MINUTES

CERTIFICATION OF CONFIRMATION OF AUDIT COMMITTEE MINUTES

4 SEPTEMBER 2014

I, Cr David Färdig hereby certify that the minutes from the Audit Committee Meeting held on 4 September 2014 pages (1) to (116) were confirmed at a Committee meeting held on 5 March 2015.

Signature

Cr David Färdig
Person presiding at Meeting

AUDIT COMMITTEE

MINUTES

4 September 2014

(REF: D2014/08102)

A meeting of the Audit Committee was held at the EMRC Administration Office, 1st Floor, 226 Great Eastern Highway, BELMONT WA 6104 on **Thursday, 4 September 2014**. The meeting commenced at **6:30pm.**

TABLE OF CONTENTS

1 DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

The Chairman opened the meeting at 6:30pm.

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

Councillor Attendance

Cr David Färdig **(Chairman)**	EMRC Member	City of Swan
Cr Steve Wolff **(Deputy Chairman)**	EMRC Member	City of Belmont
Cr Gerry Pule	EMRC Member	Town of Bassendean
Cr Chris Cornish	EMRC Member	City of Bayswater
Cr Andrew Waddell (Deputising for Cr O'Connor)	EMRC Deputy Member	Shire of Kalamunda
Cr Bob Perks (Deputising for Cr Pilgrim)	EMRC Deputy Member	Shire of Mundaring

Leave of Absence Previously Approved

Cr Pilgrim, (from 01/09/2014 to 30/09/2014 inclusive)

Apologies

Cr Dylan O'Connor	EMRC Member	Shire of Kalamunda
Cr Frank Lindsey	EMRC Member	Shire of Kalamunda
Cr Tony Cuccaro	EMRC Member	Shire of Mundaring

EMRC Officers

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

Visitors

Mr Tony Macri	Macri Partners
Mr Mit Gudka	Macri Partners
Mr James Cottrill	Stantons International
Mr Levy Mpofu	Stantons International

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 5 JUNE 2014

That the Minutes of the Audit Committee meeting held 5 June 2014, which have been distributed, be confirmed.

AC RESOLUTION(S)

MOVED CR WOLFF SECONDED CR PULE

THAT THE MINUTES OF THE AUDIT COMMITTEE HELD ON 5 JUNE 2014, 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

The following question by Cr Pule was taken on notice at the Audit Committee meeting held on 5 June 2014.

Question*:* How does Macri Partners (EMRC's external auditors) view the level of risk on term deposit investments awaiting maturity, specifically those that have been rerated and their ratings are outside of the EMRC investment policy?

Response: In July 2014, the EMRC's external auditor, Macri Partners reviewed and ascertained the EMRC's investment of surplus funds.

Summary of their findings are as follows:

- *At the time of placement with the ING Bank these deposits complied with Council's investment policy.*
- *During February 2014, the short term credit rating was downgraded from A1 to A2 by Standard & Poor's rating services.*
- *The auditor contacted EMRC investment advisors to discuss a range of issues including risk factors associated with the investment.*
- *It is noted that ING Bank does not allow for an early redemption of term deposits unless there are extenuating circumstances.*
- *The EMRC advisors considered the downgrading of ING Bank as low risk.*
- *Macri Partners advised that the EMRC's internal control and procedures with respect to its investment of surplus funds is satisfactory.*
- *The auditors also noted that the maturity dates of the remaining investments will mature in July and August 2014.*

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 INTERNAL AUDIT REPORT PROGRAMME 2013/2014

REFERENCE: D2014/08104

PURPOSE OF REPORT

The purpose of this report is to present the Audit Committee (AC) with the internal audit report of the 2013/2014 internal audit programme.

KEY ISSUES AND RECOMMENDATION(S)

- At the September 2011 round of meetings, Council endorsed a four year internal audit programme consisting of 16 auditable areas.
- This year represents the third year of the internal audit programme which commenced in May 2014 for the Accounts Receivable, Human Resource Management, Records Management and Waste Management audit areas.
- The internal audit report covering each of the above areas is attached and has been assessed with overall ratings of satisfactory to very good and no major issues identified.

Recommendation(s)

That Council notes the 2013/2014 internal audit report forming the attachment of this report.

SOURCE OF REPORT

Director Corporate Services

BACKGROUND

At the Audit Committee (AC) meeting held on 22 September 2011 (Ref: D2014/154361), the Committee endorsed a four year audit programme, which was subsequently adopted by Council at its meeting of 22 September 2011.

The four year programme consists of:

Auditable Area	Year			
	2011/2012	2012/2013	2013/2014	2014/2015
Contract Management	✓			
IT General Controls	✓			
Payroll	✓			
Procurement	✓			
Accounts Payable		✓		
Corporate Governance		✓		
Grants Management		✓		
Risk Management		✓		
Human Resource Management			✓	

Item 11.1 continued

Auditable Area	Year			
	2011/2012	2012/2013	2013/2014	2014/2015
Waste Management			✓	
Accounts Receivable			✓	
Records Management			✓	
Investment Policies				✓
Taxation				✓
Project Planning				✓
IT Vulnerability Assessment				✓

REPORT

The internal audit programme for this year commenced in May 2014 for the following audit areas, specifically:

- Accounts Receivable;
- Human Resource Management:
- Records Management; and
- Waste Management

The overall assessments of the quality of management controls for the Accounts Receivable, Human Resource Management, Records Management and Waste Management audit areas were satisfactory to very good with no major issues identified.

The report for the 2013/2014 internal audit programme is attached.

Arrangements have been made for a representative of the EMRC's internal auditors, Stantons International, to be in attendance at the meeting to give an overview of their findings and address any queries the Audit Committee may have.

STRATEGIC/POLICY IMPLICATIONS

Key Result Area 4 – Good Governance

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

4.4 To continue to improve financial and asset management practices

FINANCIAL IMPLICATIONS

The annual budget provides for the internal audit function.

Item 11.1 continued

SUSTAINABILITY IMPLICATIONS

The internal audit function assists in ensuring the EMRC remains economically sustainable.

MEMBER COUNCIL IMPLICATIONS

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

ATTACHMENT(S)

Internal Audit Report July 2014 (Ref: D2014/10566)

VOTING REQUIREMENT

Simple Majority

RECOMMENDATION(S)

That Council notes the 2013/2014 internal audit report forming the attachment of this report.

AC RECOMMENDATION(S)

MOVED CR PULE SECONDED CR WOLFF

That Council notes the 2013/2014 internal audit report forming the attachment of this report.

CARRIED UNANIMOUSLY

Stantons International Audit and Consulting Pty Ltd trading as

Stantons International

Chartered Accountants and Consultants

EASTERN METROPOLITAN REGIONAL COUNCIL

Internal Audit Report

July 2014

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

TABLE OF CONTENTS

1.0 SUMMARY OF FINDINGS

Auditable Area	Summary of Findings
Accounts Receivable	There were no issues identified. Controls around Accounts Receivable processes are adequate and operating effectively as intended.
Human Resource Management	There were no issues identified. Human Resource Management processes are sound.
Records Management	We identified that records at the Red Hill Waste Facility are not adequately secured from physical risks such as fire or excessive humidity. We have been advised that work is currently underway to review the records as part of the record appraisal process.
Waste Management	There were no findings identified with regards Waste Management.

2.0 AUDITABLE AREAS

The 2013-14 Internal Audit was in relation to the following auditable areas:

- Accounts Receivable
- Human Resource Management
- Records Management
- Waste Management.

Refer to section 4.0 for the detailed scope and objectives related to each auditable area.

3.0 RISK RATINGS AND INTERPRETATION

Risks Rating	Rating Interpretation	Suggested timing of implementing recommendations
CRITICAL	*The finding poses a severe risk to the organisation if not appropriately and timely addressed.*	*Commence remedial action immediately*
MAJOR	*The finding poses significant risk to the organisation if not appropriately and timely addressed.*	*Commence remedial action within 3 months*
MODERATE	*The finding poses less significant risk to the organisation if not appropriately and timely addressed.*	*Commence remedial action within 6 months*
MINOR	*The finding poses minimal risk to the organisation If not appropriately and timely addressed, the risk may develop more or cause other risks to develop.*	*Commence remedial action within 12 months*

****

Inherent Limitations

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation.

****

4.0 SUMMARY OF OBSERVATIONS

The sections below provide a summary of the areas assessed in our audit fieldwork.

4.1 ACCOUNTS RECEIVABLE

4.1.1 Quality of Management Control

Quality of Management Control:	☐ Excellent ☐ Very Good ☑ **Satisfactory** ☐ Needs Improvement ☐ Unsatisfactory	**Overall Risk Exposure** (considering controls in place)	**Low** Medium High	☑ ☐ ☐

4.1.2 Scope and Objectives

Audit Objectives:	The objective of this audit was to provide comment on the design and effectiveness of financial controls to ensure the accounts receivable balance is accurate and that monies due to the EMRC are properly collected.

Audit Scope	The scope of this audit consisted of evaluation, analytical reviews, interviews and tests of controls based on samples where appropriate, including: • Cash receipting process • Process for approving credit notes • Reconciliation process • Process for follow up of aged debtors • Segregation of duties • Amounts captured into the receivables account is accurate and timely • Bad debts and write-offs in relation to accounts receivables • Controls to restrict user access to billing module • Creation of new debtor accounts • Credit checks prior to provision of goods and services.

4.1.3 Detailed Audit Assessment

Accounts receivable is an organisational asset; an amount owed to an organisation for goods or services provided. In the event that business processes and systems around the management of accounts receivable are not adequately and properly managed a number of risks may occur. Below are some common risks:

- Invoices may be raised based on incorrect prices resulting in loss of revenue
- Falsified and incorrect credit adjustments may occur resulting in loss of revenue
- Invoiced amounts may not be issued, receipted in an accurate and timely manner into the financial system impacting on cash flow
- Cash and/or credit card receipts may not be remitted to the bank in a secure and timely manner
- Inadequate records supporting the raising and/or receipt of revenue for services provided may arise leading to possible concealment of fraudulent activities.

We assessed the accounts receivable (revenue cycle) environment to determine the effectiveness of processes in place to ensure the above risks were well mitigated. We assessed the existing policies and procedures that provide guidance and management direction in relation to accounts receivable for adequacy, completeness and currency. We also performed detailed examination through audit tests including direct interviews with operational staff in the Finance Area and found the following:

- Cash receipting process are adequate and do not allow for inaccurate and incomplete cash receipting
- Credit notes or adjustments for entries made into the system are made only by authorised staff and the adjustments are subject to effective review by delegated staff members
- Both cash and accounts receivable processes are in place and are performed in accordance with policies and procedures
- Aged debtors are effectively monitored and any overdue amounts are diligently followed-up with bad debts and write-offs being managed as per policy
- Effective segregation of duties in relation to all roles and functions that support accounts receivable processes is maintained
- Effective credit checks are performed to ensure only creditworthy customers are provided the appropriate level of credit
- Access controls to customer information such as credit limits and accounts including the creation of new debtor accounts in the financial system is adequate.

After examining the above, we further examined the receipting processes at the Red Hill waste facility to determine the adequacy and effectiveness of controls. We can confirm that controls around receipting are Red Hill Facility are adequate and operating effectively as intended.

4.2 HUMAN RESOURCE MANAGEMENT

4.2.1 Quality of Management Control

Quality of Management Control:	☐	Excellent	**Overall Risk Exposure** (considering controls in place)	**Low**	☑
	☑	**Very Good**		Medium	☐
	☐	Satisfactory		High	☐
	☐	Needs Improvement			
	☐	Unsatisfactory			

4.2.2 Scope and Objectives

Audit Objectives:	The objective of this audit was to assess the effectiveness of Human Resources Management process and practices at EMRC.

Audit Scope	The scope of this audit included the following: • Compliance with legislation and policies and procedures • HR strategies and directives implementation • Training and performance management • Dispute and Grievance Resolution.

4.2.3 Detailed Audit Assessment

Human Resources provide the support functionality in all processes aimed at achieving organisational objectives. Human Resources facilitate the delivery of the daily operational requirements that ensures effectiveness of service delivery to all EMRC stakeholders. We assessed the effectiveness of processes, procedures and practices in place at EMRC that ensures best value are obtained from the use of such resources.

4.2.3.1 Compliance with legislation and policies and procedures

Legislative provisions in relation to human resources underpin the ethical and behavioural requirements that ensure coordinated efforts are directed at achieving organisational goals in an effective and efficient manner. We reviewed the Human Resources (HR) management environment within EMRC to determine the existence of identified legislative requirements that relate to HR and secondly the existence and assessment of policies and procedures that support compliance with legislative requirements. Lastly we assessed for compliance with these legislation and policy and procedures.

We identified that EMRC has Management Guidelines (Guidelines) which alignment with relevant legislative requirements. Each of these Guidelines articulates the relevant legislation whose provisions are supported by each of them. Below is a list of the Guidelines reviewed:

- Management Guideline – Grievance Resolution Procedures
- Management Guideline – Managing Poor Performance and Unacceptable Behaviour
- Management Guideline – Recruitment and Selection of Staff
- Management Guideline – Workplace Behavior
- Management Guideline – Training and Development.

We assessed the above guidelines for currency and relevance. The guidelines are current and also scheduled to undergo a regular review commencing in the 2014-15 financial year.

4.2.3.2 HR strategies and directives implementation

We assessed the HR function to determine the existence and adequacy of HR strategies and directives implementation. We identified that EMRC has in place a workforce plan being the EMRC Workforce Plan – 2013 to 2017 (Workforce Plan). The Workforce Plan contains HR strategies that mitigate against the business challenges identified. These are identified under the following focus areas:

- Focus Area One – People Leadership and Development
- Focus Area Two – Attraction and Retention
- Focus Area Three – Knowledge Management
- Focus Area Four – Performance Management
- Focus Area Five – Planning and Sustainability.

Each of these areas has detailed objectives and deliverable strategies covering the period of 2013/14 up to 2017/18. We then assessed the strategies to identify if these were included as part of the annual plans for implementation. We identified that a number of the focus area strategies were included in the staff training calendar and monitored. We identified this as strength.

4.2.3.3 Training and performance management

Training and performance management forms part of the implementation of the Workforce plan strategies. As indicated in section 4.2.3.2 above, we assessed the existence of continued training in our assessment of the HR strategies and directives implemented above. In relation to performance management, our audit identified that EMRC has a clear Annual Performance Management Process which focuses on assessing employee behaviour and competencies against EMRC values. On a sample basis we assessed to determine if annual performance reviews were conducted on employees on a regular basis. Our audit noted that all employees sampled completed their annual performance reviews. The performance reviews also captured some training requirements aimed at enhancing performance, including those already completed. It is important to mention that the capturing of the benefits and costs associated with completed training by EMRC is a significant strength. There were no issues identified.

4.2.3.4 Dispute and Grievance Resolution

Dispute and grievance resolution plays a very important part in restoring employee confidence thereby allowing continued sustainability of EMRC workforce after an issue. We assessed the dispute and grievance resolution process within the EMRC to determine its effectiveness and to identify any areas of improvements to the whole process. This assessment was made through a walkthrough and discussion with the HR Manager who provided details of the dispute and grievance resolution process. This was consistent with the resolution process responsibilities and policy. We did not identify any shortfalls in this process.

4.3 RECORDS MANAGEMENT

4.3.1 Quality of Management Control

Quality of Management Control:	☐ ☐ ☑ ☐ ☐	Excellent Very Good **Satisfactory** Needs Improvement Unsatisfactory	**Overall Risk Exposure** (considering controls in place)	**Low** Medium High	☑ ☐ ☐

4.3.2 Scope and Objectives

Audit Objectives	The objective of this audit was on compliance with the State Records Act 2000 including sample testing of effectiveness of key controls of and in addition controls around security of sensitive, vital and significant records.

Audit Scope:	The scope of this audit consisted of evaluation, analytical reviews, interviews and tests of controls based on samples of records including: • creation of records; • capture and control of records; • security and protection of records; • access to records; • appraisal, retention and disposal of records; and • training.

4.3.3 Detailed Audit Assessment

Information and data should be captured and maintained in an approved record management framework to ensure continued support of business operations and decisions. Such information should be capable of being retrieved as and when required on a timely basis. The management of records in Western Australia is legislated under the *State Records Act 2000* (the Act). Local Government entities are bound by this Act.

