

SECTION 15

D2024/29167

Minutes of Committees
Ordinary Meeting of Council
24 October 2024

Item 15.1
Audit Committee Minutes – 3 October 2024

UNCONFIRMED MINUTES

D2024/26467 (AC) | D2024/27561

**Audit Committee
3 October 2024**



Audit Committee Members

Cr Doug Jeans	Committee Chairperson	Shire of Mundaring
Cr Michelle Sutherland	Committee Deputy Chairperson	City of Bayswater
Cr Paul Poliwka	Committee Member	Town of Bassendean
Cr Aaron Bowman	Committee Member	City of Swan

Audit Committee Deputies

Cr Tallan Ames	Deputy Committee Member	Town of Bassendean
Cr Filomena Piffaretti	Deputy Committee Member	City of Bayswater
Cr Luke Ellery	Deputy Committee Member	Shire of Mundaring
Cr Jennifer Catalano	Deputy Committee Member	City of Swan

Audit Committee Second Deputies

Cr Kathryn Hamilton	Committee Second Deputy Member	Town of Bassendean
Cr Giorgia Johnson	Committee Second Deputy Member	City of Bayswater
Cr John Daw	Committee Second Deputy Member	Shire of Mundaring
Cr Ian Johnson	Committee Second Deputy Member	City of Swan

Audit Committee

3 October 2024

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1 DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

1.1 ACKNOWLEDGEMENT OF COUNTRY

The Chairperson declared the meeting open at 6.00pm, welcomed Councillors and visitors and acknowledged the traditional custodians of the land on which the meeting was held and paid respects to the elders past, present and future.

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

EMRC Council Members

Cr Doug Jeans	Committee Chairperson	Shire of Mundaring
Cr Michelle Sutherland	Committee Deputy Chairperson	City of Bayswater
Cr Paul Poliwka	Committee Member	Town of Bassendean
Cr Aaron Bowman	Committee Member	City of Swan

EMRC Officers

Mr Hua Jer Liew	Acting Chief Executive Officer
Miss Carmen Sadleir	Chief Operating Officer
Mrs Wendy Harris	Chief Sustainability Officer
Ms Kasa Nakhonthat	Manager Financial Services
Mr David Schmidt	Manager Information Services
Ms Theresa Eckstein	Executive Assistant to the Chief Executive Officer (Minutes)

Apologies

Mr Marcus Geisler	Chief Executive Officer
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Visitors

Mr Aamir Shiek	Assistant Director, Financial Audit	Office of the Auditor General
Mr Wen-Shien Chai	Partner, Audit & Assurance	Moore Australia
Mr Noel Lam	Supervisor	Moore Australia
Mr James Cottrill (via Teams)	Principal	Stantons

3 DISCLOSURE OF INTERESTS

Nil

4 ANNOUNCEMENTS BY THE CHAIRPERSON OR PRESIDING MEMBER

Nil

5 PUBLIC QUESTION TIME

Nil

6 PETITIONS, DEPUTATIONS AND PRESENTATIONS

Nil

7 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

7.1 MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 6 JUNE 2024 (D2024/15993)

That the minutes of the Audit Committee meeting held on 6 June 2024 which have been distributed, be confirmed.

AUDIT COMMITTEE RESOLUTION

MOVED CR BOWMAN

SECONDED CR SUTHERLAND

THAT THE MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 6 JUNE 2024 WHICH HAVE BEEN DISTRIBUTED, BE CONFIRMED.

CARRIED UNANIMOUSLY

8 QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN

Nil

9 QUESTIONS WITHOUT NOTICE

Nil

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

Nil

11 BUSINESS NOT DEALT WITH FROM A PREVIOUS MEETING

Nil

12 EMPLOYEE REPORTS

- 12.1 ANNUAL FINANCIAL REPORT AND AUDIT REPORT FOR YEAR ENDED 30 JUNE 2024 (D2024/24986)
- 12.2 INTERNAL AUDIT REPORT - 2024 PROGRAMME (D2024/24987)
- 12.3 CEO REVIEW OF FINANCIAL MANAGEMENT SYSTEMS AND PROCEDURES AND RISK MANAGEMENT, INTERNAL CONTROL AND LEGISLATIVE COMPLIANCE (D2024/24988)
- 12.4 RISK MANAGEMENT UPDATE (D2024/24989)

12.1 ANNUAL FINANCIAL REPORT AND AUDIT REPORT FOR YEAR ENDED 30 JUNE 2024

D2024/24986 (AC) | D2024/27562

PURPOSE OF REPORT

The purpose of this report is to review and adopt Council's Annual Financial Report for the year ended 30 June 2024.

