable risk information to be developed and considered within planning and decision-making processes.

Scope and Context

To direct the identification of risks, the specific risk assessment context is to be determined prior to the assessment and used within the risk assessment process. Risk sources can be internal or external.

For specific risk-assessment purposes, the EMRC has three levels of risk assessment context:

Strategic Context

These risks are associated with achieving the organisation's long-term objectives. Inputs to establishing the strategic risk assessment context may include;

- Organisational Values / Vision
- Stakeholder Analysis
- Environment Scan / SWOT Analysis
- Strategies / Objectives / Goals (Integrated Planning & Reporting)

Operational Context

The EMRC's day to day activities, functions, infrastructure and services. Prior to identifying operational risks, the operational area should identify its key activities i.e. what it is aiming to achieve. In addition, existing identified risks are to be utilised where possible to assist in the identification of related risks.

These risks are expected to change over time. In order to ensure consistency, the Executive Management Group must approve any amendments.

Project Context

Project Risk has two main components:

- Direct context refers to the risks that may arise because of project activity (i.e. impacting on process, resources or IT systems), which may prevent the EMRC from meeting its objectives.
- Indirect refers to the risks that threaten the delivery of project outcomes.

In addition to understanding what is to be assessed, it is also important to understand who are the key stakeholders or areas of expertise that may need to be included within the risk assessment.

B Risk Identification

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

Figure 5 : Event (Risk) Sequence

Using the specific risk assessment context as the foundation and in conjunction with relevant stakeholders, raise the questions listed below and then capture and review the information within each defined risk. The objective is to identify potential risks that could stop the EMRC from achieving its goals. This step is also where opportunities for enhancement or gain across the organisation can be found.

These questions / considerations should be used only as a guide, as unidentified risks can cause major losses through missed opportunities or adverse events occurring. Additional analysis may be required.

Risks can also be identified through other business operations including policy and procedure development, internal and external audits, customer complaints, incidents and systems analysis.

'Brainstorming' will always produce a broad range of ideas and all things should be considered as potential risks. Relevant stakeholders are considered to be the subject experts when considering potential risks to the objectives of the work environment and should be included in all risk assessments being undertaken. Key risks can then be identified and captured within risk categories.

- What can go wrong? / What are areas of uncertainty? (Risk Description)
- How may this risk eventuate? (Potential Causes)
- What are the current measurable activities that mitigate this risk from eventuating? (Controls)
- What are the potential consequential outcomes of the risk eventuating? (Consequences)

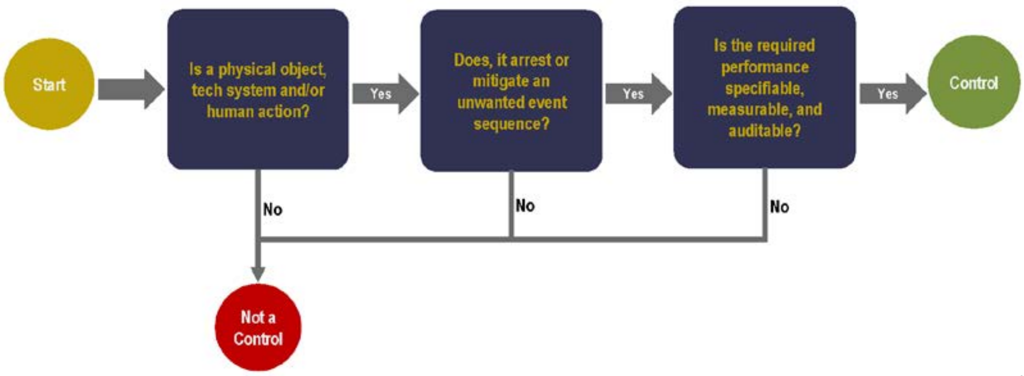
Risk Description Describe what the risk is and specifically where control may be lost. They can also be described as an event. They are not to be confused with outcomes following an event, or the consequences of an event.