4.3.3.1 Policies and Procedures

To ensure effective compliance with the Act and subsequent effective maintenance of records that continues to support business decisions there must be effective policies and procedures in the operating environment. The Act provides for such requirements under section 19. This section requires that every government organisation must have a Recordkeeping Plan (RKP) that has been approved by the State Records Commission. We identified that EMRC has an existing RKP but this has not been approved by the SRC as also required within the timeframe specified under section 14 (2) of the Act. Section 14 (2) (Review of Plans) requires that "*Not more than 5 years is to elapse between the approval of a parliamentary department's record keeping plan and a review of it or between one review and another.*"

Our assessment of documentation identified that the current status of the RKP, while on face value may not be compliant with the Act, is being managed by both EMRC and SRC. Due to the migration of the records management system from the old 80/20 system to the new TRIM Records Management system in 2013, an extension to have the RKP approved was authorised by SRC and the deadline set at December 2014. As such there are no further issues that may impact on compliance with the Act in relation to both sections 19 and 14.

4.3.3.2 Creation of records

There is no explicit authority to create records that support key business activities in Local Government. The requirement for creation of records is encapsulated in various legislation for specific matters across the business such as those under the Division 4 (General financial provisions) of the Local Government Act 1995.

We examined the creation of records by way of a review of processes and assessing, where according to our judgement, records should have been created to support a business transaction under review. Our examination included areas in HR, Finance and Operations (Red Hill). We did not identify any shortfalls. All business transactions examined indicated that adequate records were created.

4.3.3.3 Capture and control of records

ISO 15489 Australian Standard on Records Management section 8.2.6 requires that "Records should be created, maintained and managed systematically. Records creation and maintenance practices should be systematised through the design and operation of both the records systems and business practices". Further, the State Records Commission Standard 2 principle 3 requires that "An appropriate tool is in place whereby records are identified and named in a systematic and consistent way".

We assessed the processes around the capture and control of records within EMRC for adequacy and effectiveness. In assessing adequacy and effectiveness we sought to ascertain if all records are uniformly captured and controlled under a single and centralised system.

EMRC has recently adopted the use of HP TRIM (Hewlett Packard, Total Records and Information Management) system to capture and manage its records. We assessed the effectiveness with which records are captured and controlled and if there was an effective use of TRIM as a central repository of all records. We identified that TRIM is being effectively used to capture records. It is important to also indicate that other records are also maintained in hard copy files. We did not identify any shortfalls in relation to capture and control of records at EMRC.

4.3.3.4 Security and protection of records

Security and protection of records ensures that records containing information are not vulnerable to any risks that may destroy or deform information contained in the records.

Section 9.6 of ISO15489 the Australian Standard on Records Management pertaining to Storage and Handling states that “Records require storage conditions and handling processes that take into account their specific physical and chemical properties. Records of continuing value, irrespective of format, require higher quality storage and handling to preserve them for as long as that value exists. Storage conditions and handling processes should be designed to protect records from unauthorised access, loss or destruction and from theft and disaster”.

We assessed the physical environment for electronic records within EMRC to determine the adequacy of the security and protection. We focused on the Red Hill Waste Management Facility which we identified as more vulnerable to risks that may impact records given its location. We identified that humidity and fire related incidents are more likely to impact on physical records at Red Hill. We performed physical inspection for the existence and effectiveness of mitigation strategies in place to ensure the above identified risks are well cushioned against, should they occur. We identified the following shortfalls listed in the findings table below. We also assessed electronic records for adequacy of security and protection. TRIM and electronic folders are managed by the IT section who oversees the adequacy of security over records. In relation to electronic records, we reviewed to identify the existence of any business continuity and disaster recovery strategies for IT resources which embodies TRIM. We noted that EMRC has an up to date Business Continuity Management Plan which under paragraph 4.2 provides mitigation strategies on IT related risks such as loss to critical data including hardware. Currently back up of information is performed daily and stored off-site.

We suggest areas of business improvement in relation to the development of a Records Management specific business continuity plan that addresses key records management risks (both electronic and hardcopy records).

It is important to mention that general physical security to the building and various offices is very well monitored and is adequate for ensuring other threats to records are minimised.

Findings

We identified that there are records maintained at the Red Hill site which are not adequately secured from the risk of fire or excessive humidity. The records are stored in an area that has no measures such as fire suppressants or humidity detection controls. Discussion with staff indicated that this is currently a work in progress to remove all records stored in this location as they are old records and may need to be destroyed by applying the appropriate General Disposal Authority.

Risks

Risk Rating: Moderate

In the absence of fire suppressant for records at Red Hill, there is a risk that such records may be destroyed due to fire and information contained may be unrecoverable. Excessive humidity may degrade records making them difficult to read.

Recommendations

We recommend that the proposed actions to remove the records from the current storage as planned be expedited as quickly as possible.

Management Comments

The records that are stored at Red Hill in the old office are old and are required to be sorted. This is to ensure records can be given retention & disposal schedule. Once this has been competed, a destruction plan can be developed for the old records and those that are to be kept can be moved to the onsite records storage at Red Hill.

Responsible Officer: *Manager, Administration & Compliance*

Target completion date: *This is expected to be completed by end of November 2014 based on the planning below:*

Retention & Disposal Schedule	*27 October 2014*
Destruction Plan	*7 November 2014*
Records to be relocated to new site storage	*14 November 2014*
Records to be destroyed	*24 November 2014*

4.3.3.4 Access to records

We also assessed the adequacy and appropriateness with which records are accessed. We based our assessment on two rules:

- Those only authorised persons have access to both electronic and or physical records
- That records are easily accessible and retrievable as and when required.

The premise of authorised access is built upon confidentiality of information and data. We understand that information and data belonging to some business areas may require high levels of control in relation to confidentiality. We assessed the nature of access in both the electronic and physical environment. We identified that TRIM has been set-up with several levels of security caveats that support different levels of security required for various types of information and data. All other users are segregated by user groups and some senior officers within each unit have the capability to further restrict which users within that user group has access to certain authorised files.

We performed a physical inspection on files and noted that access is restricted by physical means such as “lock and key”.

Retrievability of records is often a challenge in many business environments. Effective retrievability is dependent on how systematic records are stored in the electronic system of or physical files. At EMRC controls are assessed as being adequate.

4.3.3.5 Appraisal, retention and disposal of records

We assessed if EMRC has performed actions for the appraisal, retention and disposal of records. EMRC utilises the General Disposal Authority for Local Government Records which requires that:

“*Any categories of records described in the GDALG created before 1920 should be referred to the SRO for further appraisal before any disposal action. State records should be appraised for their ongoing value in accordance with SRC Standard 3 – Appraisal of records”.*

SRC Standard 3 - Appraisal of Records provides that *“State organisations must take into account legislative and any other legal requirements that prescribe the minimum retention period for a record or records series, and/or identify which records, created or received by the organisation in the performance of its functions, are to be retained permanently”.*

We identified that appraisal of records has been performed in the past (last performed in 2013) and a number of records identified which required destruction. We propose a business improvement to have the appraisal of records performed annually. We did not identify any issues that could impact on EMRC with regards to appraisal, retention and disposal or records.

4.3.3.6 Training

State Records Commission Standard 2, Principle 6 – Compliance states that, "*the recordkeeping plan is to provide evidence to adduce that (in relation to training):*

- *The organisation conducts a recordkeeping training program.*
- *The efficiency and effectiveness of the recordkeeping training program is reviewed from time to time.*
- *The organisation's induction program addresses employee roles and responsibilities in regard to their compliance with the organization's recordkeeping plan".*

We inquired with members of staff to determine if they had received adequate training with regards to records management. All staff interviewed indicated that they had received some records training related to the TRIM roll out and are aware of their obligations with regards to records management requirements.

As already mentioned elsewhere in this report, at the time of the audit, EMRC was implementing and rolling out the new TRIM system. We further assessed the operational environment within the EMRC to identify and confirm if training had taken place. We noted the following:

- An initial TRIM training was done for all its employees in October 2013
- There are monthly optional seminars which are organised by the IT Department.
- All employees during induction are also provided training in relation to TRIM.

It is important for us to highlight that TRIM is by design, compliant with the State Records Act. As such, all TRIM technical training provides guidance in complying with State Records Act 2000.

4.4 WASTE MANAGEMENT

4.4.1 Quality of Management Control

Quality of Management Control:	☐ ☑ ☐ ☐ ☐	Excellent **Very Good** Satisfactory Needs Improvement Unsatisfactory	**Overall Risk Exposure** (considering controls in place)	**Low** Medium High	☑ ☐ ☐

4.4.2 Scope and Objectives

Audit Objectives:	The objective of this audit was to assess the effectiveness with which Waste Management practices are implemented and monitored.

Audit Scope	The scope of this audit covered the following: • Existence and effectiveness of Waste Management guidelines, policies and procedures • Compliance with Waste Management guidelines, policies, procedures and legislative requirements • Efficiency and effectiveness of Waste Management Processes and risk management.

4.4.3 Detailed Audit Assessment

Waste Management is EMRC's core service and Red Hill has been providing this service to its six member councils for over 30 years. Red Hill has a waste acceptance procedure and the waste it accepts are: general waste, special waste, green waste, class 3, class 4 and class 5.

4.4.3.1 Existence and effectiveness of Waste Management guidelines, policies and procedures

The Waste Management team have developed an environmental management system (EMS) manual which contains comprehensive listing of all regulations, legislation, other imposed requirements (e.g. for site license – Red Hill). We assessed this document and noted it detailed items of compliance that are relevant and key to Waste Management at EMRC. The compliance requirements within the EMS manual specify the following key legislative items:

- Site Operating License L6833/1997/11
- Ministerial Statement 462
- Wildlife Conservation Act 1950
- Rights in Water and Irrigation Act 1914
- Local Government Act 1960 and related bylaws
- Bush Fires Act 1954
- Planning and Development Act 2005
- Environmental Protection Act 1986
- National Greenhouse and Energy Reporting Act 2007
- National Environment Protection Measure 1998
- Clean Energy Act 2011
- Waste Avoidance and Resource Recovery Act 2007
- AS/NZS ISO 14001:2004.

We acknowledge that EMRC continue to include all relevant items of legislation in all its policies and procedures.

4.4.3.2 Compliance with Waste Management guidelines, policies, procedures and legislative requirements

We identified that within waste management services directorate there exists an Interplan; a tool that tracks how employees and the directorate tracks against the objectives set in line with the strategic objectives of EMRC. Along with this process there are a number of reports produced as part of monitoring compliance with legislative requirements. We obtained and reviewed the following:

- Internal EMS Audits (License audit)
- Emissions and Energy Reporting System – NGER report
- Six Year Environmental Performance Report – last performed in March 2010
- National Pollutant Inventory Report for the FY13
- Red Hill Monitoring and Compliance Report FY13.

These reports address but are not limited to the legislations identified in section 4.4.3.1 above.

It is pleasing to note that the waste management team has identified the legal and other obligations and have tracked and provided for an action plan to ensure compliance.

It should also be noted that whilst there is a comprehensive reporting and procedure listing, many were developed recently and are yet to be implemented and affected. The following are still being implemented throughout the waste management directorate:

- Annual environmental performance review
- EMS audits (voluntary).

The above reviews and reports are voluntary and implemented by waste management to meet better practice of AS/NZS ISO 14001:2004 as stated in their key results area and environmental policy. Audit commends the initiative to moving to best practice standards and the development of a comprehensive manual for Environmental Systems for operational needs and in order to meet compliance requirements.

4.4.3.3 Efficiency and effectiveness of Waste Management Processes and risk management

We assessed the efficiency and effectiveness of waste management processes and risk management processes in relation to weighbridge operations, occupational safety and security (in the context of risk management) and cash management. We focused mainly on the Red Hill Waste Management Facility.

We performed walkthroughs and direct observations of all the key processes around the areas of focus. This included direct observation of the weighbridge process in operation and assigning risk scenarios to determine any potential weaknesses in the current operations. During this walkthrough, we also examined the cash processes to identify any risk that could impact on the collection of cash and subsequent remittance to the Head Office in Belmont and noted a few minor cash related findings which have already been reported.

We performed a physical inspection of the Red Hill facility to identify any obvious health and safety scenarios that may impact on both client and community. Within the Red Hill facility, we identified that safety procedures are in place. Fire suppressants were in place. All employees, in particular those that worked in open field conditions were well protected through appropriate clothing. Through inquiry, we were informed that regular environmental audits are conducted by the Department of Environmental Regulation.

EMRC has also allocated a dedicated resource that manages and monitors all risks that may impact any part of the organisation. Our assessment of risk relevant to waste management indicated that there is an effective process in place for capturing and managing such risks using the official guidance offered under the AS/NZS ISO 31000:2009. All risks are maintained in a corporate risk register and are subject to regular review. We did not identify any issues in relation to the efficiency and effectiveness of waste management processes and risk management.

5.0 CONCLUSION

Apart from the small issues we have identified in relation to the management of records, we recognise that EMRC has demonstrated significant strengths and high levels of maturity in its operations in relation to the areas we have audited. We obtained confidence that management quality of control in these areas is satisfactory.

It is important to highlight that that EMRC is finalising the implementation of TRIM including any training that enhances the use of the system in relation to Records Management. This system by nature of its design is compliant with the State Records Act and can be synced with other applications including Microsoft tools such as Outlook.

Waste Management which forms a significant part of EMRC's core business demonstrated that:

- waste management guidelines, policies and procedures existed and are effective
- there was adequate compliance with waste management guidelines, policies, procedures and legislative requirements
- waste management processes were identified as effective and efficiently operating as required.

11.2 ANNUAL FINANCIAL REPORT AND AUDIT REPORT FOR YEAR ENDED 30 JUNE 2014

REFERENCE: D2014/08103

PURPOSE OF REPORT

To review and adopt Council's draft Annual Financial Report for the year ended 30 June 2014.

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.
- Council's auditors have completed their audit of the 2013/2014 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 2014 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 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 2014 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 2013/2014 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government and Communities, within 30 days of the receipt by the EMRC's CEO of the auditor's report on that financial report.

SOURCE OF REPORT

Director Corporate Services
Manager Financial Services

BACKGROUND

It is a requirement under s 6.4 of the Local Government Act 1995 that a Local Government is to prepare an annual financial report and submit it to its auditor by 30 September following each financial year.

REPORT

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.

Item 11.2 continued

Council's auditor, Mr A Macri of Macri Partners has completed the audit of the Eastern Metropolitan Regional Council Annual Financial Report for the year ended 30 June 2014, which is attached for Council adoption (refer attachment 1)

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

The following comments are provided on key elements of the financial results for 2013/2014:

Statement of Comprehensive Income (pg 6 - 7 of 59)

Total Revenue of $39,927,524 for the period ending 30 June 2014 is $7,039,864 below the 2012/2013 actual revenue and $11,214,569 below budget for 2013/2014.

Total Expenses of $31,632,134 is $1,981,346 below the 2012/2013 expenses and $7,839,603 below budget for 2013/2014.

A profit of $267 was realised from the Disposal of Assets for the period ending 30 June 2014 and is $39,331 below the 2012/2013 actual profit of $39,598 and $273,488 below the budget for 2013/2014 of $273,755.

There were no changes in Fair Value of Investments for the period ending 30 June 2014 compared to $919,052 for the previous corresponding period made up of a realised gain of $940,914 and an unrealised loss of $21,862.

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

The changes in revaluation of non-current assets have resulted in an increase of $32,170,872 for 2013/2014, which relates to the revaluation undertaken on the Land and Buildings classes of assets.

Total Comprehensive Income of $40,466,529 for the period ending 30 June 2014 is $25,013,622 above the 2012/2013 result and $28,522,418 above the 2013/2014 budget.

Statement of Financial Position (pg 8 - 9 of 59)

Current assets as at 30 June 2014 have increased by $13,916,548 to $72,402,731 from $58,486,183 as at 30 June 2013. This is primarily due to the increase in the level of cash and cash equivalents.

The overall impact on cash and investments at the close of the financial year is an increase of $14,001,228 to $68,023,698 as at 30 June 2014 compared to the level of cash and investments from the previous year.