KEY POINT(S)

- The Terms of Reference of the Audit Committee includes a list of duties and responsibilities, among which is a requirement for the Committee to:
 - ⇒ Review Council's draft annual financial report; and
 - ⇒ Recommend adoption of the Annual Financial Report to Council.
- The Office of the Auditor General (OAG), via contractors Moore Australia, has completed the audit of the 2023/2024 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 2024 and the Independent Auditor's Report on that Annual Financial Report forming attachment 1 of this report.
2. Council notes the contents of the Audit Concluding Report to the Audit Committee for the year ended 30 June 2024 forming attachment 2 of this report.

SOURCE OF REPORT

Chief Financial Officer

BACKGROUND

- 1 It is a requirement under s.6.4 of the *Local Government Act 1995* that a Local Government is to prepare an annual financial report and submit it to its auditor by 30 September following each financial year.
- 2 The Terms of Reference of the Audit Committee includes a list of duties and responsibilities, among which (clauses 2.5 (a) (v) and (vi) are requirements for the Committee to:
 - ⇒ Review Council's draft annual financial report, focusing on:
 - ⇒ Accounting policies and practices;
 - ⇒ Changes to accounting policies and practices;
 - ⇒ The process used in making significant accounting estimates;
 - ⇒ Significant adjustments to the financial report (if any) arising from the audit process;
 - ⇒ Compliance with accounting standards and other reporting requirements; and
 - ⇒ Significant variances from prior years.
 - ⇒ Recommend adoption of the annual financial report to Council.
- 3 On 7 April 2016 Circular No 3-2016 was received titled "Auditing of Local Government by the Auditor General - Renewal of Audit Contracts", which outlined the intention to amend the *Local Government Act 1995* to allow for the Auditor General and the OAG to take responsibility for the local government financial audits from 1 July 2017.

- 4 The *Local Government Amendment (Auditing) Act 2017* (No 5 of 2017) - an Act to amend the *Local Government Act 1995* and provide for the auditing of local governments by the Auditor General and for related purposes was assented to on 1 September 2017.
- 5 The Interim Audit for the 2023/2024 financial year was undertaken during March 2024 by Moore Australia as contractors to the OAG.
- 6 The interim audit covers a review of the accounting and internal control procedures in operation as well as the testing of transactions and an examination of some compliance matters which are required under the *Local Government Act 1995* and *Local Government (Financial Management) Regulations 1996*. The interim audit involves a test of controls (compliance tests), analytical procedures and some limited substantive tests. This will assist to ensure the design of the audit plan will contribute to the audit being done efficiently and effectively. The interim audit will also identify high risk areas (if any) and provide the auditor with greater assurances.
- 7 An Interim Audit Report is normally submitted to Council, via the Audit Committee, and forms part of the report scheduled to be tabled in each year relating to the adoption of the audited Financial Report and the Independent Auditor's Report on that Annual Financial Report.
- 8 The Annual Audit for the 2023/2024 financial year was undertaken during August 2024 by Moore Australia as contractors to the OAG.

REPORT

- 9 In accordance with *The Local Government Amendment (Auditing) Act 2017*, the Office of the Auditor General (OAG) has completed the audit of the Eastern Metropolitan Regional Council Annual Financial Report for the year ended 30 June 2024, which is attached for Council adoption (refer attachment 1).
- 10 The following comments are provided on key elements of the financial results for 2023/2024:

Statement of Comprehensive Income (page 3)

- 11 Total Revenue of \$73,562,842 for the period ending 30 June 2024 is \$21,718,761 above the 2022/2023 actual revenue and \$18,602,785 above budget for 2023/2024.
- 12 Total Expenses of \$57,511,232 is \$11,989,010 above the 2022/2023 actual expenses and \$4,818,718 above the budget for 2023/2024.
- 13 A profit of \$65,265 was realised from the Disposal of Assets for the period ending 30 June 2024 compared the to 2022/2023 actual loss on disposals of \$42,716 and the budgeted profit for 2023/2024 of \$187,938.
- 14 The changes in asset revaluation have resulted in an increase of \$467,065 in 2023/2024 compared to an increase of \$635,245 in 2022/2023. This relates to the revaluation of the Post closure assets.
- 15 Total Comprehensive Income of \$16,583,941 (surplus) for the period ending 30 June 2024 is \$9,669,553 above the 2022/2023 result and \$14,128,460 above the 2023/2024 budget.

Statement of Financial Position/Statement of Changes in Equity (page 4 and 5)

- 16 Current assets as at 30 June 2024 of \$94,271,356 have increased by \$9,276,174 from the previous year's \$84,995,182.
- 17 The overall impact on cash and cash equivalents and other financial assets at the close of the financial year of \$87,850,538 is an increase of \$7,726,376 compared to the previous year's \$80,124,162.