Potential Causes Are the conditions that may present or the failures that may lead to the event, or point in time when control is lost (risk).

Controls Are measures that modify risk. At this point in the process, only existing controls should be considered. They must meet the following three tests to be considered controls:

1. Is it an object, technological system and / or human action?
2. Does it, by itself, arrest or mitigate an unwanted sequence?
3. Is the required performance specifiable, measureable and auditable?

Consequences Need to be impacts to the EMRC. These can be staff, visitor or contractor injuries; financial; interruption to services; non-compliance; damage to reputation or assets or the environment. There is no need to determine the level of impact at this stage.



C Risk Analysis

To analyse identified risks, the EMRC's Risk Assessment and Acceptance Criteria (Appendix A) is now applied.

Step 1 - Consider the Effectiveness of Key Controls

Controls need to be considered from three perspectives:

1. The design effectiveness of each individual key control.
2. The operating effectiveness of each individual key control.
3. The overall or combined effectiveness of all identified key controls.

Design Effectiveness

This process reviews the 'design' of the controls to understand their potential for mitigating the risk without any operating influences. Controls that have inadequate designs will never be effective, even if performed perfectly every time.

There are four components to be considered in reviewing existing controls or developing new ones:

1. Completeness – The ability to ensure the process is completed once. How does the control ensure that the process is not lost or forgotten, or potentially completed multiple times?
2. Accuracy – The ability to ensure the process is completed accurately, that no errors are made or components of the process missed.
3. Timeliness – The ability to ensure that the process is completed within statutory timeframes or internal service level requirements.
4. Theft or Fraud – The ability to protect against internal misconduct or external theft / fraudulent activities.

It is very difficult to have a single control that meets all the above requirements when viewed against a risk category. It is imperative that all controls are considered so that the above components can be met across a number of controls.

Operating Effectiveness

This process reviews how well the control design is being applied. Similar to above, the best-designed control will have no impact if it is not applied correctly.

As this generally relates to the human element of control application, four main approaches can be employed by management or the risk function to assist in determining the operating effectiveness and / or performance management.

- Re-perform – this is only applicable for those short timeframe processes where they can be re-performed. The objective is to re-perform the same task, following the design to ensure that the same outcome is achieved.
- Inspect – review the outcome of the task or process to provide assurance that the desired outcome was achieved.
- Observe – physically watch the task or process being performed.
- Inquire – through discussions with individuals / groups determine the relevant understanding of the process and how all components are required to mitigate any associated risk.

Overall Effectiveness

This is the value of the combined controls in mitigating the risk. All factors as detailed above are taken into account so that a considered qualitative value can be applied to the 'control' component of risk analysis.

The criterion for applying a value to the overall control is the same as for individual controls and can be found in Appendix A under 'Existing Control Ratings'.

Step 2 – Determine the Residual Risk rating

There are three components to this step:

1. Determine relevant consequence categories and rate the 'probable worst consequence' if the risk eventuated with existing controls in place. This is not the worst-case scenario but rather a qualitative judgement of the worst scenario that is probable or foreseeable. (Consequence)
2. Determine how likely it is that the 'probable worst consequence' will eventuate with existing controls in place. (Likelihood)
3. Using the EMRC's Risk Matrix, combine the measures of consequence and likelihood to determine the risk rating. (Risk Rating)

D Risk Evaluation

Risk evaluation takes the residual risk rating and applies it to the EMRC's Risk Acceptance Criteria (Appendix A) to determine whether the risk is within acceptable levels to the EMRC.

The outcome of this evaluation will determine whether the risk is low; moderate; high or extreme.

It will also determine using the Risk Acceptance Criteria, what (if any) high-level actions or treatments need to be implemented.

Note: Individual Risks or Issues may need to be escalated due to urgency, level of risk or of a systemic nature.

E Risk Treatment

There are generally two requirements following the evaluation of risks.