Current liabilities as at 30 June 2014 have decreased by $1,266,437 to $5,372,342 compared to 30 June 2013.

The balance in the Reserves has increased by $8,819,573 to $51,139,296 over the past 12 months.

Overall equity has increased during the 2013/2014 financial year by $40,466,529 to $133,062,750.

Item 11.2 continued

Cash Flow Statement (pg 10 of 59)

The overall impact on the cash position at the end of the 2013/2014 financial year is an increase of $14,001,228 to $68,023,698 from the previous corresponding period (2012/2013) of $54,022,470.

Net Cash provided by Operating Activities of $15,321,012 in the 2013/2014 financial year reflects a decrease of $5,761,072 from the cash generated in 2012/2013 of $21,082,084.

The cash flows utilised in investing activities for 2013/2014 reflects capital expenditure totalling $1,538,900 compared to capital expenditure totalling $15,480,303 during 2012/2013.

Significant items of capital expenditure during the year included:

- Construct Class III Cell - Stage 15 - Red Hill Landfill Facility - $475,033;
- Purchase Information Technology & Communication Equipment - $239,674;
- Purchase / Replace Vehicles - Ascot Place - $202,706;
- Contract Payment - Resource Recovery Park Wood Waste to Energy Plant - $165,886;
- Purchase/Replace Minor Plant & Equipment - Red Hill Waste Management Facility - $158,417;
- Construct Class III Cell - Farm Stage 3 - Red Hill Landfill Facility - $99,664; and
- Purchase / Replace Vehicles - Red Hill Landfill Facility - $48,023.

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

- Construct Class III Cell - Stage 14 - $3,215,000;
- Purchase / Replace Plant - Red Hill Landfill Facility - $1,061,000;
- Purchase / Replace Plant - Hazelmere - $865,000;
- Construct and Commission Resource Recovery Park Site Infrastructure - $750,000;
- Construct and Commission Resource Recovery Park C & I Building - $450,000;
- Construct Access Road to Lots 8,9 &10 - Red Hill Landfill Facility - $375,000;
- Relocate Greenwaste Processing area - $350,000;
- Purchase Information Technology & Communication Equipment - $315,000;
- Construct Roads / Carparks - $250,000;
- Construct and Commission Resource Recovery Park Wood Waste to Energy Building - $250,000;
- Purchase Vehicles - Ascot Place - $228,000;
- Construct Hardstand and Road - Hazelmere - $202,000;
- Construct Siltation Ponds 10 - Red Hill Landfill Facility - $190,000;
- Construct Class III Leachate Pond 10 - Red Hill Landfill Facility - $180,000;
- Construct and Commission Resource Recovery Park Weighbridges - $150,000;
- Construct Nutrient Stripping Pond - $110,500;
- Construct and Commission Resource Recovery Park C & I Building - Plant & Equipment - $100,000;
- Construct Perimeter Fencing - $100,000; and
- Purchase / Replace Security System - Red Hill Landfill Facility - $100,000.

Item 11.2 continued

Funding for the majority of the capital items listed above has been carried forward into the 2014/2015 financial year.

Reserves (pg 38 - 41 of 59)

At the end of the 2013/2014 financial year the amount held in Reserves (page 40 of 59, Note 17) increased by $8,819,573 to a balance of $51,139,296. This compares favourably to the 2013/2014 budget of $46,891,200 by $4,248,096.

STRATEGIC/POLICY IMPLICATIONS

Key Result Area 4 – Good Governance

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

4.4 To continue to improve financial and asset management practices

FINANCIAL IMPLICATIONS

As outlined within the report and attachments

SUSTAINABILITY IMPLICATIONS

Nil

MEMBER COUNCIL IMPLICATIONS

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

ATTACHMENT(S)

1. Annual Financial Report for the Year Ended 30 June 2014 (Ref: D2014/10466)
2. Interim Audit Report for Year Ended 30 June 2014 (Ref: D2014/10910)
3. Audit Completion Report to the Audit Committee for the Year Ended 30 June 2014 (Ref: D2014/10909)

VOTING REQUIREMENT

Simple Majority

Item 11.2 continued

RECOMMENDATION(S)

That:

1. Council adopts the audited Annual Financial Report for the year ended 30 June 2014 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 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 2014 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 2013/2014 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government and Communities, within 30 days of the receipt by the EMRC's CEO of the auditor's report on that financial report.

Discussion ensued.

Cr Perks queried page 37 of attachment 1, specifically "provisions for annual leave" and asked what the annual leave figure represents in terms of weeks.

The CEO took the question on notice.

POST MEETING NOTE

As at 30 June 2014, the provision for annual leave represented 388.29 weeks in total or 4.27 weeks per FTE (full time equivalent). The figure has been trending down but is skewed by several long-serving employees who have accumulated a net surplus of leave which is being managed down.

AC RECOMMENDATION(S)

MOVED CR WOLFF SECONDED CR PERKS

That:

1. Council adopts the audited Annual Financial Report for the year ended 30 June 2014 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 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 2014 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 2013/2014 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government and Communities, 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 2014

EASTERN METROPOLITAN REGIONAL COUNCIL

2013/2014 ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

STATEMENT BY CHIEF EXECUTIVE OFFICER

EMRC

For the Year Ended
30 June 2014

EASTERN METROPOLITAN REGIONAL COUNCIL

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Eastern Metropolitan Regional Council being the annual financial report and supporting notes and other information for the financial year ended 30 June 2014 are in my opinion properly drawn up to present fairly the financial position of the Eastern Metropolitan Regional Council at 30 June 2014 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation for issue on the 28th day of August 2014

PETER B. SCHNEIDER
Chief Executive Officer

FINANCIAL REPORT

EMRC

For the Year Ended
30 June 2014

EASTERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

BY PROGRAM	NOTE	ACTUAL 2013/2014 $	BUDGET 2013/2014 $	ACTUAL 2012/2013 $
REVENUE				
Governance		85,018	288,929	94,324
General Purpose Funding		2,389,270	1,826,117	2,422,128
Community Amenities		35,869,089	47,461,992	42,825,808
Other Property and Services		1,584,147	1,565,055	1,625,128
TOTAL REVENUE		**39,927,524**	**51,142,093**	**46,967,388**
EXPENSES				
Governance		761,713	1,290,444	789,860
Community Amenities		25,750,196	32,610,956	28,419,164
Other Property and Services		5,120,225	5,570,337	4,404,456
TOTAL EXPENSES		**31,632,134**	**39,471,737**	**33,613,480**
INCREASE / (DECREASE)		**8,295,390**	**11,670,356**	**13,353,908**
DISPOSAL OF ASSETS				
Profit on Sale		29,143	273,755	48,158
Loss on Sale		(28,876)	0	(8,560)
PROFIT / (LOSS) ON DISPOSALS	22	**267**	**273,755**	**39,598**
REALISED/UNREALISED GAIN/(LOSS) FROM CHANGE IN FAIR VALUE OF INVESTMENTS				
General Purpose Funding	7(c)	0	0	919,052
GAIN / (LOSS)		**0**	**0**	**919,052**
NET RESULT		**8,295,657**	**11,944,111**	**14,312,558**
OTHER COMPREHENSIVE INCOME				
Changes in Revaluation of Non-Current Assets	12	32,170,872	0	1,140,349
TOTAL OTHER COMPREHENSIVE INCOME		**32,170,872**	**0**	**1,140,349**
TOTAL COMPREHENSIVE INCOME		**40,466,529**	**11,944,111**	**15,452,907**

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 2014

BY NATURE AND TYPE	NOTE	ACTUAL 2013/2014 $	BUDGET 2013/2014 $	ACTUAL 2012/2013 $
REVENUE				
Fees and Charges	4	33,855,734	44,927,390	41,053,206
Grants, Subsidies and Contributions	5	2,379,049	2,629,182	2,364,866
Interest Earnings	2	2,389,269	1,826,117	2,422,128
Other Revenue		1,303,472	1,759,404	1,127,188
TOTAL REVENUE		**39,927,524**	**51,142,093**	**46,967,388**
EXPENSES				
Employee Costs		7,827,857	10,118,762	8,088,700
Materials and Contracts		6,248,393	8,524,267	6,765,807
Utility Expenses		297,634	268,036	254,715
Insurance Expenses		331,053	282,405	273,199
Interest Expenses		21,115	20,683	18,921
Other Expenditure		10,521,938	13,825,430	14,122,584
Depreciation Expenses on Non-Current Assets	2	6,384,144	6,432,154	4,089,554
TOTAL EXPENSES		**31,632,134**	**39,471,737**	**33,613,480**
INCREASE / (DECREASE)		**8,295,390**	**11,670,356**	**13,353,908**
DISPOSAL OF ASSETS				
Profit on Sale		29,143	273,755	48,158
Loss on Sale		(28,876)	0	(8,560)
PROFIT / (LOSS) ON DISPOSALS	22	**267**	**273,755**	**39,598**
REALISED/UNREALISED GAIN/(LOSS) FROM CHANGE IN FAIR VALUE OF INVESTMENTS				
Realised Gain/(Loss)		0	0	940,914
Unrealised Gain/(Loss)		0	0	(21,862)
GAIN / (LOSS)	7(c)	**0**	**0**	**919,052**
NET RESULT		**8,295,657**	**11,944,111**	**14,312,558**
OTHER COMPREHENSIVE INCOME				
Changes in Revaluation of Non-Current Assets	12	32,170,872	0	1,140,349
TOTAL OTHER COMPREHENSIVE INCOME		**32,170,872**	**0**	**1,140,349**
TOTAL COMPREHENSIVE INCOME		**40,466,529**	**11,944,111**	**15,452,907**

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 2014

	NOTE	ACTUAL 2013/2014 $	ACTUAL 2012/2013 $
CURRENT ASSETS			
Cash and Cash Equivalents	7(a)	68,023,698	54,022,470
Investments	7(b)	0	0
Trade and Other Receivables	9	4,239,474	4,312,629
Inventories	10	78,895	86,077
Other Assets	11	60,664	65,007
TOTAL CURRENT ASSETS	21	**72,402,731**	**58,486,183**
NON CURRENT ASSETS			
Property, Plant and Equipment	12	60,520,313	31,864,855
Infrastructure	13	12,311,773	13,725,125
TOTAL NON CURRENT ASSETS	21	**72,832,086**	**45,589,980**
TOTAL ASSETS	21	**145,234,817**	**104,076,163**
CURRENT LIABILITIES			
Trade and Other Payables	15	4,067,102	5,409,053
Provisions	16	1,305,240	1,229,726
TOTAL CURRENT LIABILITIES		**5,372,342**	**6,638,779**
NON CURRENT LIABILITIES			
Provisions	16	6,799,725	4,841,163
TOTAL NON CURRENT LIABILITIES		**6,799,725**	**4,841,163**
TOTAL LIABILITIES		**12,172,067**	**11,479,942**
NET ASSETS		**133,062,750**	**92,596,221**
EQUITY			
Retained Surplus		48,612,233	49,136,149
Reserves	17	51,139,296	42,319,723
Revaluation Surplus	14	33,311,221	1,140,349
TOTAL EQUITY		**133,062,750**	**92,596,221**

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 2014

	NOTE	RETAINED SURPLUS $	RESERVES $	REVALUATION SURPLUS $	TOTAL EQUITY $
Balance as at 30 June 2012		32,442,815	44,700,498	0	77,143,313
Net Result		14,312,559	0	0	14,312,559
Total Other Comprehensive Income		0	0	1,140,349	1,140,349
Transfer (from) / to Reserves		2,380,775	(2,380,775)	0	0
Balance as at 30 June 2013		**49,136,149**	**42,319,723**	**1,140,349**	**92,596,221**
Net Result		8,295,657	0	0	8,295,657
Total Other Comprehensive Income		0	0	32,170,872	32,170,872
Transfer (from) / to Reserves		(8,819,573)	8,819,573	0	0
Balance as at 30 June 2014		**48,612,233**	**51,139,296**	**33,311,221**	**133,062,750**

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 2014

	NOTE	ACTUAL 2013/2014 $	BUDGET 2013/2014 $	ACTUAL 2012/2013 $
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Fees and Charges		38,218,156	44,927,390	44,892,851
Grants, Subsidies and Contributions		2,379,049	2,629,182	2,364,866
Interest Earnings		1,884,132	1,826,117	2,266,085
Other Revenue		1,303,471	1,759,404	1,127,188
Total Receipts		**43,784,808**	**51,142,093**	**50,650,990**
Payments				
Employee Costs		(7,752,515)	(10,117,558)	(8,088,393)
Materials and Contracts		(8,978,177)	(9,369,031)	(7,829,115)
Utility Expenses		(297,634)	(268,036)	(254,715)
Insurance Expenses		(327,739)	(282,405)	(284,418)
Interest Expenses		(21,115)	(20,683)	(18,921)
Other Expenditure		(8,529,584)	(12,868,772)	(10,877,800)
Goods and Services Tax paid		(2,557,032)	0	(2,215,544)
Total Payments		**(28,463,796)**	**(32,926,485)**	**(29,568,906)**
NET CASH PROVIDED BY OPERATING ACTIVITIES	18(ii)	**15,321,012**	**18,215,608**	**21,082,084**
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash receipts from sale of assets		219,116	724,614	346,682
Cash payments for acquisition of assets		(1,538,900)	(15,471,081)	(15,480,303)
NET CASH USED IN INVESTING ACTIVITIES		**(1,319,784)**	**(14,746,467)**	**(15,133,621)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash receipts from sale of investments		0	0	948,400
NET CASH PROVIDED BY FINANCING ACTIVITIES		**0**	**0**	**948,400**
SUMMARY OF CASH FLOWS				
Cash and cash equivalents at the beginning of the year		54,022,470	45,561,474	47,125,607
Net Increase/(Decrease) in Cash Held		14,001,228	3,469,141	6,896,863
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	18(i)	**68,023,698**	**49,030,615**	**54,022,470**

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 2014

1. SIGNIFICANT ACCOUNTING POLICIES

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:

Basis of Preparation

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

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

The Local Government Reporting Entity

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

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

(a) 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 2014.

(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 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.

(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
Effective from 1 July 2012, the Local Government (Financial Management) Regulations were amended and the measurement of non-current assets at Fair Value became mandatory.

The amendments allow for the phasing in of fair value in relation to fixed assets over three years as follows:

(a) For the financial year ending on 30 June 2013, the fair value of all assets of the local government that are plant and equipment; and
(b) For the financial year ending on 30 June 2014, the fair value of all of the assets of the local government -
- (i) that are plant and equipment; and
- (ii) that are –
  - (I) land and buildings; or-
  - (II) Infrastructure;

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Fixed Assets (continued)

and

(c) For the financial year ending on or after 30 June 2015, the fair value of all the assets of the local government.

Thereafter, in accordance with the regulations, each asset class must be revalued every 3 years.

In 2013, Council commenced the process of adopting Fair Value in accordance with the Regulations.

Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the financial report as necessary.

Land Under Control
In accordance with Local Government (Financial Management) Regulation 16(a), the Council is required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or regional significance.

The Council does not have any Crown land which comes under this regulation.

Land Under Roads
In Western Australia, all land under roads is Crown land, the responsibility for managing which, is vested in the local government.

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in Australian Accounting Standard AASB 1051 *Land Under Roads* and the fact Local Government (Financial Management) Regulation 16 (a)(i) prohibits local governments from recognising such land as an asset.

In respect of land under roads acquired on or after 1 July 2008, as detailed above, Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

Whilst such treatment is inconsistent with the requirements of AASB 1051, Local FM Reg 4 (2) Government (Financial Management) Regulation 4(2) provides, in the event of such an inconsistency, the Local Government (Financial Management) Regulations prevail.

Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the Council

Initial Recognition and Measurement between Mandatory Revaluation Dates
All assets are initially recognised at cost and 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 no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost on 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.

Individual assets 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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Fixed Assets (continued)

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.

Transitional Arrangement
During the time it takes to transition the carrying value of non-current assets from the cost approach to the fair value approach, the Council will still be utilising both methods across differing asset classes.

Those assets carried at cost will be carried in accordance with the policy detailed in the Initial Recognition section as detailed above.

Those assets carried at fair value will be carried in accordance with the methodology detailed in the Revaluation section above.