18 Current liabilities as at 30 June 2024 of \$40,583,440 have increased by \$10,645,025 compared to \$29,938,415 as at 30 June 2023. The values for 2023/2024 include the provision for City of Belmont payout of \$21,000,517 that was made and remained unpaid as at 30 June 2024 and the Dividends Payable to Member Councils of \$5,000,000. The value on provision for City of Belmont payout is based on the equity share of Belmont's interest in the EMRC after the 2020/2021 accounts. This value will be adjusted once the final payment value has been finalised in the next financial year.

19 The balance in the Reserves has decreased by \$6,679,197 to \$45,552,164 over the past 12 months.

20 Overall equity has decreased during the 2023/2024 financial year by \$19,134,274 to \$158,539,468.

Cash Flow Statement (page 6)

21 The overall impact on the cash position (cash + term deposit investments < 3 months) at the end of the 2023/2024 financial year is a decrease of \$1,273,624 to \$27,350,538 from the previous corresponding period 2022/2023 of \$28,624,162.

22 It should also be noted that other financial assets (term deposit investments > 3 months) have increased by \$9,000,000 to \$60,500,000 from the total of \$51,500,000 in 2022/2023.

23 Net Cash provided by Operating Activities of \$27,554,894 in the 2023/2024 financial year reflects an increase of \$16,502,670 from the cash generated in 2022/2023 of \$11,052,224.

24 The cash flows utilised in investing activities for 2023/2024 reflects capital expenditure totalling \$20,010,791 compared to capital expenditure totalling \$11,951,082 during 2022/2023.

25 Significant items of capital expenditure during the year included:

- Construct Class III Cell Stage 17 - RHWMF - \$3,998,544;
- Construct Wood Waste to Energy Building - HRRP - \$2,655,491;
- Construct Waste Transfer Station - HRRP - \$2,472,146;
- Leachate Pond Deepening - RHWMF - \$2,078,216;
- Purchase / Replace Plant - HRRP - \$1,709,730;
- Purchase / Replace Plant - RHWMF - \$1,171,945;
- Regional Waste Collection Project - Plant Purchases - \$966,676;
- Refurbish Plant - RHWMF - \$864,536;
- Purchase / Replace Minor Plant and Equipment - HRRP - \$614,821;
- Hydrant Upgrade - HRRP - \$410,355;
- Sewer Line connection to Talloman - HRRP - \$402,682;
- Purchase / Replace Vehicles - RHWMF - \$375,884;
- Purchase / Replace Minor Plant and Equipment - RHWMF - \$306,441;
- Upgrade Power Supply to Workshop No 2 - RHWMF - \$281,977;
- FOGO Picking Station - RHWMF - \$253,905;
- Construct Roads / Carparks - RHWMF - \$211,134;
- Waste Transfer Station - Thermal Cameras - HRRP - \$196,590; and
- Noise Control Fencing Hazelmere - Construct - \$153,025.

- 26 Significant capital items that were budgeted but not purchased, constructed below budget or construction not completed during the year included:
- Air Pollution Control Residue Facility and Plant (APCR) - RHWMF - \$3,496,980 (\$3,362,034 carried forward);
 - Design and Construct Class IV Cell Stage 3 - RHWMF - \$3,149,277;
 - Purchase / Replace Plant - RHWMF - \$1,553,055 (carried forward);
 - Purchase / Replace Plant - HRRP - \$1,078,270 (carried forward);
 - Construct Access Road to Lots 8 9 10 - RHWMF - \$660,000 (carried forward);
 - Design and Construct Class IV Cell Stage 2 - RHWMF - \$600,000;
 - Construct Drainage Works to Lots 8 9 10 - RHWMF - \$440,000 (carried forward);
 - Purchase Vehicles - Ascot Place (Electric Vehicles) - \$418,000;
 - Refurbish Plant - RHWMF - \$395,464;
 - Construct Leachate and Stormwaste Infrastructure and Siltation Pond - RHWMF - \$375,000 (carried forward);
 - Construct Hardstand 2 (Old House Site) - HRRP - \$360,000;
 - Construct Monitoring Bores - RHWMF - \$300,000;
 - Extend Ascot PV & EV Charging - \$282,000 (\$53,603 carried forward);
 - FOGO Picking Station - RHWMF - \$246,095 (carried forward);
 - Install Power Supply to Lots 8 9 & 10 - RHWMF - \$202,484 (carried forward);
 - Purchase / Replace Minor Plant and Equipment - RHWMF - \$200,559 (carried forward);
 - Wood Waste to Energy Plant - Fire Protection - HRRP - \$200,000; and
 - Wood Waste to Energy Utilities/Infrastructure - HRRP - \$195,440.
- 27 This is offset by an increase in the following Capital Expenditure budget provision following a review of the capital expenditure program:
- Construct Class III Cell Stage 17 - RHWMF - \$5,125,374;
At its meeting on 22 February 2024, Council approved additional budget funding for the construction of Stage 17 landfill cell which will be funded by the budget from Class IV cell construction as well as the surplus funds available in the Municipal Fund reserves.
 - Construct Waste Transfer Station - HRRP - \$1,618,756;
At its meeting on 22 June 2023, Council approved unbudgeted provisional sum includes additional 5% contingency funding to the value of \$342,779 on the contract sum and unbudgeted provisional sum of \$1,275,977 to address the final claims from the Contractor.
 - Sewer Line connection to Talloman - HRRP - \$470,885;
 - Hydrant Upgrade - HRRP - \$362,827;
 - Upgrade Power Supply to Workshop No 2 - RHWMF - \$328,456;
 - Purchase Vehicles - Ascot Place - \$227,204;
 - Regional Waste Collection Project - Plant Purchases - \$200,000;
 - Waste Transfer Station - Thermal Cameras - HRRP - \$175,738;
 - Purchase / Replace Other Equipment - RHWMF - \$175,000;