1. In all cases, regardless of the residual risk rating, controls rated 'Inadequate' must have a treatment plan (action) to improve the control effectiveness to at least 'Adequate'.
2. If the residual risk rating is high or extreme, treatment plans must be implemented to either:
   a. Reduce the consequence of the risk materialising.
   b. Reduce the likelihood of occurrence.
      (Note: these should have the desired effect of reducing the risk rating to at least moderate)
   c. Improve the effectiveness of the overall controls to 'Effective' and obtain approval to accept the risk as per the Risk Acceptance Criteria.

Once a treatment has been fully implemented, the Manager Procurement and Governance is to review the risk information and acceptance decision with the treatment now noted as a control, and those risks that are acceptable then become subject to the monitor and review process (Refer to Risk Acceptance section).

Risk Acceptance

Day to day operational management decisions are generally managed under the delegated authority framework of the EMRC. Risk Acceptance is a management decision to accept, within authority levels, risks that fall within EMRC's risk appetite (refer Appendix A – Risk Assessment and Acceptance Criteria).

For those identified risks that remain outside of appetite, the following process must be followed:

The 'Risk Acceptance' must be in writing, signed by the relevant Manager, copied to the CEO, and include;

- A description of the risk and the reasons for holding a risk outside appetite
- An assessment of the risk (e.g. Impact consequence, materiality, likelihood, working assumptions etc)
- Details of any mitigating action plans or treatment options in place
- An estimate of the expected remediation date.

A lack of budget / funding to remediate a material risk outside appetite is not sufficient justification in itself to accept a risk.

Accepted risks must be continually reviewed through standard operating reporting structure (i.e. Management Team).

F Communication & Consultation

Effective communication and consultation are essential to ensure that those responsible for managing risk, and those with a vested interest, understand the basis on which decisions are made and why particular treatment / action options are selected or the reasons to accept risks have changed.

As risk is defined as the effect of uncertainty on objectives, consulting with relevant stakeholders assists in the reduction of components of uncertainty. Communicating these risks and the information surrounding the event sequence ensures decisions are based on the best available knowledge.