Early Adoption of AASB 13 - Fair Value Measurement
Whilst the new accounting standard in relation to Fair Value, AASB 13 - Fair Value Measurement only become applicable for the year ended 30 June 2014 (in relation to Council), given the legislative need to commence using Fair Value methodology in the previous reporting period (year ended 30 June 2013) the Council chose to early adopt AASB 13.

As a consequence, the principles embodied in *AASB 13* - Fair Value Measurement have been applied to the previous reporting period (year ended 30 June 2013).

Depreciation
The depreciable amount of all fixed assets including buildings but excluding freehold land, 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	2-10%
• Structures	
General	2-10%
Class III and IV Waste Cells	% of actual usage
• Plant	15-40%
• Furniture and fittings	10-40%
• Equipment	10-40%

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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Fixed Assets (continued)

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

Capitalisation Threshold
Expenditure on items of major equipment under $5,000 and minor equipment under $1,000 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 mix 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.

To the extent 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 taking into account 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 1976 requires, as a minimum, all assets carried at a revalued amount to be revalued at least every 3 years.

(e) Intangible Assets

Easements

Regulation 16 of the Local Government (Financial Management) Regulations 1996 requires easements to be recognised as assets. The EMRC does not have any easements.

(f) Rates

The EMRC does not levy rates. Accordingly rating information as required under the Local Government (Financial Management) Regulations 1996 has not been presented in this financial report.

(g) Grants, Donations and Other Contributions

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 6. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operation for the current reporting period.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) 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 and are usually paid within 30 days of recognition.

(i) 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) whereby an impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other standard.

(j) Revenue Recognition

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

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

Royalties
Royalty revenue is recognised on an accrual basis.

(k) 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.

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

(l) 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)

(m) Provisions

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

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

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

Previously Council has consistently recognised this provision by way of an incremental charge based on the volumetric usage of the landfill air space. From June 2011, the present value for the rehabilitation of the site has been calculated to be $1,500,000 and has been deemed sufficient for post closure management purposes. To ensure that the principles of the present value are maintained, the annual increase in cumulative interest income relating to the $1,500,000 is reflected as a provision expense each year.

The provision is measures using the best estimate of the amounts required and is reassessed periodically.

In addition, Council has also adopted an incremental charge based on volumetric usage of landfill airspace for ongoing site rehabilitation during the in-use operations of the landfill.

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

Previously Council has consistently recognised this provision by way of an incremental charge based on the volumetric usage of the landfill air space. From June 2011, the present value for the environmental monitoring of the site has been calculated to be $500,000 and has been deemed sufficient for post closure management purposes. To ensure that the principles of the present value are maintained, the annual increase in cumulative interest income relating to the $500,000 is reflected as a provision expense each year.

The provision is measured using the best estimate of the amounts required and is reassessed periodically.

(p) Provision for Carbon Pricing

The EMRC is subject to the reporting requirements of the National Greenhouse and Energy Reporting Act 2007. The National Greenhouse and Energy Reporting Act 2007 requires the EMRC to report its annual greenhouse gas emissions and energy use. The EMRC has implemented systems and processes for the collection and calculation of the data required.

As an operator of the landfill site at Red Hill, the EMRC is a net emitter of CO2e over the life of the waste it receives. While the payment of the carbon pricing is based on the CO2e emitted in the respective years and under the liability method of accounting, a corresponding recognition of future years' CO2e emitted is recognised in the year the liability has been incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Borrowing Costs

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

(r) 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.

(s) 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.

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.

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.

(t) 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) Wages, Salaries, Annual Leave and Long Service Leave (Short-term 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. The Council's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) 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 (9.25% for 2013/14). It also contributes to the LGSP and other choice funds for full scheme members (5% for 2013/14). Contributions to defined contribution plans are recognised as an expense as they become payable.

(u) Rounding Of Amounts

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

(v) Comparative Figures

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

(w) 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.

(x) Leases

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

The EMRC does not currently have any finance leases and operating leases.

(y) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Council commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted). Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified ‘at fair value through profit or loss’, in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial assets are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Financial Instruments (continued)

Amortised cost is calculated as:

(i) the amount at which the financial asset or financial liability is measured at initial recognition;
(ii) less principal repayments;
(iii) plus or minus the cumulative amortisation of the differences, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
(iv) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the related period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Council does not designate any interest in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

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

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets).

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Council's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets).

If during the period the Council sold or reclassified more than a significant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be reclassified as available-for-sale.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Financial Instruments (continued)

(iv) *Available for sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets).

(v) *Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

(vi) *Fair Value*

Fair value is determined based on current bid prices of all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Council assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The 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 are relevant to the Council, applicable to future reporting periods and which have not yet been adopted are set out as follows.

Title and topic	Issued/ Compiled	Applicable (1)	Impact
(i) ASB 9 - Financial Instruments	December 2013	1 January 2017	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.
(ii) AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	December 2013	1 January 2017	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
(iii) AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [Not-For-Profit entitles] [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 131, 132, 133, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	December 2012	1 January 2014	Consequential changes to various standards arising from the issuance of AASB 10, 11, 12, 127 and 128. It is not expected to have a significant impact on Council.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and topic	Issued	Applicable	Impact
(iv) AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]	June 2012	1 January 2014	This Standard adds application guidance to AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning og “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlements. This Standard is not expected to significantly impact the Council’s financial statements.
(v) AASB 2013-3: Amendments to AASB 136 - Recoverable Amount Disclosure for Non-Financial Assets	June 2013	1 January 2014	This Standard makes amendments to AASB 136 and includes requirements to disclose additional information when present value techniques are used to measure the recoverable amount of impaired assets. It is not expected to have a significant impact on Council.
(vi) AASB 2013-8: Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities - Control and Structured Entities [AASB 10, 12 & 1049]	October 2013	1 January 2014	This standard adds Appendix E to AASB 10 to provide implementation guidance for Not-for-Profit entities regarding control criteria from the perspective of not-for-profit entities. It is not expected to have a significant impact on Council.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and topic	Issued	Applicable	Impact
(vii) AASB 2012-9: Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments. [Operative dates: Part A Conceptual Framework - 20 December 2013; Part B Materiality - 1 January 2014; Part C Financial Instruments - 1 January 2015]	December 2013	Refer Title column	Part A of this standard makes various editorial corrections to Australian Accounting Standards. Par B of this standard deletes references to AASB 1031 in various Australian Accounting Standards in advance of the withdrawal of AASB 1031. Part C of this standard makes consequential amendments to AASB 9 and numerous other standards and amends the permissions around certain applications relating to financial liabilities reissued at fair value. As the bulk of changes related either to editorial or reference changes it is not expected to have a significant impact on Council.

Notes:

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) 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.

These new and revised standards were:

AASB 10	AASB 128	AASB 2012 - 2
AASB 11	AASB 2011 - 7	AASB 2012 - 3
AASB 12	AASB 2011 - 9	AASB 2012 - 5
AASB 119	AASB 2011 - 10	AASB 2012 - 10
AASB 127		

The standards adopted had a minimal effect on the accounting and reporting practices of the Council as they were either not applicable, largely editorial in nature, were revisions to help ensure consistency with presentation, recognition and measurement criteria of IFRSs or related to topics not relevant to operations.

2. REVENUE AND EXPENSES

	ACTUAL 2013/2014	ACTUAL 2012/2013
	$	$
Net Result		
The Net Result includes:		
(i) Charging as an Expense:		
Auditors Remuneration		
- Audit of the Financial Report	14,360	9,860
- Audit and assurance of grant acquittals	3,200	1,870
	17,560	**11,730**
Depreciation and Amortisation Expense		
Buildings	265,601	268,407
Structures	2,098,539	1,101,210
Plant	3,750,743	2,455,117
Equipment	257,231	241,917
Furniture and Fittings	12,030	22,903
	6,384,144	**4,089,554**

	ACTUAL 2013/2014	BUDGET 2013/2014	ACTUAL 2012/2013
(ii) Crediting as Revenue:	$	$	$
Interest Earnings			
Interest on funds held in Reserves	1,356,155	1,547,814	1,910,460
Interest on Municipal Cash and Investments	527,977	278,303	355,625
Accrued Interest Earnings	505,137	0	156,043
	2,389,269	**1,826,117**	**2,422,128**

	ACTUAL 2013/2014	ACTUAL 2012/2013
	$	$
Significant Revenue		
General Purpose Funding	0	919,052
	0	**919,052**

The Significant Revenue relates to the recognition of gains on investments during the year.
(Refer Note 7(c) for details).

3. COMPONENT FUNCTIONS/ACTIVITIES

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

Governance

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

General Purpose Funding

Records interest revenue as well as other general purpose revenue.

Community Amenities

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

Other Property and Services

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

EMRC MISSION STATEMENT

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

4. FEES AND CHARGES SUMMARY BY PROGRAM

	ACTUAL 2013/2014 $	BUDGET 2013/2014 $	ACTUAL 2012/2013 $
Governance	0	600	340
Community Amenities	33,845,756	44,906,790	41,035,446
Other Property and Services	9,978	20,000	17,420
Total Statutory Fees and Charges	**33,855,734**	**44,927,390**	**41,053,206**

5. GRANT, SUBSIDY AND CONTRIBUTION REVENUE BY PROGRAM

	ACTUAL 2013/2014 $	BUDGET 2013/2014 $	ACTUAL 2012/2013 $
Community Amenities	948,221	1,268,661	913,165
Other Property and Services	1,430,828	1,360,521	1,451,701
Total Grant, Subsidy and Contribution Revenue	**2,379,049**	**2,629,182**	**2,364,866**

6. CONTROL OVER CONTRIBUTIONS

Conditions over Contributions

	ACTUAL 2013/2014 $	ACTUAL 2012/2013 $
Grants which were recognised as revenue during the year but have yet to be applied in that manner at the reporting date were:		
• Eastern Hill Catchment Management Project	0	46,359
• Helping the Helena Project	0	7,705
• EHCM Project - Community Engagement	0	13,928
• Marri Canker Project	0	1,515
• Community Energy Efficient Program (CEEP)	0	19,023
• Waste Management - Cardboard Recycling Project	82,356	0
	82,356	88,530
Grants which were recognised as revenue in a previous year and have not yet been applied in the manner specified by the granter were:		
• Nil	0	0
Grants which were recognised as revenue in a previous year and were expended in the current year in the manner specified by the grantor were:		
• Regional Active Transport Plan	0	25,000
• Eastern Hill Catchment Management Project	46,359	325
• Helping the Helena Project	7,705	0
• EHCM Project - Community Engagement	13,928	0
• Marri Canker Project	1,515	0
• Community Energy Efficient Program (CEEP)	19,023	0
	88,530	25,325

7(a). CASH AND CASH EQUIVALENTS

	ACTUAL 2013/2014 $	ACTUAL 2012/2013 $
Cash and Cash Equivalents - Unrestricted	17,254,122	12,301,653
Cash and Cash Equivalents - Restricted	50,769,576	41,720,817
	68,023,698	**54,022,470**

7(b). INVESTMENTS

Investments - Restricted	0	0
	0	**0**
Financial Assets at fair value through profit or loss		
At the beginning of the year	0	29,348
Disposals	0	(948,400)
Unrealised gain/(loss) from change in fair value of investments	0	919,052
Value at the end of the year	**0**	**0**
Held for Trading		
- Financial Instruments	0	0
Value at the end of the year	**0**	**0**

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

Plant and Equipment	3,061,316	1,029,772
Site Rehabilitation Red Hill - Post Closure	1,717,656	1,664,322
Future Development	242,215	234,694
Environmental Monitoring Red Hill	568,262	550,617
Environmental Insurance Red Hill	133,486	168,280
Risk Management	13,023	12,619
Class IV Cells Red Hill	111,812	439,250
Regional Development	14,747	20,193
Secondary Waste Processing	43,581,696	35,964,254
Class III Cells	914,509	1,473,747
Building Refurbishment (Ascot Place)	65,756	63,714
Long Service Leave	714,817	698,261
	51,139,297	42,319,723
Add movement in accrued interest	231,764	2,579
Less unrealised gain/(loss) from changes in fair value of Investments	(601,485)	(601,485)
	50,769,576	**41,720,817**

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

	ACTUAL 2013/2014 $	ACTUAL 2012/2013 $
General Purpose Funding	0	919,052

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

The realised/unrealised gains/(losses), of the investments existing as at 30 June 2014, reflected in the Statement of Comprehensive Income are summarised as follows:

Year	**$**
2007/2008	(4,180,201)
2008/2009	(3,250,474)
2009/2010	621,457
2010/2011	2,614,794
2011/2012	1,587,035
2012/2013	2,005,904
Opening Balance as at 1 July 2013	**(601,485)**
Add: Realised/Unrealised gains on disposal of Investments for 2013/2014	0
Add: Write back of accumulated unrealised losses on disposals	0
Balance as at 30 June 2014	**(601,485)**

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

8. NET CURRENT ASSET POSITION

The net current asset position balance carried forward from the previous financial year after adjustment for Restricted Assets for the purpose of the 2013/2014 budget was $1,967,720.

The actual net current asset position balance shown in the audited financial report as at 30 June 2013 and after adjustment for Restricted Assets was $10,126,587.

9. TRADE AND OTHER RECEIVABLES

	ACTUAL 2013/2014 $	ACTUAL 2012/2013 $
Current		
Sundry Debtors	2,924,647	3,504,054
Other Debtors	49,957	48,842
Accrued Interest Earnings	1,265,280	760,143
Provision for Impairment of Receivables	(410)	(410)
	4,239,474	**4,312,629**

10. INVENTORIES

	ACTUAL 2013/2014 $	ACTUAL 2012/2013 $
Current		
Distillate	29,792	31,803
Oils	1,500	2,186
Unleaded Fuel	3,694	8,179
Jumbobags	43,909	43,909
	78,895	**86,077**

11. OTHER ASSETS

	ACTUAL 2013/2014 $	ACTUAL 2012/2013 $
Current		
Prepayment - General	31,977	33,097
Prepayment - Insurance	18,996	22,310
Prepayment - Miscellaneous	9,691	9,600
	60,664	**65,007**

12. PROPERTY, PLANT AND EQUIPMENT

	ACTUAL 2013/2014 $	ACTUAL 2012/2013 $
Land at:		
- Independent Valuation 2014	47,327,000	0
- Cost	0	16,361,457
Total Land	**47,327,000**	**16,361,457**
Buildings at:		
- Independent Valuation 2014	5,751,122	0
- Cost		7,052,800
Less Accumulated depreciation	0	(2,269,633)
Total Buildings	**5,751,122**	**4,783,167**
Total Land and Buildings	**53,078,122**	**21,144,624**
Plant - Independent Valuation 2013	9,605,059	9,825,700
Additions after Valuation - Cost	586,196	0
Less Accumulated depreciation	(3,720,074)	0
	6,471,181	**9,825,700**
Equipment - Independent Valuation 2013	285,989	291,050
Additions after Valuation - Cost	611,880	0
Less Accumulated depreciation	(254,728)	0
	643,141	**291,050**
Furniture and Fittings - Independent Valuation 2013	156,333	156,333
Additions after Valuation - Cost	3,515	0
Less Accumulated depreciation	(12,030)	0
Total Furniture and Fittings	**147,818**	**156,333**
Work in Progress - At Cost		
- Buildings	14,165	0
- Plant	165,886	0
- Equipment	0	447,148
Total Work in Progress	**180,051**	**447,148**
TOTAL PROPERTY, PLANT AND EQUIPMENT	**60,520,313**	**31,864,855**

<u>The work in progress value is represented by:</u>

Wood Waste to Energy plant and equipment	165,886	0
Hazelmere fire fighting system/equipment	0	318,782
Other	14,165	128,366
Total WIP as at the end of the year	**180,051**	**447,148**

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.