G Monitoring and Review

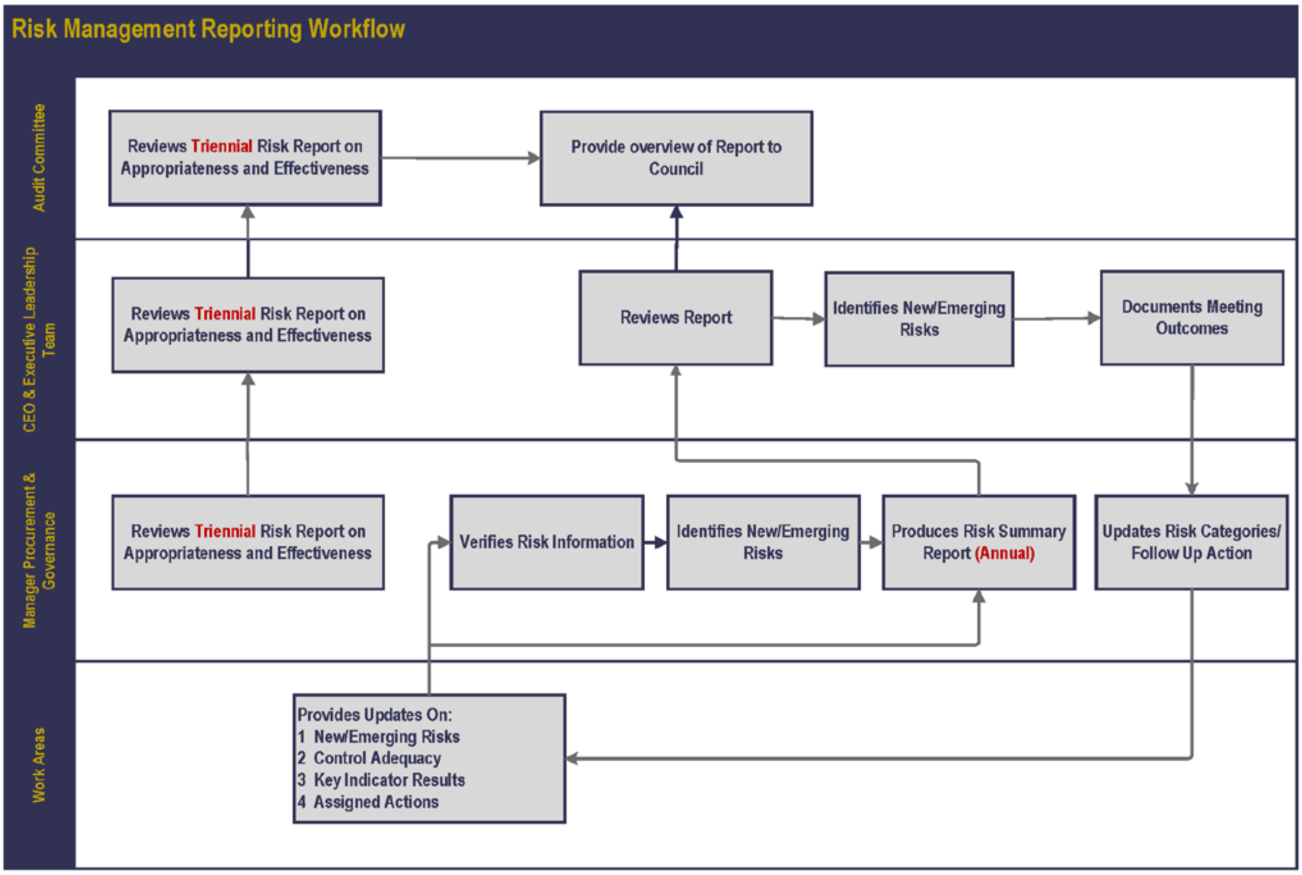
It is essential to monitor and review the management of risks, as changing circumstances may result in some risks increasing or decreasing in significance.

By regularly reviewing the effectiveness and efficiency of controls and the appropriateness of treatment / action options selected, we can determine if the organisation's resources are being put to the best use possible.

During the reporting process, management are required to review any risks within their area and follow up on controls, treatments, and actions mitigating those risks. Monitoring and the reviewing of risks, controls and treatments also apply to any actions / treatments to originate from an internal audit. The audit report will provide recommendations that effectively are treatments for risks that have been tested during an internal review.

H Recording and Reporting

The following diagram provides a high-level view of the ongoing reporting process for risk management.



Each Work Area is responsible for ensuring:

- They continually provide updates in relation to new, emerging risks, control effectiveness and key indicator performance to the Manager Procurement & Governance.
- Work through assigned actions and provide relevant updates to the Manager Procurement & Governance.
- Risks / Issues reported to the CEO & Senior Management Team are reflective of the current risk and control environment.
- The Manager Procurement & Governance is responsible for:
- Ensuring EMRC risk categories are formally reviewed and updated, at least on a 12-month cycle or earlier when there has been a material restructure, change in risk ownership or change in the external environment.
- Annual risk reporting for the CEO & Senior Management Team is an overview of the risk summary for the EMRC.
- Annual Compliance Audit Return completion and lodgement.

7 Key Indicators

Key Indicators may be used for monitoring and validating key risks and controls. The following describes the process for the creation and reporting of Key Indicators:

7.1. Identification

7.2 Validity of Source

7.3 Tolerances

7.4 Monitor & Review

7.1. Identification

The following represent the minimum standards when identifying appropriate Key Indicators:

- The risk description and casual factors are fully understood
- The Key Indicator is fully relevant to the risk or control
- Predictive Key Indicators are adopted wherever possible
- Key Indicators provide adequate coverage over monitoring key risks and controls

7.2 Validity of Source

In all cases, an assessment of the data quality, integrity and frequency must be completed to ensure that the Key Indicator data is relevant to the risk or control.

Where possible the source of the data (data owner) should be independent to the risk owner. Overlapping Key Indicators can be used to provide a level of assurance on data integrity.

If the data or source changes during the life of the Key Indicator, the data is required to be re-validated to ensure reporting of the Key Indicator against a consistent baseline.

7.3 Tolerances

Tolerances are based on the EMRC's Risk Appetite. They are set and agreed over three levels:

- Green Within appetite, no action required.
- Amber The Key Indicators must be closely monitored and relevant actions set and implemented to bring the measure back within the green tolerance.
- Red Outside of risk appetite, the Key Indicator must be escalated to the CEO & Management Team. Where appropriate, management actions are to be set and implemented to bring the measure back within appetite.

7.4 Monitor and Review

All active Key Indicators are updated as per their stated frequency of the data source.

When monitoring and reviewing Key Indicators, the overall trend must be considered over a longer timeframe than that of individual data movements only. The trend of the Key Indicators is specifically used as an input to the risk and control assessment.

Risk Assessment and Acceptance Criteria

Eastern Metropolitan Regional Council Measures of Consequences									
Rating (Level)	Health / People	Financial Impact	Service Interruption	Compliance	Reputational	Property	Environment	Project Time	Project Cost
Insignificant (1)	Near miss. Minor first aid injuries	Less than $20,000	No material service interruption	No noticeable regulatory or statutory impact	Unsubstantiated, low impact, low profile or 'no news' item	Inconsequential damage.	Contained, reversible impact managed by on site response	Exceeds deadline by 10% of project timeline	Exceeds project budget by 10%
Minor (2)	Medical type injuries	$20,001 - $500,000	Short term temporary interruption – backlog cleared < 1 day	Some temporary non-compliances	Substantiated, low impact, low news item	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response	Exceeds deadline by 15% of project timeline	Exceeds project budget by 15%
Moderate (3)	Lost time injury <30 days	$500,001 - $1.5 Million	Medium term temporary interruption – backlog cleared by additional resources	Short term non-compliance but with significant regulatory requirements imposed	Substantiated, public embarrassment, moderate impact, moderate news profile	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies	Exceeds deadline by 20% of project timeline	Exceeds project budget by 20%
Major (4)	Lost time injury >30 days	$1.5 Mil - $3 Million	< 1 week	Non-compliance results in termination of services or imposed penalties	Substantiated, public embarrassment, high impact, high news profile, third party actions	Significant damage requiring internal and external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies	Exceeds deadline by 25% of project timeline	Exceeds project budget by 25%
Catastrophic (5)	Fatality, permanent disability	More than $3 Million	Prolonged interruption of services – additional resources; performance affected	Non-compliance results in litigation, criminal charges or significant damages or penalties	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions	Extensive damage requiring prolonged period of restitution Complete loss of plant, equipment and building	Uncontained, irreversible impact	Exceeds deadline by 30% of project timeline	Exceeds project budget by 30%

Measures of Likelihood			
Level	Rating	Description	Frequency
1	Almost Certain	The event is expected to occur in most circumstances (>90% chance)	More than once per year
2	Likely	The event will probably occur in most circumstances (>50% chance)	At least once per year
3	Possible	The event should occur at some time (20% chance)	At least once in 3 years
4	Unlikely	The event could occur at some time (<10% chance)	At least once in 10 years
5	Rare	The event may only occur in exceptional circumstances (<5% chance)	Less than once in 15 years

Risk Matrix						
Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	1	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	2	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	4	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	5	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

Risk Appetite Statement

Purpose

The EMRC is strongly committed to risk management as part of its corporate governance framework. The EMRC's Risk Management Strategy is focused on ensuring that the EMRC makes informed decisions in terms of its strategies and operations ensuring that risks and opportunities are adequately considered.