	Land	Buildings	Total Land & Buildings	Plant	Equipment	Furniture & Fittings	Work in Progress	Total
	$	$	$	$	$	$	$	$
Balance at the beginning of the year	16,361,457	4,783,167	**21,144,624**	9,825,700	291,050	156,333	447,148	**31,864,855**
Additions	0	32,680	**32,680**	586,196	164,732	3,515	180,051	**967,174**
WIP - Transfers in/(out)	0	0	**0**	0	447,148	0	(447,148)	**0**
(Disposals)	0	0	**0**	(189,972)	(3,514)	0	0	**(193,486)**
Reclassification	0	(4,453)	**(4,453)**	0	956	0	0	**(3,497)**
Revaluation increments/(decrements)	30,965,543	1,205,329	**32,170,872**	0	0	0	0	**32,170,872**
Impairment (losses)/reversals	0	0	**0**	0	0	0	0	**0**
Depreciation expense	0	(265,601)	**(265,601)**	(3,750,743)	(257,231)	(12,030)	0	**(4,285,605)**
Carrying amount at the end of year	**47,327,000**	**5,751,122**	**53,078,122**	**6,471,181**	**643,141**	**147,818**	**180,051**	**60,520,313**

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Land and Buildings:

The EMRC's Land and Buildings was revalued at 30 June 2014 by independent valuers.

The revaluation resulted in an overall increase of $32,170,872 in the net value of the EMRC's land and buildings. All of this 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.

Refer to Note 31 for detailed disclosures regarding fair value measurement of the EMRC’s land and buildings.

Furniture and Fittings, Plant and Equipment:

Both furniture and fittings and plant and equipment were revalued in 2013 as part of the mandatory requirements embodied in Local Government (Financial Management) Regulation 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) Regulation 17A (2) which requires these assets to be shown at fair value.

They will be revalued during the year ended 30 June 2016 in accordance with the mandatory asset measurement framework detailed at Note 1(c).

13. INFRASTRUCTURE

	ACTUAL 2013/2014 $	ACTUAL 2012/2013 $
Structures - At Cost	25,717,710	21,098,497
Less Accumulated depreciation	(14,009,239)	(11,945,622)
	11,708,471	**9,152,875**
Work in Progress - At Cost		
The work in progress value is represented by:		
Class III Stage 15 landfill cell construction	475,034	0
Class III Farm Stage 3 landfill cell construction	99,664	0
Other	28,604	0
Class III Farm Stage 1 & 2 landfill cell construction	0	4,052,549
Red Hill Leachate Project	0	519,701
Total WIP - Infrastructure	**603,302**	**4,572,250**
TOTAL INFRASTRUCTURE	**12,311,773**	**13,725,125**

Movement in Carrying Amounts

Movement in the carrying amounts of each class of infrastructure between the beginning and the end of the current financial year.

	Structures $	WIP $	Total $
Balance at the beginning of the year	9,152,875	4,572,250	13,725,125
Additions	103,750	603,302	707,052
WIP - Transfers in/(out)	4,572,250	(4,572,250)	0
(Disposals)	(25,362)	0	(25,362)
Reclassification	3,497	0	3,497
Depreciation Expense	(2,098,539)	0	(2,098,539)
Carrying amount at the end of the year	**11,708,471**	**603,302**	**12,311,773**

14. REVALUATION SURPLUS

Revaluation surpluses have arisen on the revaluation of the following class of non-current assets:

	2013/2014	2012/2013
Plant and Equipment		
Opening balance	1,140,349	0
Revaluation Increment	0	1,319,340
Revaluation Decrement	0	(178,991)
	1,140,349	**1,140,349**
Land		
Opening balance	0	0
Revaluation Increment	30,965,543	0
	30,965,543	**0**
Buildings		
Opening balance	0	0
Revaluation Increment	1,205,329	0
	1,205,329	**0**
Total Revaluation Surplus	**33,311,221**	**1,140,349**

15. TRADE AND OTHER PAYABLES

	ACTUAL 2013/2014 $	ACTUAL 2012/2013 $
Current		
Payroll Accruals	226,495	192,787
GST Liability	505,241	357,955
Sundry Creditors	3,335,366	4,858,311
	4,067,102	**5,409,053**

16. PROVISIONS

	ACTUAL 2013/2014 $	ACTUAL 2012/2013 $
Current		
Employees Annual Leave	729,849	766,609
Employees Long Service Leave	462,632	412,034
Carbon Pricing	112,759	51,083
	1,305,240	**1,229,726**
Non-current		
Employees Long Service Leave	150,604	122,808
Red Hill Landfill Site Post Closure Rehabilitation	1,717,656	1,664,322
Red Hill Landfill Environmental Monitoring	568,262	550,617
Carbon Pricing	4,363,203	2,503,416
	6,799,725	**4,841,163**
Analysis of total provisions:		
Current	1,305,240	1,229,726
Non-current	6,799,725	4,841,163
	8,104,965	**6,070,889**

	Provision for Annual Leave $	Provision for Long Service Leave $	Provision for Carbon Pricing $	Provision for Site Rehabilitation $	Provision for Environmental Monitoring $	Total $
Opening balance as at 1 July 2013	766,609	534,842	2,554,499	1,664,322	550,617	**6,070,889**
Net Movement in Provisions	(36,760)	78,394	1,921,463	53,334	17,645	**2,034,076**
Balance as 30 June 2014	**729,849**	**613,236**	**4,475,962**	**1,717,656**	**568,262**	**8,104,965**

17. RESERVES

	ACTUAL 2013/2014 $	BUDGET 2013/2014 $	ACTUAL 2012/2013 $
(a) Plant and Equipment Reserve			
Opening balance as at 1 July	1,029,772	107,141	1,211,123
Transfer from retained surplus	4,338,395	4,279,353	2,629,585
Transfer to retained surplus	(2,339,850)	(4,385,850)	(2,865,962)
Interest	33,000	3,965	55,026
Closing Balance as at 30 June	**3,061,317**	**4,609**	**1,029,772**
(b) Site Rehabilitation Reserve - Post Closure			
Opening balance as at 1 July	1,664,322	1,889,978	1,697,942
Transfer from retained surplus	0	111,902	0
Transfer to retained surplus	0	0	(111,362)
Interest	53,334	69,950	77,742
Closing Balance as at 30 June	**1,717,656**	**2,071,830**	**1,664,322**
(c) Future Development Reserve			
Opening balance as at 1 July	234,694	280,812	2,913,350
Transfer from retained surplus	0	0	1,000,000
Transfer to retained surplus	0	(230,000)	(3,752,015)
Interest	7,521	10,393	73,360
Closing Balance as at 30 June	**242,215**	**61,205**	**234,694**
(d) Environmental Monitoring Reserve			
Opening balance as at 1 July	550,617	551,808	526,688
Transfer from retained surplus	0	0	-
Transfer to retained surplus	0	0	0
Interest	17,645	20,423	23,929
Closing Balance as at 30 June	**568,262**	**572,231**	**550,617**
(e) Environmental Insurance Reserve			
Opening balance as at 1 July	168,280	168,770	195,912
Transfer from retained surplus	0	0	0
Transfer to retained surplus	(40,186)	(40,186)	(36,533)
Interest	5,392	6,246	8,901
Closing Balance as at 30 June	**133,486**	**134,830**	**168,280**

17. RESERVES (Continued)

	ACTUAL 2013/2014 $	BUDGET 2013/2014 $	ACTUAL 2012/2013 $
(f) Risk Management Reserve			
Opening balance as at 1 July	12,619	12,649	12,071
Transfer from retained surplus	0	0	0
Transfer to retained surplus	0	0	0
Interest	404	468	548
Closing Balance as at 30 June	**13,023**	**13,117**	**12,619**
(g) Class IV Reserve			
Opening balance as at 1 July	439,249	440,104	362,862
Transfer from retained surplus	58,487	58,487	59,901
Transfer to retained surplus	(400,000)	0	0
Interest	14,076	16,289	16,486
Closing Balance as at 30 June	**111,812**	**514,880**	**439,249**
(h) Regional Development Reserve			
Opening balance as at 1 July	20,193	20,196	17,913
Transfer from retained surplus	765,000	1,005,000	855,000
Transfer to retained surplus	(771,093)	(1,013,113)	(853,534)
Interest	647	748	814
Closing Balance as at 30 June	**14,747**	**12,831**	**20,193**
(i) Secondary Waste Reserve			
Opening balance as at 1 July	35,964,254	36,103,620	33,522,665
Transfer from retained surplus	7,597,417	8,690,727	5,322,672
Transfer to retained surplus	(1,132,466)	(4,559,196)	(4,342,099)
Interest	1,152,491	1,336,231	1,461,016
Closing Balance as at 30 June	**43,581,696**	**41,571,382**	**35,964,254**
(j) Class III Reserve			
Opening balance as at 1 July	1,473,747	1,481,582	3,517,865
Transfer from retained surplus	1,843,535	2,826,702	2,210,852
Transfer to retained surplus	(2,450,000)	(3,215,000)	(4,414,800)
Interest	47,227	54,835	159,830
Closing Balance as at 30 June	**914,509**	**1,148,119**	**1,473,747**

17. RESERVES (Continued)

	ACTUAL 2013/2014 $	BUDGET 2013/2014 $	ACTUAL 2012/2013 $
(k) Building Refurbishment Reserve			
Opening balance as at 1 July	63,714	63,862	60,945
Transfer from retained surplus	0	0	0
Transfer to retained surplus	0	0	0
Interest	2,042	2,364	2,769
Closing Balance as at 30 June	**65,756**	**66,226**	**63,714**
(l) Site Rehabilitation Reserve - Ongoing			
Opening balance as at 1 July	0	0	0
Transfer from retained surplus	83,613	0	224,412
Transfer to retained surplus	(83,613)	0	(224,412)
Interest	0	0	0
Closing Balance as at 30 June	**0**	**0**	**0**
(m) Long Service Leave Reserve			
Opening balance as at 1 July	698,261	699,858	661,162
Transfer from retained surplus	0	0	7,060
Transfer to retained surplus	(5,820)	(5,820)	0
Interest	22,376	25,902	30,039
Closing Balance as at 30 June	**714,817**	**719,940**	**698,261**
TOTAL RESERVES	**51,139,296**	**46,891,200**	**42,319,723**

Fair Value of investments at balance date has resulted in an unrealised loss of $601,485 (refer Note 7(c)). This had the effect of Reserves falling short of being cash backed by the unrealised loss.

The crystallisation of the unrealised losses may occur at such time as the individual investments are sold, redeemed, matured or defaulted and may be at an amount different from that disclosed above.

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

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

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

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

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

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

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

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

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

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

Site Rehabilitation Reserve - Ongoing
This reserve was established to finance the ongoing rehabilitation of the completed cells at the Red Hill waste disposal site.

Long Service Leave 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 to include cash on hand, cash at bank and term deposits. Cash at the end of the reporting period as shown in the Statement of Cash Flows is as follows:

	ACTUAL 2013/2014 $	BUDGET 2013/2014 $	ACTUAL 2012/2013 $
Cash and Cash Equivalents - Unrestricted	17,254,122	2,740,901	12,301,653
Cash and Cash Equivalents - Restricted	50,769,576	46,289,715	41,720,817
Total Cash	**68,023,698**	**49,030,616**	**54,022,470**

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

	ACTUAL 2013/2014 $	BUDGET 2013/2014 $	ACTUAL 2012/2013 $
Net Result	40,466,529	11,944,111	15,452,907
Depreciation	6,384,145	6,432,154	4,089,554
(Profit)/Loss on sale of assets	(267)	(273,755)	(39,598)
Increase/(Decrease) in provisions - Other	70,979	111,895	657,931
Increase/(Decrease) in accrued interest on Loans	0	0	0
Increase/(Decrease) in provisions - Employee	41,634	1,203	13,162
Increase/(Decrease) in provisions - Carbon price	1,921,463	0	2,554,499
Increase/(Decrease) in Sundry Creditors	(1,624,565)	0	1,283,853
Increase/(Decrease) in GST	147,287	0	(126,780)
(Increase)/Decrease in accrued interest earnings	(505,137)	0	(156,043)
(Increase)/Decrease in Receivables	578,291	0	(622,293)
(Increase)/Decrease in Inventory	7,182	0	(41,549)
(Increase)/Decrease in Prepayments	4,343	0	43,488
(Increase)/Decrease) in unrealised gain/loss from change in fair value of investments	0	0	(919,052)
(Increase)/Decrease in Revaluation on non-current assets	(32,170,872)	0	(1,140,349)
Increase/(Decrease) in Impairment Loss	0	0	32,354
Net cash from operating activities	**15,321,012**	**18,215,608**	**21,082,084**

(iii) Undrawn Borrowing Facilities

Credit Standby Arrangements

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

	ACTUAL 2013/2014 $	BUDGET 2013/2014 $	ACTUAL 2012/2013 $
Credit Card Limits	43,000		43,000
Credit Utilised at Balance Date	(2,687)		(3,167)
Net cash from operating activities	**40,313**		**39,833**

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 2013/2014 $**	**ACTUAL 2012/2013 $**
- Current	1,192,481	1,178,643
- Non-current	150,604	122,808
Total Employee Entitlements	**1,343,085**	**1,301,451**

	ACTUAL FTE's 2013/2014	**ACTUAL FTE's 2012/2013**
Total number of (FTE) employees at end of financial year	**91**	**91**

20. COUNCILLORS FEES AND ALLOWANCES

	ACTUAL 2013/2014 $	**BUDGET 2013/2014 $**	**ACTUAL 2012/2013 $**
The following fees, expenses and allowances were paid to council members and the Chairman:			
Councillors' meeting fees	110,675	77,000	75,833
Chairman's meeting fees	15,000	14,000	14,000
Deputy Councillors' meeting fees	3,150	8,600	700
Chairman's Local Government fee	19,000	6,000	6,000
Deputy Chairman's Local Government fee	4,750	1,500	1,500
	152,575	**107,100**	**98,033**

21. ASSETS CLASSIFIED BY TYPE AND LOCAL GOVERNMENT PROGRAM

	ACTUAL 2013/2014 $	ACTUAL 2012/2013 $
CURRENT ASSETS		
General Purpose Funding	24,694,471	17,795,139
Governance	1,025,360	777,173
Community Amenities	46,668,153	39,893,679
Economic Services	14,747	20,193
TOTAL CURRENT ASSETS	**72,402,731**	**58,486,183**
NON-CURRENT ASSETS		
Land		
Governance	5,400,000	2,531,274
Community Amenities	41,927,000	13,830,182
Buildings		
Governance	4,033,755	3,669,736
Community Amenities	1,717,367	1,113,431
Structures		
Community Amenities	11,708,472	9,152,875
Plant		
Governance	425,837	525,000
Community Amenities	6,045,344	9,300,700
Equipment		
Governance	284,851	176,100
Community Amenities	358,289	114,950
Furniture and Fittings		
Governance	147,818	156,333
Work In Progress		
Unclassified	783,353	5,019,398
TOTAL NON CURRENT ASSETS	**72,832,086**	**45,589,980**
TOTAL ASSETS	**145,234,817**	**104,076,163**

22. DISPOSAL OF ASSETS

	ACTUAL 2013/2014 $			BUDGET 2013/2014 $		
	Net Book Value	Sale Price	Gain (Loss)	Net Book Value	Sale Price	Gain (Loss)
Structures	25,362	0	(25,362)	0	0	0
Plant	189,972	219,116	29,143	450,859	724,614	273,755
Equipment	3,514	0	(3,514)	0	0	0
Total Assets Disposed	**218,849**	**219,116**	**267**	**450,859**	**724,614**	**273,755**

23. INFORMATION ON BORROWINGS

(a) Borrowings

The EMRC currently do not have any loans or borrowings.

(b) New Borrowings

There were no new borrowings during the 2013/14 financial year.

(c) Unspent Loans

There were no unspent loans during the 2013/14 financial year.

24. INTEREST IN THE EMRC

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

Member Council	**2013/2014**		**2012/2013**	
	%	**$**	**%**	**$**
Town of Bassendean	*4.55*	6,057,177	*4.58*	4,236,303
City of Bayswater	*19.87*	26,435,434	*19.84*	18,373,133
City of Belmont	*11.46*	15,247,744	*11.43*	10,581,155
Shire of Kalamunda	*17.07*	22,716,221	*17.21*	15,937,574
Shire of Mundaring	*11.38*	15,138,568	*11.61*	10,752,890
City of Swan	*35.67*	47,467,606	*35.33*	32,715,166
Total Equity	***100.00***	**133,062,750**	***100.00***	**92,596,221**

The EMRC participating Member Councils' interest distributions for 2013/2014 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 does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

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

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2013/2014	2012/2013	2013/2014	2012/2013
	$	$	$	$
Financial Assets				
Cash and cash equivalents	68,023,698	54,022,470	68,023,698	54,022,470
Receivables	4,239,474	4,312,629	4,239,474	4,312,629
Financial Assets at fair value through profit and loss	0	0	0	0
	72,263,172	58,335,099	72,263,172	58,335,099
Financial Liabilities				
Payables	4,067,102	5,409,053	4,067,102	5,409,053
	4,067,102	5,409,053	4,067,102	5,409,053

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.

25. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents
Financial assets at fair value through profit or loss

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

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

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

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

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

	2013/2014 $	2012/2013 $
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	680,237	540,225
- Statement of Comprehensive Income	680,237	540,225

(b) Receivables

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

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

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

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

	2013/2014 $	2012/2013 $
Percentage of Other Receivables		
- Current	80.5%	90.0%
- Overdue	19.5%	10.0%
	100.0%	100.0%

25. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

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

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

	Due within 1 year $	Due between 1 & 5 years $	Due after 5 years $	Total contractual cash flows $	Carying values $
2013/2014					
Payables	4,067,102	0	0	4,067,102	4,067,102
	4,067,102	0	0	4,067,102	4,067,102
2012/2013					
Payables	5,409,053	0	0	5,409,053	5,409,053
	5,409,053	0	0	5,409,053	5,409,053

(d) Borrowings

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

Council currently do not have any borrowings or loans.

26. COMMITMENTS FOR CAPITAL EXPENDITURE

	ACTUAL 2013/2014 $	ACTUAL 2012/2013 $
Commitments for the acquisition of assets contracted for at the reporting date but not recognised as liabilities, payable:		
- Not longer than one year	35,600	129,480
Total Capital Commitments	**35,600**	**129,480**

27. FINANCIAL RATIOS

	ACTUAL 2013/2014	ACTUAL 2012/2013	ACTUAL 2011/2012
Current Ratio	4.41 : 1.00	2.69 : 1.00	1.75 : 1.00
Asset Sustainability Ratio *	0.06 : 1.00	0.19 : 1.00	0.75 : 1.00
Operating Surplus Ratio	0.22 : 1.00	0.29 : 1.00	0.34 : 1.00
Own Source Revenue Coverage Ratio	1.19 : 1.00	1.36 : 1.00	1.46 : 1.00
Debt Service Cover Ratio	Not Applicable	Not Applicable	Not Applicable

The following information relates to those ratios which only require attestation they have been checked and are supported by verifiable information.

	ACTUAL 2013/2014	ACTUAL 2012/2013	ACTUAL 2011/2012
Asset Consumption Ratio	0.57 : 1.00	0.59 : 1.00	N/A
Asset Renewal Funding Ratio	1.00 : 1.00	1.00 : 1.00	N/A

* The EMRC as a Regional Local Government has a high and diverse level of new capital expenditure for which the depreciation expense is also based on resulting in a low ratio.

N/A - In keeping with amendments to Local Government (Financial Management) Regulation 50, the Asset Consumption Ratio and the Asset Renewal Funding Ratio comparatives for the 2011/2012 financial year have not been reported as financial information is not available.

28. CONTINGENT LIABILITIES

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

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

On 30 Oct 2008, in common with hundreds of other investors in Federation, this investment was redeemed for $450,000.

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 redemption amounts. This action is the subject of a stay until further order. In the event the application is granted, it will not result in a recoverable debt unless and until it is registered in Australia. If Lehman makes that application it will then be opposed, resulting in litigation which will take years to conclude. The legal advice provided to the EMRC about this claim is, in substance, the claim is unlikely to succeed.

29. ECONOMIC DEPENDENCY

A significant portion of revenue is received by way of grants from the State and Federal Government. The total of grant revenue from government sources is disclosed in Note 5.

30. EVENTS AFTER THE REPORTING PERIOD

Following the end of the 2013/2014 financial year, the Australian Parliament passed retrospective legislation to repeal the carbon price on 17 July 2014. This repeal has received Royal assent and been gazetted.

The consequences of the repeal of the carbon pricing mechanism for the EMRC is that no new carbon tax liability applies from effect 1 July 2014.

31. 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;
- Plant;
- Equipment; and
- Furniture and Fittings.

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:

Recurring Fair Value Measurements

			30 June 2014		
	Note	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets					
Financial Assets at fair value through profit or loss:					
- CDOs	7(b)	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	47,327,000	0	47,327,000
Buildings	12	0	0	5,751,122	5,751,122
Plant	12	0	6,471,181	0	6,471,181
Equipment	12	0	643,141	0	643,141
Furniture and Fittings	12	0	147,818	0	147,818
Total non-financial assets recognised at fair value on a recurring basis		**0**	**54,589,140**	**5,751,122**	**60,340,262**

31. FAIR VALUE MEASUREMENT (Continued)

		30 June 2013			
	Note	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets					
Financial Assets at fair value through profit or loss:					
- CDOs	7(b)	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	0	0	0
Buildings	12	0	0	0	0
Plant	12	0	9,825,700	0	9,825,700
Equipment	12	0	291,050	0	291,050
Furniture and Fittings	12	0	156,333	0	156,333
Total non-financial assets recognised at fair value on a recurring basis		**0**	**10,273,083**	**0**	**10,273,083**

The EMRC's land and buildings were valued on the cost basis for the year ended 30 June 2013 and revalued at 30 June 2014. Therefore, no fair values have been reported for the year ended 30 June 2013.

(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 Levels 1 and 2 for recurring fair value measurements during the year. There were also no transfers in and out of Level 3 measurements.

(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.

31. 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 2014	Valuation Technique(s)	Inputs Used
Financial Assets				
Financial Assets at Fair Value through profit or loss – CDOs	2	0	Market approach	Similar priced securities in a more active market.
TOTAL		**0**		
Non-Financial Assets				
Land	2	30,060,000	Market approach	Price per square metre.
	2	17,267,000	Cost Approach	Price per square metre.
Buildings	3	1,751,122	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.
	3	4,000,000	Market and income approach	Rental yields and price per square metre
Plant	2	6,471,181	Market approach	Make, size, year of manufacture and condition
Equipment	2	643,141	Market approach	Make, size, year of manufacture and condition
Furniture and Fittings	2	147,818	Market approach	Make, size, year of manufacture and condition
TOTAL		**60,340,262**		

31. FAIR VALUE MEASUREMENT (Continued)

Recurring fair value measurements

The following methods are used to determine the 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.

Where there was no observable market evidence for a land asset due to its configuration, council zoning restrictions, contamination or similar factors that result in there being no directly comparable market evidence Level 3 valuation inputs were used. For these assets significant assumptions needed to be made to determine the fair value. These were subsequently valued at the level 3 valuation input hierarchy by using the professional judgment of a Registered Valuer who adjusted the price per square metre of sales from sites not in close proximity which provided only a low level of comparability.

Level 2 valuation inputs were used to value land held in freehold title (investment and noninvestment) 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 land fill 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.

31. FAIR VALUE MEASUREMENT (Continued)

Buildings (continued)

The quantitative disclosures of the remaining service potential relating to each corresponding condition score for each of the patterns of consumption utilised in this valuation are as follows:

		% RSP of Depreciable Amount				
Consumption Score	**Description**	**Straight-Line**	**Low**	**Mod**	**High**	**Extreme**
0	New or very good condition – very high level of remaining service potential.	100%	100%	100%	100%	100%
1	Not new but in very good condition with no indicators of any future obsolescence and providing a high level of remaining service potential.	85%	92%	94%	98%	100%
2	Aged and in good condition, providing an adequate level of remaining service potential. No signs of immediate or short term obsolescence.	50%	65%	75%	85%	99%
3	Providing an adequate level of remaining service potential but there are some concerns over the asset's ability to continue to provide an adequate level of service in the short to medium term. May be signs of obsolescence in short to mid-term.	25%	40%	54%	70%	90%
4	Indicators showing the need to renew, upgrade or scrap in near future. Should be reflected by inclusion in the Capital Works Plan to renew or replace in short-term. Very low level of remaining service potential.	10%	20%	34%	45%	70%
5	At intervention point. No longer providing an acceptable level of service. If remedial action is not taken immediately the asset will need to be closed or decommissioned.	0%	0%	0%	0%	0%
6	Theoretical end of life.	Fully Written Off				

31. FAIR VALUE MEASUREMENT (Continued)

(d) Fair Value Sensitivity to Unobservable Inputs

The following table provides a summary of the unobservable inputs and an assessment of the sensitivity of these to the fair value measurement.

Table 1: Fair Value Sensitivity to Unobservable Inputs

		Sensitivity to Unobservable Market Inputs (%)		Amount of Potential Impact	
Asset	**Unobservable Inputs**	**Lower**	**Upper**	**Lower**	**Upper**
Buildings (Cost Approach)					
Specialised Buildings $1,751,122	Relationship between asset consumption rating scale and the level of consumed service potential	(2.50)%	2.50%	-$43,778	$43,778
Buildings (Market/Income Approach)					
Commercial (Income) $4,000,000	Long term rental yields in potentially volatile market	(5.00)%	5.00%	-$200,000	$200,000

(e) Valuation processes

The EMRC engages external, independent and qualified valuers to determine the fair value of the Council's land, buildings, plant, equipment and furniture and fittings on a regular basis. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

As at 30 June 2014, a comprehensive revaluation was undertaken for all asset classes subject to revaluation by APV Valuers and Asset Management.

The main Level 3 inputs used are derived and evaluated as follows:

- **Cost for land restricted in use (non-saleable)** – estimate cost to replace the existing land if Council had to acquire it on the open market in competition with other market participants. Due to the restricted nature and unique characteristics of this land there was insufficient market evidence of directly comparable sales. Reference was made to sales of land with a limited level of comparability at distant locations and adjusted by the valuer using professional judgement to take account of the differing characteristics. These were evaluated for reasonableness against the price per area for other restricted in use land held by the Council that had been valued as level 2.

32. FAIR VALUE MEASUREMENT (Continued)

(d) Fair Value Sensitivity to Unobservable Inputs (continued)

- **Long term rental yields in potentially volatile market** – the market rental used were based on an analysis of current market rental yields. The volatility of these assumptions were considered sufficiently high by the professionally qualified valuers who completed the valuation to recommend disclosing the valuation inputs for these properties as level 3.

- **Relationship between asset consumption rating scale and the level of consumed service potential** – Under the cost approach the estimated cost to replace the asset is calculated and then adjusted to take account of an accumulated depreciation. In order to achieve this the valuer determines an asset consumption rating scale for each asset type based on the inter-relationship between a range of factors. These factors and their relationship to the fair value require profession judgment and include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as residual value, useful life and pattern of consumption of the future economic benefit. 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 Council's own engineers, asset management and finance staff. The results of the valuation were further evaluated by confirmation against Council's own understanding of the assets and the level of remaining service potential.

INDEPENDENT AUDITOR'S REPORT

EMRC

For the Year Ended
30 June 2014

MACRI
PARTNERS

Certified Practising Accountants

PARTNERS
Anthony Macri FCPA
Domenic Macri CPA
Connie De Felice CA

INDEPENDENT AUDITOR'S REPORT

TO: MEMBERS OF EASTERN METROPOLITAN REGIONAL COUNCIL

We have audited the financial report of the Eastern Metropolitan Regional Council, which comprises the Statement of Financial Position as at 30 June 2014 and 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 ended on that date and a summary of significant accounting policies and other explanatory information and Statement by Chief Executive Officer.

Management's Responsibility for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended) and for such internal controls as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional accounting bodies.

Suite 2, 137 Burswood Rd, Burswood WA 6100 PO Box 398, Victoria Park WA 6979 P (08) 9470 4848 F (08) 9470 4849 E mail@macripartners.com.au W macripartners.com.au

INDEPENDENT AUDITOR'S REPORT

TO: MEMBERS OF EASTERN METROPOLITAN REGIONAL COUNCIL (Cont'd)

Auditor's Opinion

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

(a) gives a true and fair view of the financial position of the Eastern Metropolitan Regional Council as at 30 June 2014 and of its financial performance for the year ended on that date; and

(b) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards.

Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996, we also report that:

(a) There are no matters that in our opinion indicate significant adverse trends in the financial position or financial management practices of the Council.

(b) There are no matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.

(c) In relation to the asset consumption ratio and asset renewal funding ratio (presented at Note 27 of the annual financial report) we have reviewed the calculations as presented and nothing has come to our attention to suggest they are not:
   (i) reasonably calculated; and
   (ii) based on verifiable information.

(d) All necessary information and explanations were obtained by us.

(e) All audit procedures were satisfactorily completed in conducting our audit.

Macri Partners

MACRI PARTNERS
CERTIFIED PRACTISING ACCOUNTANTS
SUITE 2, 137 BURSWOOD ROAD
BURSWOOD WA 6100

A MACRI
PARTNER

PERTH
DATED THIS 5TH DAY OF SEPTEMBER 2014.

MACRI PARTNERS

Certified Practising Accountants

PARTNERS
Anthony Macri FCPA
Domenic Macri CPA
Connie De Felice CA

RECEIVED
2 - SEP 2014

1 July 2014

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

Dear Sir

RE: INTERIM AUDIT VISIT FOR THE YEAR ENDED 30 JUNE 2014

We carried out an interim audit of the Eastern Metropolitan Regional Council (EMRC) for the year ended 30 June 2014.

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

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

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

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

Suite 2, 137 Burswood Rd, Burswood WA 6100 PO Box 398, Victoria Park WA 6979 P (08) 9470 4848 F (08) 9470 4849 E mail@macripartners.com.au W macripartners.com.au

Because of the inherent limitations of any internal control structure, it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

It should be appreciated that the matters noted came to our attention during the course of our normal audit examination and as a result do not necessarily include all those matters which a more extensive or special examination might identify.

Accordingly, our comments in this management letter are not intended to cover all aspects of the EMRC's internal controls and accounting systems and are limited to those matters that arose from our normal audit procedures.

The following matter was noted and is brought to your attention.

CREDITORS

(i) During our audit, we noted that new suppliers are set up by the Finance Team after receiving a completed "Supplier Details Form" from the staff. Details obtained include Australian Business Numbers (ABNs), bank account details, etc.

We observed that there were no background checks (e.g. ASIC company extracts obtained to view shareholders' and directors' details, etc.) performed on new suppliers before entry into the SynergySoft system. Such checks serve as an anti-fraud control and can assist to identify current or past Council employees, elected members, etc.

We recommend that where considered appropriate background checks be performed as an anti-fraud control on new suppliers before entry into the SynergySoft system. Such checks should be attached to support the completed "Supplier Details Form" and stored for record-keeping purposes.

Management Comments:

The EMRC has processes and procedures to ensure that transactions are kept at arm's length and mitigate fraud risk.

As part of the due diligence process with creditors, the Finance Team ensures that ABN checks are done when a new supplier is added to the system. For large public companies, they are governed by the Australian Stock Exchange and are externally audited as a requirement of the listing rules. For smaller organisations such as sole proprietors, the level of risk is managed in keeping with the process appropriate for the size of the EMRC.

At the EMRC, the procurement process is administered with clear policies and guidelines. The EMRC has the following in place to provide guidance:

- ***Council Policy - Purchasing Policy;***
- ***Management Guideline - Authorisation of Expenditure; and***
- ***Management Guideline - Signatories and On-Line (EFT) Supplier Payments.***

The EMRC has an organisational structure that provides for appropriate segregation of duties including the processing and authorisation of purchases and payments. Any payment requires the following:

- ***Confirmation of receipt of goods or services;***
- ***Approval of expenditure by the responsible officer within the authority limits as defined by Management Guideline - Authorisation of Expenditure; and***
- ***Payment made by two authorised signatories as prescribed by Management Guideline Cheque Signatories and On-Line (EFT) Supplier Payments.***

The EMRC is subject to the requirements of s3.57 of the Local Government Act 1995 and Part 4 of the Local Government (Functions and General) Regulations 1996 in regard to tenders for providing goods or services for the supply of goods or services if the value of a purchase is or is expected to be $100,000 or more. In those situations, there is a great level of scrutiny including an assessment of the proposed supplier's background.

As per the requirements of the Local Government (Financial Management) Regulations 1996, reg 13(1), the list of all payments made is reported to Council for its review.