Risk Appetite

Risk Appetite relates to the amount and type of risk that the EMRC is willing to take in order to achieve its strategic objectives.

The EMRC's overall risk appetite is "risk averse''. When discussing risk appetite, acceptable tolerances will be defined using the following terminology:

- No tolerance
- Low tolerance
- Moderate tolerance
- High tolerance

The EMRC's culture is focused on innovation and continuous improvement and delivering innovation and focusing on opportunities to enhance service delivery carry risk. What is important is that the EMRC takes calculated risks by ensuring that risks are properly identified, evaluated and managed to ensure that risk exposure is acceptable.

The EMRC's risk appetite is generally higher when it can be demonstrated that the benefits created through innovative concepts outweigh the associated risks.

The EMRC's Risk Appetite is assessed against the main areas of risk consequence expressed within the Risk Management Plan.

Health/People

The EMRC has a low appetite for workplace injury to employees and contractors, acknowledging that the nature and diversity of work undertaken may result in minor injuries. Work safety practices are subject to ongoing review and there is no tolerance for employees not following safe work practices.

The EMRC's safety management practices are designed to proactively identify and control workplace hazards and there is no appetite for the non-effective use of this process. In the event of injury or near miss, these events are to be reported as soon as practically possible in order to provide appropriate support and to reduce the opportunity for reoccurrences.

There is also no appetite for incidents that are reasonably foreseeable and issues that may impact public safety. The EMRC carries out routine inspections of land and public areas under the EMRC's care and control and facilities in order to identify potential hazards, with mitigation works carried out according to the risk. Public notifications of potential hazards are also prioritised and scheduled according to the risk.

Financial Impact

The EMRC has no appetite for any actions that are known, or upon reasonable investigation, ought to be known, to unacceptably threaten the long-term financial sustainability of the EMRC. So as to achieve financial sustainability, the EMRC may undertake investigation into alternate revenue streams hence there is a moderate appetite for activities that are likely to provide economic and revenue growth opportunities.

The EMRC's Investment Policy outlines the risk appetite which is aligned with Local Government Legislative requirements. Focus is on maintaining liquidity, for which there is a low appetite to risk.

Materiality will be a guiding principle in assessing financial risk appetite.

Service Interruption

The EMRC has no appetite for service disruptions exceeding one business day. There is a low appetite for ongoing disruption to core services that provide direct customer contact that exceed one business day.

In order to support service delivery across the business there is a low appetite for Information Technology and key corporate systems disruptions and the EMRC's IT Assets must be secure, routinely backed up and maintained.

Compliance

The EMRC is subject to a number of statutory and regulatory obligations and there is no appetite for deliberate unlawful actions by Employees or Elected Members.

The EMRC is reliant on a combination of policies, procedures and processes to maintain compliance. There is a low appetite for minor and unintentional breaches, or activities that may result in non-compliance by the EMRC Employees or Elected Members.

Reputational

The EMRC has no appetite for theft, fraud or misconduct by employees, Elected Members or external parties for which the EMRC is vicariously liable.

The EMRC has a low appetite for actions or activities that have a sustained adverse impact on the EMRC's reputation, where those risks are avoidable through the application of good governance and practices.

The EMRC regards customer service as vitally important and the appetite for inaccurate and untimely advice is low.

Property

There is a low appetite for extensive damage to property including plant and machinery requiring a prolonged period of restitution.

The EMRC has no appetite for complete loss of plant, equipment and building resulting in service disruptions of more than one day.

Environment

The EMRC operates within a diverse and complex natural environment. Maintaining its natural environment and focusing on long term sustainability is key focus for the EMRC.

As such the EMRC has no appetite for unauthorised activities that are known, or ought to be known to result in degradation of the natural environment.

The EMRC has a low appetite for inadequacies relating to natural hazard risk mitigation under its direct control and a medium appetite where risk is impacted by third parties and accordingly will seek to ensure proactive mitigation in all such risks in coordination with relevant state government agencies.

The EMRC has a low appetite for ineffective contaminated site management.

Project Time

The EMRC has a low appetite for variations for significant or high-risk projects that exceed 10% of time and has a medium appetite to variations for other projects.

Project Cost

The EMRC has a low appetite for project cost variances exceeding 10%.

Risk Appetite Summary

Risk Appetite Rage	Low Appetite	Moderate Appetite	High Appetite
Approach to Risk	Accept as little risk as possible and take a cautious approach towards risk	Balanced and Informed approach to risk taking	A more aggressive approach for increased benefit or to achieve a key Strategic Outcome
Risk Category			
Health/People	'Office' based staff	'Outside' staff undertaking manual labour / plant	Staff undertaking emergency service activities
Financial Impact	Activities that impact financial liquidity	Activities with a low value	Activities with a low value that are likely to provide economic or revenue growth opportunities
Service Interruption	Activities that result in ongoing disruption to core services	Activities that result in minor disruption to a small number of services.	Minor service disruption that will enable improved delivery of services to the Member Councils and community in the future
Compliance	Minor un-intentional breaches of legislation Moderate unintentional breaches of policy or procedures Moderate unintentional breaches of process that occur in an emergency situation		
Reputational	Activities that impact a large part of the eastern region community	Activities that impact a small number of the eastern region community and are for the greater good.	Activities that impact minor groups with overall benefits that far outweigh the pain
Property	Activities that result in Extensive damage to property, plant and machinery resulting in service disruptions or complete loss of plant, equipment and building	Localised damage to property, plant and machinery requiring external resources to rectify	Inconsequential damage to property, plant and machinery
Environment	Inadequate Natural hazard risk mitigation	Activities that may result in minor environmental impacts or breaches	Activities that may result in minor environmental impacts whilst providing improved services to the wider community
Project Time & Cost	Activities that exceed 10% cost or time variations	Small value low profile	Innovation and ongoing Member Council benefits shared across the eastern region

12 REPORTS OF DELEGATES

Nil

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

Nil

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

Nil

At this point of the meeting, Cr Clarke enquired if it was possible to query the conduct of the audit without the EMRC staff being present.

Upon a query, Cr Clarke confirmed the minute taker could stay.

The Chairman advised that this should have been done during the Item (11.1), but agreed to accommodate the request as the auditors remained in the room.

With the exception of the Personal Assistant to the CFO, all staff departed the Council Chambers at 5:22 pm.

Cr Clarke queried the auditors regarding any concerns on the audit.

Mr Hall advised that the audit represented the second year that Butler Settineri is the contract auditor. The audit team dealt mainly with the CFO, Manager Financial Services and Finance Team Leader. There were no difficulties with the staff or management and it was a pleasure working with them. The challenge this year was with the changes to the Regulations, which impacted all local governments. Management have been supportive and on board with the process.

Cr Jeans enquired whether the Asset Ratios benchmarks have been updated or resolved.

Mr Wong advised that the Department of Local Government has not finalised any changes to the ratios that it sets.

At the conclusion of the discussion with the auditors at 5:33 pm the EMRC staff returned to the Council Chambers.

15 FUTURE MEETINGS OF THE AUDIT COMMITTEE

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

"4 Meetings

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

a. *Approval of strategic and annual plans;*

b. *Approval of the annual budget; and*

c. *The auditor's report on the annual financial report."*

Future Meetings 2021

TBA

16 DECLARATION OF CLOSURE OF MEETING

The Chairman advised that this is the last Audit Committee meeting scheduled for 2020 as we approach the holiday season.

The Chairman thanked everyone for their contribution to the EMRC Audit Committee during this time and wished everyone a bright and peaceful holiday season.

There being no further business the meeting was closed at 5.35 pm.