The EMRC's Code of Conduct addresses the issue of conflicts of interest and misuse of position to gain an advantage. Additionally, the Annual Returns process where declarations are required by Councillors and EMRC officers who have been provided with delegated authority requires declarations of financial interests. Employees are covered under the Management Guideline - Disclosure of Financial Interest (Employees). The EMRC Code of Conduct requires staff to have prior permission by the CEO before working or being part of other organisations, whether competitors or not.

Additional future background checks such as ASIC company extracts will be undertaken on a case by case basis where appropriate.

(ii) We noted that changes to the supplier master file (e.g. bank account details, addresses etc.) can be made by the Finance Team, however there is no review of the supplier master file changes performed by an independent senior officer.

The SynergySoft system can produce an "Audit Trail Report" which shows supplier master file changes. We noted that whilst this report is available, it is not utilised for reviewing any new additions or changes to supplier details.

We recommend that, as a monitoring control, management give consideration to generating this report on a monthly basis which identifies supplier master file changes and such report be reviewed by an independent senior officer to ensure that updates to the creditors system only contain valid and authorised creditors and existing creditor details are not amended without the knowledge of management.

Management Comments:

The Manager Financial Services has been reviewing the Audit Trail Report on a weekly basis.

All changes to the supplier master file are to be reviewed and authorised by two senior finance officers, this being the Finance Team Leader and the Manager Financial Services. A form will be prepared stating the previous details, the new details and authorisation evidenced.

With the accounting system, SynergySoft, an automated email is generated when changes to bank account details have been made. This email will be reconciled with the authorisation form and records maintained of the confirmation.

JOURNAL ENTRIES

Australian Auditing Standard ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* states that there is a risk in all entities that management may be in a position to override the financial controls to perpetrate fraud. The standard requires that auditors perform audit procedures to address this risk in the areas including journal entries.

As part of our audit, we performed procedures and reviewed internal controls over journal entries recorded in the general ledger.

To test this, we reviewed the entire population of journals as at our audit visit date to identify those which would be regarded as unusual or higher risk. All higher risk journals were tested to ensure they were appropriate and supported by a clear business rationale.

The following matters were noted and are brought to your attention:

(i) We noted that there is no documented policy regarding the use, authorisation and control over journal entries.

We recommend that a documented policy be created which addresses the use of standard entries, non-routine entries (corrections and adjustments) and unusual or management-requested entries. This includes details on sequential numbering, the requirement for journals to be adequately explained or supported by appropriate documentation and the list of approved officers who can raise or authorise journal entries.

Management Comments:

Journal numbers for journals created currently reference the person raising the journal & the date of the journal (i.e. DJA010714) in the case of more than one journal for the day it will be numbered for example DJA010704/2. In the case of the standard monthly journals the journal will reference the person the subject and the date (i.e. DJA-Oil-June 2014).

The extract from the system lists all journals processed for the period in sequential order by batch number (refer Management Comments for part ii).

Management believes the journal referencing currently used by the EMRC provides significant reference details that would not be available with journal sequential numbering only.

The EMRC will however formulate a Guideline/BMS regarding the journal raising process including a list of approved officers who can raise or authorise journal entries.

(ii) Based on our enquiries and procedures, we noted that generally most finance staff are able to prepare and raise journal entries for posting to the general ledger. Journals are raised directly on the system and hard copies of the supporting information are maintained by the preparers of the journals on a file. However, we noted that there is no evidence of review or approval by an independent senior officer of journals raised in the system after posting.

Segregation of duties over preparing and approval of journal entries is essential to prevent errors and unauthorised posting of transactions which could potentially result in fraudulent financial reporting or misappropriation of assets. We recommend that a listing of all journal entries posted to the general ledger be generated from the system on a monthly basis and reviewed by an independent senior officer. This will provide evidence that the journals are appropriate and accurately processed.

<u>Management Comments</u>

Currently a significant volume of the EMRC's end of month processes involve journals being raised for the allocation of costs (e.g. Fuels & Oils allocations, Landfill levy allocation, depreciation allocations, Insurance Premium allocations, monthly accruals & reversals etc). These form part of the month end tasks that need to be undertaken. The Monthly Task List is then reviewed to ensure completion prior to ending the month and producing the required Financial Reports.

As part of the monthly process, the Manager Financial Services will review and authorise all journals raised. An extraction from the financial system listing all journal entries posted to the general ledger during the month will be extracted electronically, reviewed and authorised by the Manager Financial Services.

A copy of the Manager Financial Services authorisation will be scanned in with the extract and filed electronically.

TENDERS REGISTER

As part of our audit procedures, we reviewed the compliance requirements with regards to the maintenance of the Tenders Register for public inspection as required under the Local Government Act 1995 and Local Government (Functions and General) Regulations 1996.

Regulation 17 of the Local Government (Functions and General) Regulations 1996 requires the tenders register to include the following information in respect of each invitation to tender:-

(a) a brief description of the goods or services required;
(b) particulars of the making of –
  (i) the decision to invite tenders; and
  (ii) if applicable, decision to seek expressions of interest under regulation 21(1);
(c) particulars of –
  (i) any notice by which expressions of interest from prospective tenderers was sought;
  (ii) any person who submitted an expression of interest; and
  (iii) any list of acceptable tenderers that was prepared under regulation 23(4);
(d) a copy of the notice of the invitation to tender;
(e) the name of each tenderer whose tender has been opened;
(f) the name of any successful tenderer; and
(g) the amount of the consideration or a summary of the amount of the consideration sought in the tender accepted by the local government.

Our review of the invitations to tender for the 2013 and 2014 calendar year indicated that the tenders register did not contain the above requirements (b) to (g) of the regulation.

We recommend that the tenders register include the above requirements to fully comply with the regulation.

Management Comments:

Late last year (2013), the EMRC moved to a new electronic records management system (TRIM).

As part of the set-up for the recording of tenders the EMRC developed a structure for tender management in regards to the records. Every new tender is assigned its own Folder (Container) which contains all the documents including those required under regulation 17 of the Local Government (Functions and General) Regulations 1996.

With reference to the two tenders reviewed (Numbers 2013/09 and 2014/001), all of the documents required under regulation 17 of the Local Government (Functions and General) Regulations 1996, were up to date and completed on individual TRIM folders for each of the tenders.

Should outside persons require any details or wish to view any of the tender documentation that they may be entitled to view, the EMRC will produce hard copies from the TRIM system for them.

FINANCIAL ACTIVITY STATEMENTS

Regulation 34(5) of the Local Government (Financial Management0 Regulations 1996 stipulates that the statement of financial activity and the accompanying documents referred to in subregulation (2), are to be —

(a) presented at an ordinary meeting of the council within 2 months after the end of the month to which the statement relates; and

(b) recorded in the minutes of the meeting at which it is presented.

During our review of the Council minutes, we noted that the Financial Activity Statement Reports were not prepared and presented to the Council within the required 2 months after the end of the months to which the statements related.

These are shown below:

DATE OF FINANCIAL ACTIVITY STATEMENT	DATE WHEN PRESENTED TO COUNCIL
31 August 2013	5 December 2013
30 September 2013	5 December 2013
30 November 2013	20 February 2014

We request that the monthly Financial Activity Statement Report be prepared and presented to the Council in accordance with the requirements of the Regulation and presented to the Council.

Management Comments:

The Monthly Financial Reports are submitted to the first Council meeting held within 2 months of the month to which they relate.

In the above listing the August & September 2013 Financial Activity Statement Reports were prepared per the normal timeframe. However as there was no Ordinary meeting of council during October or November 2013 they were submitted to the next Ordinary meeting of Council on 5th December 2013 following the Local Government elections.

With the November 2013 Financial Activity Statement Reports, they were prepared during December 2013 but not presented to Council until the next earliest meeting in February 2014 as there was no Ordinary meeting of Council held in January 2014.

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

Yours faithfully

ANTHONY MACRI

AUDIT PARTNER

EMRC01 AMmg Interim Audit Visit Letter 2014

MACRI PARTNERS

Certified Practising Accountants

Eastern Metropolitan Regional Council

EMRC

Audit Completion Report to the Audit Committee For the Year Ended 30 June 2014

29 August 2014

Table of Contents

1. Executive Summary

Under the requirements of Australian Auditing Standard ASA 260: "*Communication with Those Charged with Governance*", we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity. This Annual Audit Completion Report together with our previous External Audit Plan reported to the Audit Committee in May 2014 discharges the requirements of the Auditing Standard.

This report has been prepared for the Audit Committee to summarise the significant matters that have arisen from our year-end audit of the EMRC for the year ended 30 June 2014.

1.1 Status of Audit

Our audit field work at the EMRC for the financial year ended 30 June 2014 has been completed.

Before our Independent Auditor's Report is signed off and issued to the Council, the following outstanding matter is required to be attended to:

- Completion of audit procedures relating to Auditing Standard ASA 560 *Subsequent Events* to be performed up to the date of signing the Independent Auditor's Report.

1.2 Deliverables

Output	Timing
External Audit Plan	May 2014
Interim Audit Management Letter	29 August 2014
Present the Audit Completion Report to the Audit Committee	4 September 2014
Provide Independent Auditor's Report on the Financial Report	After recommendation of Financial Report by Audit Committee

2. Financial Statements and Audit Opinion

Audit Opinion

We have completed the audit of the EMRC's accounts in line with current Australian Auditing Standards and will give an **Unqualified Opinion** [subject to subsequent events procedures] that the financial report of the Eastern Metropolitan Regional Council

(a) gives a true and fair view of the financial position of the Eastern Metropolitan Regional Council as at 30 June 2014 and of its financial performance for the year ended on that date; and

(b) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards.

Refer to **Appendix 1** for our Proposed Draft Independent Auditor's Report

3. Current Year Areas of Audit Focus

Our audit procedures were focused on those areas of Eastern Metropolitan Regional Council's activities that are considered to represent the key audit risks identified in our external audit plan and through discussions with management during the course of our audit.

	Risk Area	Audit Response
1	Land and Buildings	EMRC's land and buildings were valued at fair value from the historical cost basis for the first time during the year ended 30 June 2014 using external independent valuers, APV Valuers and Asset Management. Audit procedures tested on a sample basis: • Capital asset additions on a sample basis for accuracy to supporting documentation. • Valuation to fair value from cost on the EMRC's land and buildings. We have relied upon the values adopted by the external valuers. Asset reconciliation schedules were verified against trial balance reported amounts. Audit evaluated the professional competence and objectivity of the expert and the adequacy of the scope of the expert's work.

		Audit also obtained a signed "Management Evaluation" letter which was critical in providing with the necessary understanding of how management has approached with the fair valuation exercise and the evaluation of the valuation results. Results of the audit procedures conducted did not note any material misstatement of the land and building asset classes.
2	Revenue (Fees and Charges and Grant Revenue)	Audit procedures were tailored to ascertain the completeness and accuracy of revenue: ➢ Control testing on fees and charges ➢ Test a sample of revenue transactions to supporting documentation ➢ Substantive analytical procedures For the year ended 30 June 2014, these amounts appear to be reasonably accounted for and recognised appropriately.
3	Purchasing and Payments	Audit procedures were performed to review and assess the processes and policies in the purchasing and payments area. Discussions were held with the relevant personnel involved in this area to gain an understanding of the processes and procedures, followed by an assessment of the overall controls in place. Testing was performed during our interim audit on this key operating cycle. Additionally, analytical procedures were performed on expenditure items to assess items for reasonableness and to ensure that fluctuations from prior year balances were consistent with our expectations.
4	Payroll Expenditure	Discussions were held with the relevant payroll staff. This procedure undertaken facilitated the understanding of the processes and policies in place for payroll. Substantive audit procedures were also performed to verify completeness and accuracy of payroll for the year ended 30 June 2014. Analytical procedures tested payroll and statutory superannuation balances, comparing budgeted results to actual results and highlighting fluctuations in fortnightly payments which were then subject to further examination.
5	Provisions for Annual and Long Service Leave	We examined the annual and long service leave provisions were and tested a few employees on a sample basis.

		Audit testing of these leave provisions involved the calculation of an audit predicted amount which was then compared to the amount recorded in the leave listings. The assumptions used by EMRC for the provisions with respect to discount and bond rates were compared to the equivalent assumptions provided by Macri Partners. All assumptions were within the acceptable ranges. Our sample testing of annual leave and long service leave balances noted no variances.
5	Provisions for Site Rehabilitation and Environmental Monitoring	Audit procedures were performed to review and assess the completeness, accuracy and valuation of the provisions for site rehabilitation and environmental monitoring. The treatment adopted by management was consistent to prior year with respect to recognising this provision by way of an incremental charge based on the volumetric usage of the landfill air space and increasing the provision by the cumulative interest income relating to the provisions to ensure the principles of present value are maintained. However, it is noted that a full review of the provision estimate will be undertaken by management next financial year for estimating total future rehabilitation and site monitoring expenditures over the landfill discounted to net present value.
6	Provision for Carbon Pricing	It is important to note that Federal Government's recent abolition of the carbon pricing mechanism from 1 July 2014 based on the Clean Energy Legislation (Carbon Tax Repeal) Act 2014 (Cth) did not impact EMRC's registration, reporting, audit and other obligations for the 2014 financial year. Audit procedures were performed to review and assess the completeness, accuracy and valuation of the provision for carbon pricing. We reviewed the model and methodology used by management for estimating the liable carbon emissions from the landfill multiplied by the carbon price for the year. For the year ended 30 June 2014, the provision appears to be reasonably accounted for.
7	Contingent Liabilities	Contingent liabilities at balance date relate to an action by Lehman Brothers in the United States Bankruptcy Court for Federation notes which was also disclosed in the financial report for the year ended 30 June 2013.

		Audit procedures included discussions with management and reviewing the solicitor's representation letter to clarify the current position on the matter. The legal advice provided to the EMRC about this claim is, in substance, the claim is unlikely to succeed. We also are in the process of obtaining a management representation letter to confirm that there are no further contingent liabilities required to be disclosed, other than those currently disclosed in the financial report. At this date, we are satisfied with management's disclosure of the contingent liability in the financial report.

We are satisfied that these key areas of focus have been addressed appropriately based on our audit procedures and are properly reflected in the EMRC's financial report.

4. Assessment of Internal Controls

Our interim phase of the audit indicated that the current internal control systems and processes are reasonable. They are designed adequately for EMRC's current business operations.

However, a separate Interim Audit Management Letter has been provided to management following our interim audit which provides details of the internal control and compliance matters raised.

We will be following up on the implementation of the management comments during our next interim audit visit. The result of our follow-up will be reported within our next Interim Audit Management Letter.

5. Key Findings During Final Phase of Audit

During our audit planning procedures and risk identification process, we identified a number of key focus areas as outlined in Section 3 above. In addition, during the course of our year-end fieldwork, other accounting and audit issues were noted. Our consideration of these matters is set out below.

We request that the Audit Committee review the matters below and satisfy themselves that:

- there are no other matters of which you are aware that would impact these issues;
- there are no other significant issues that ought to be considered before recommending the adoption of the financial statements to the Council; and
- you concur with the resolution of the issues as described below.

	Area	Key Findings	Recommendation
1	Provision for Annual Leave	As indicated in our external audit plan, under the change in the Accounting Standard AASB 119 *Employee Benefits*, annual leave not expected to be used wholly within 12 months of end of reporting period is required to be discounted when calculating leave liability. During our audit, we noted that the calculation for the provision of annual leave was not done in accordance with the above requirement.	Whilst the difference in the calculation was trivial, we recommend that the principles of the accounting standard be followed in future for the calculation of the provision. No financial adjustments were proposed as a result of our work.
2	Depreciation	We note that the depreciation on the plant, equipment and furniture and equipment assets appears to be quite high. We noted that the useful lives for the have not been reviewed, resulting in a higher depreciation figure for this financial year.	We recommend that the useful lives for all the above asset classes be reviewed to reflect the appropriate depreciation to be charged for the assets.
3	Non-Current Assets Policy	We note that the EMRC's non-current assets policy has not been reviewed for fair value reporting purposes. The non-current assets policy sets out a range of rules that dictate definitions, policies, and specifically how the valuation and depreciation calculations are to be done. This includes such things as thresholds, valuation basis, depreciation method and management assumptions. This is important for audit to understand these boundaries, ensuring they comply with the prescribed requirements and the calculations have been completed in accordance with the policy.	We recommend that the policy be reviewed, updated, and adopted by Council.

6. Term Deposits Held With ING Bank

Background

The Audit Committee at its meeting held on 5 June 2014 expressed concerns over the term deposits held by EMRC with ING Bank totalling $11 million.

Current Status

Follow up to our letter dated 3 July 2014 to the Chairman of the Audit Committee, we subsequently also checked and confirm that all the funds held with ING Bank have since been received by EMRC and at this point, there are no funds held with ING Bank.

7. Specific Required Communications

The Australian Auditing Standard ASA 260: "*Communication with Those Charged with Governanc*e" requires the auditor to communicate certain matters to the Audit Committee that may assist them in overseeing management's financial reporting and disclosure process. Below we summarise these required communications as they apply to your organisation.

Reporting Requirement	Detailed Comments
Changes to Audit Approach Outlined in External Audit Plan	➢ There were no changes to the audit approach outlined in the External Audit Plan.
Significant accounting policies	➢ Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the EMRC including new pronouncements adopted during the year, are described in Note 1 to the financial statements. ➢ There were no significant changes in the application of existing policies during the year ended 30 June 2014, other than the fair value measurement of the Council's assets and liabilities in accordance with AASB 13 *Fair Value Measurement*. The accounting policies adopted in the financial statements are appropriately disclosed.
Sensitive Accounting Estimates and Disclosures	Refer to "Current Year of Audit Focus" section
Misstatements and significant audit adjustments	➢ We are required to report to you all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature. In the context of the EMRC, we consider that amounts of a value less than $50,000 should be considered trivial. This represents 5% of materiality.

	➢ A number of disclosure adjustments to the financial statements have been discussed and amended during the course of our audit. ➢ No financial adjustments have been raised through our audit work meaning there are no unadjusted misstatements to report.
Significant Weaknesses in Internal Controls	➢ No significant weaknesses in internal control were identified. Refer to our Interim Audit Management Letter.
Disagreements with management	➢ There have been no significant disagreements with management during the course of the audit.
Serious Difficulties Encountered in Dealing with Management when Performing the Audit such as: • Significant delays in management providing required information • An unnecessarily brief time within which to complete the audit • Extensive unexpected effort required to obtain sufficient appropriate audit evidence • The unavailability of expected information • Restrictions imposed on the auditor by management	➢ There were no serious difficulties encountered in dealing with management when performing the audit.
Fraud and Illegal Acts	➢ We are not aware of any matters that require communication. ➢ We would request that the Audit Committee members raise with us any areas of risk not addressed in our communications and that they inform us of their knowledge of any actual or suspected fraud.
Compliance with laws and regulations	➢ In performing our audit procedures, we have not become aware of any non-compliance with applicable laws or regulations that would have an impact on the determination of material amounts and disclosures in the financial report. ➢ We have also received representations from management confirming that the Council is in compliance with all laws and regulations that impact the Council.
Books and records and conduct of the audit	➢ We have been presented with all the necessary books and explanations requested of management to support the amounts and disclosures contained in the financial statements in a timely and efficient manner.

	➢ We take this opportunity to thank Mr David Ameduri, Mr Jer Liew and the staff for their assistance and courtesy during our audit.
Other Information in Documents Containing Audited Financial Statements	➢ Our financial statement audit opinion relates only to the financial statements and accompanying notes. However, we also review other information in the Annual Report, such as Management's Discussion and Analysis, for consistency with the audited financial statements. Once the annual report is prepared and provided to us, we will review the Annual Report for consistency between the audited financial statements and other sections of that document.
Related Party Transactions	➢ None of which we are aware.
Major Issues Discussed with Management in Connection with Initial or Recurring Retention	➢ None.
Going concern	➢ As part of our audit, we have assessed and agreed with the conclusions reached by the management concerning the application of the going concern concept.
Independence	➢ We confirm that, as the date of this report, we are independent having regard to Macri Partners' policies, professional rules and relevant statutory requirements regarding auditor independence. ➢ During the year ended 30 June 2014, Macri Partners has not provided any non-audit services to the EMRC.

8. Disclaimer

This report has been prepared for the Audit Committee and management of Eastern Metropolitan Regional Council only. It should not be quoted or referred to, in whole or in part, without our prior written consent. No warranty is given to, and no liability will be accepted from, any party other than the Eastern Metropolitan Regional Council.

9. Appendix 1 - Proposed Audit Opinion

INDEPENDENT AUDITOR'S REPORT

TO: MEMBERS OF EASTERN METROPOLITAN REGIONAL COUNCIL

We have audited the financial report of the Eastern Metropolitan Regional Council, which comprises the Statement of Financial Position as at 30 June 2014 and 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 ended on that date and a summary of significant accounting policies and other explanatory information and Statement by Chief Executive Officer.

Management's Responsibility for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended) and for such internal controls as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independence

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

INDEPENDENT AUDITOR'S REPORT

TO: MEMBERS OF EASTERN METROPOLITAN REGIONAL COUNCIL (Cont'd)

Auditor's Opinion

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

(c) gives a true and fair view of the financial position of the Eastern Metropolitan Regional Council as at 30 June 2014 and of its financial performance for the year ended on that date; and

(d) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards.

Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996, we also report that:

(a) There are no matters that in our opinion indicate significant adverse trends in the financial position or financial management practices of the Council.

(b) There are no matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.

(c) In relation to the asset consumption ratio and asset renewal funding ratio (presented at Note 27 of the annual financial report) we have reviewed the calculations as presented and nothing has come to our attention to suggest they are not:
   (i) reasonably calculated; and
   (ii) based on verifiable information.

(d) All necessary information and explanations were obtained by us.

(e) All audit procedures were satisfactorily completed in conducting our audit.

MACRI PARTNERS	**A MACRI**
CERTIFIED PRACTISING ACCOUNTANTS	**PARTNER**
SUITE 2, 137 BURSWOOD ROAD	
BURSWOOD WA 6100	

PERTH
DATED THIS DAY OF 2014.

11.3 CEO REVIEW OF RISK MANAGEMENT, INTERNAL CONTROL AND LEGISLATIVE COMPLIANCE

REFERENCE: D2014/10145

PURPOSE OF REPORT

The purpose of this report is to present to the Audit Committee the Chief Executive Officer's report on the appropriateness and effectiveness of the EMRC's systems in regard to risk management, internal control and legislative compliance for its consideration and referral to Council.

KEY ISSUES AND RECOMMENDATION(S)

- The Local Government (Audit) Regulations 1996 (the Regulations) were amended in February 2013 to extend the functions of local government Audit Committees.
- Regulation 17 now requires the Chief Executive Officer to review and report on the appropriateness and effectiveness of the local government's systems in regard to risk management, internal control and legislative compliance
- The report and review process is to occur at least once every two calendar years.
- The review has determined that the EMRC has in place appropriate and effective systems, policies and procedures, as well as sound internal controls and audits by external parties to ensure the EMRC meets its obligations with regards to risk management, internal control and legislative compliance obligations.

Recommendation(s)

That the report be received.

SOURCE OF REPORT

Chief Executive Officer
Director, Corporate Services

BACKGROUND

The Local Government (Audit) Regulations 1996 (Audit Regulations) were amended in February 2013 to extend the functions of local government Audit Committees.

Regulation 17 was introduced requiring the Chief Executive Officer to review the appropriateness and effectiveness of the local government's systems in regard to risk management, internal control and legislative compliance.

The review process is to occur at least once every two calendar years, with the first review to be completed by the Chief Executive Officer, and to be reported to the Audit Committee by 31 December 2014.

Item 11.3 continued

REPORT

In accordance with the requirements of r.17 of the Audit Regulations, a review of the appropriateness and effectiveness of the systems and procedures relating to risk management, internal control and legislative requirements has been conducted, the results of which are outlined below.

Risk Management

The coordination of activities to identify and control an organisation’s risks is known as risk management. When local governments set objectives under their budget or any other plan they are exposed to risks or ‘uncertainties’ which need to be managed in order to meet the objectives set out in their budget or plan. Consequently every local government should consider developing a tailored risk management process and make it an integral part of management.

Historically, the EMRC used biennial risk surveys as the primary process of identifying and assessing its key risk exposures. However, since March 2013, risk identification has become part of annual business planning where items of risk are captured within the strategic planning process. This is supplemented with annual workshops and meetings conducted by the Manager Risk Management to cover Red Hill and Hazelmere operations.

EMRC’s internal auditors noted in its report (DMDOC2013/183041) to the Audit Committee in September 2013 that:

> *“We performed a detailed assessment of EMRC’s risk management policy to determine the level of compliance with the requirements….. It was pleasing to note that the policy is well documented and covers all the aspects specified in the Risk Management Standard. Notably, the policy also quotes the standard as the primary matter of guidance with regards to risk management.”*

In 2013, the EMRC automated its risk management process through the use of a customised risk management system. The risk management system is AS/NZS/ISO 31000:2009 compliant and is intended to support a centralised risk management process within the organisation.

The EMRC Risk Management Plan provides within its framework for training to provide staff with the appropriate tools and practices to effectively manage risks. The EMRC has a Risk Steering group that meets regularly and is made up of the Site Manager Red Hill, the Manager Risk Management and the Executive Management Team including the CEO.

The EMRC also has in place a business continuity disaster recovery plan.

The EMRC works together with LGIS to achieve the best possible insurance and risk management solutions for the organisation. The partnership offers the benefits of an industry-based self-insurance scheme, specialist risk management programmes, and advice and solutions focused on Western Australian local government needs. The EMRC has also engaged Nexus to broker appropriate environmental impairment liability insurance cover. The overall process ensures that the EMRC is managing its insurable risks and has in place adequate insurance coverage.

A part of the risk management process is to ensure that the procurement framework is administered with clear policies and guidelines, the EMRC has the following in place to provide guidance:

- *Council Policy - Purchasing Policy*
- *Management Guideline - Authorisation of Expenditure*;
- *Management Guideline - Signatories and On-Line (EFT) Supplier Payments*;

In addition all policies and guidelines are reviewed on a periodic basis to ensure currency and compliance with relevant legislative changes.

Item 11.3 continued

Internal Control

Internal control is a key component of a sound governance framework together with competent management, long-term planning, compliance, resource allocation, accountability and transparency. Strategies to maintain sound internal controls are based on risk analysis of the internal operation of a local government.

The EMRC has in place internal control systems that include documented policies, management guidelines and business management systems to safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations. The policies, management guidelines and business management systems are review at least every two years to ensure that they comply with legislative changes and adhere to best practice business principles.

The control framework includes:

- Delegation of authority;
- Documented policies and procedures;
- Trained and qualified employees;
- System controls;
- Effective policy and process review;
- Internal audit program;
- Documentation of risk identification and assessment; and
- Regular liaison with auditors and legal advisors.

A comprehensive induction process for staff, regular staff information sessions and a structured staff development and training system ensure that staff are informed and capable of maintaining effective systems controls, the subject of this review report.

It is a requirement under s 6.4 of the Local Government Act 1995 that a Local Government is to prepare an annual financial report which is subject to an external audit. As part of the audit process, the auditor considers the internal controls relevant to the local government's preparation and fair presentation of the financial report. It also involves evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made.

The EMRC's external and internal auditors review the effectiveness of the EMRC's internal control systems to ensure that its effective and transparent internal control environment is built on the following key areas:

- Integrity and ethics;
- Policies and delegated authority;
- Levels of responsibilities and authorities;
- Audit practices;
- Information system access and security;
- Management operating style; and
- Human resource management and practices.

The EMRC's organisational structure provides for appropriate segregation of duties including the processing and authorisation of payments. The procurement and payment process requires the following:

- Purchase requisitions to be authorised by the supervisor or equivalent of the requisitioning officer;
- Confirmation of receipt of goods or services;
- Approval of expenditure by the responsible officer within the authority limits as defined by *Management Guideline – Authorisation of Expenditure;*
- Payment made by two authorised signatories as prescribed by *Management Guideline Cheque Signatories and On-Line (EFT) Supplier Payments;* and
- A full list of payments is provided in Council agendas for review by Council.

Item 11.3 continued

Physical records of assets are maintained by the Finance business unit as part of its integrated financial systems. Assets, including disposal are governed by EMRC's Asset Management policy. These are verified against physical stocktakes and are subject to annual external audit.

Similarly petty cash reconciliations are prepared each month and is subject to a check every three months to ensure the physical cash count is consistent with the accounting records.

The control of computer applications and information systems are subject to assessment by the internal auditors. The IT General Controls were last audited in 2012. The overall assessment of the quality of the management controls were satisfactory, with no major issues indentified.

Comparison and analysis of financial results with budgeted amounts are prepared for each month and presented at Council meetings.

Legislative Compliance

The EMRC maintains strong adherence to its legislative compliance obligations. In addition to the Executive Management Team comprising of the CEO and the Directors, the EMRC has the following officers to monitor its compliance with various legislation and regulations under which the EMRC is operating:

- Manager Waste, Environmental Operations;
- Manager Financial Services;
- Manager Administration & Compliance;
- Manager Human Resources; and
- OS&H Coordinator.

Each local government is required to complete a compliance audit return (CAR) at the end of each calendar year. The CAR is submitted to the Audit Committee for review and the results of the review are reported back to Council. The last CAR was tabled at the March 2014 Audit Committee meeting (D2014/00250). The highest level of compliance was achieved with no items of non compliance reported.

The external auditors also report on other legal and regulatory requirements including whether:

(a) There are any matters that in their opinion indicate significant adverse trends in the financial position or financial management practices of the Council; and
(b) There are any matters indicating non-compliance with Part 6 of the Local Government Act 1995, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were noted during the course of their audit.

At the time of preparing this report, the most recent completed audit was for the 2012/2013 financial year. Tony Macri of Macri Partners, EMRC's external auditor, has given his opinion that the financial report of the EMRC:

(a) Gives a true and fair view of the financial position of the EMRC as at 30 June 2013 and of its financial performance for the year ended on that date; and
(b) Complies with the Local Government Act 1995, the Local Government (Financial Management) Regulations 1996 and the Australian Accounting Standards.

Item 11.3 continued

The EMRC has Council policies, Management Guidelines and a Business Management System which provide and support a sound legislative and regulatory compliance framework. This includes:

- *Management Guideline – Grievance Resolution Procedure* that serves to ensure a clearly defined process by which staff have grievances addressed and resolved in a fair and confidential manner.
- *Code of Conduct* – which handles the issues of conflicts of interest and misuse of position to gain an advantage.
- *Annual Returns* process where declarations are required by Councillors and EMRC officers who have been provided with delegated authority.
- *Management Guideline - Disclosure of Financial Interest (Employees).*

Financial and non-financial trends are monitored by the Executive Management team. Each month, the Executive Management team reviews the key organisational indicator reports, such as the financial report, tonnage report and scorecards to review any adverse trends and appropriate management plans are made to address them.

The effect of any significant compliance issues are disclosed in the financial reports. eg. where an individual investment falls below the required rating as prescribed in the Management of Investments Policy.

At the conclusion of this review, it is considered that the systems and procedures related to risk management, internal control and legislative compliance are both appropriate and effective.

STRATEGIC/POLICY IMPLICATIONS

Key Result Area 4 – Good Governance

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

FINANCIAL IMPLICATIONS

Nil

SUSTAINABILITY IMPLICATIONS

Nil

MEMBER COUNCIL IMPLICATIONS

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

Item 11.3 continued

ATTACHMENT(S)

Nil

VOTING REQUIREMENT

Simple Majority

RECOMMENDATION(S)

That the report be received.

AC RECOMMENDATION(S)

MOVED CR WOLFF SECONDED CR CORNISH

That the report be received.

CARRIED UNANIMOUSLY

12 REPORTS OF DELEGATES

Nil

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

Nil

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

Nil

15 FUTURE MEETINGS OF THE AUDIT COMMITTEE

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

"2.3 Meetings

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

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

Future Meetings 2014

Thursday	9	October (if required)	at	EMRC Administration Office
Thursday	20	November (if required)	at	EMRC Administration Office

16 DECLARATION OF CLOSURE OF MEETING

There being no further business the meeting was closed at 6:47pm.