- Purchase / Replace Vehicles - RHWMF - \$170,708;
- Noise Control Fencing Hazelmere - Construct - \$154,249;
- Purchase / Replace Minor Plant and Equipment - HRRP - \$133,741; and
- Construct FOGO Processing Area - RHWMF - \$100,000.

28 Funding for the majority of the capital items budgeted but not purchased in 2023/2024 has been carried forward into the 2024/2025 financial year.

29 Footnote:

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

Reserves (page 43)

30 At the end of the 2023/2024 financial year the amount held in Reserves (Note 28) decreased by \$6,679,197 to a balance of \$45,552,164 compared to the 2022/2023 balance of \$52,231,361 and higher than the 2023/2024 budget of \$30,816,750 by \$14,735,414.

31 The decrease in reserves resulting from capital expenditures funded by reserves during the year was greater than the inflow of reserves.

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

STRATEGIC/POLICY IMPLICATIONS

33 Reporting on EMRC Strategic Policy implications align with the Revised 10 Year Strategic Plan 2017 - 2027 and the Sustainability Strategy 2022/2023 – 2026/2027.

FINANCIAL IMPLICATIONS

34 As outlined within the report and attachments.

SUSTAINABILITY IMPLICATIONS

35 Nil

RISK MANAGEMENT

Risk – Non-compliance with Financial Regulations

Consequence	Likelihood	Rating
Moderate	Unlikely	Moderate
Action/Strategy		
➤ The financial report is scrutinised by the EMRC Council throughout the financial year to ensure that all statutory requirements are met. ➤ Internal Audit reviews to ensure compliance with Financial Regulations. ➤ External Audit confirms compliance.		



MEMBER COUNCIL IMPLICATIONS

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

ATTACHMENT(S)

1. Annual Financial Report for the Year Ended 30 June 2024 (D2024/27564)
2. Audit Concluding Report to the Audit Committee for the Year Ended 30 June 2024 (D2024/27564)

VOTING REQUIREMENT

Simple Majority

RECOMMENDATION(S)

That:

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Cr Bowman queried the presentation of the liability for the payout of the City of Kalamunda's equity share, specifically whether it would be recognised as current or non-current.

Mr Chai reaffirmed that the City of Kalamunda's equity share is correctly presented as a non-current liability as at 30 June 2024 as the payout is not expected until 1 July 2025 or later.

AC RECOMMENDATION(S)

MOVED CR SUTHERLAND SECONDED CR POLIWKA

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CARRIED UNANIMOUSLY

The AC Chairperson thanked the external Auditors.

Mr Aamir Shiek, Mr Wen-Shien Chai and Mr Noel Lam departed the meeting at 6:20pm.

COUNCIL RESOLUTION(S)

MOVED SECONDED

12.1 ANNUAL FINANCIAL REPORT AND AUDIT REPORT FOR YEAR ENDED 30 JUNE 2024

D2024/24986 (AC) | D2024/27562

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- Noise Control Fencing Hazelmere - Construct - \$153,025.

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 - Construct Access Road to Lots 8 9 10 - RHWMF - \$660,000 (carried forward);
 - Design and Construct Class IV Cell Stage 2 - RHWMF - \$600,000;
 - Construct Drainage Works to Lots 8 9 10 - RHWMF - \$440,000 (carried forward);
 - Purchase Vehicles - Ascot Place (Electric Vehicles) - \$418,000;
 - Refurbish Plant - RHWMF - \$395,464;
 - Construct Leachate and Stormwaste Infrastructure and Siltation Pond - RHWMF - \$375,000 (carried forward);
 - Construct Hardstand 2 (Old House Site) - HRRP - \$360,000;
 - Construct Monitoring Bores - RHWMF - \$300,000;
 - Extend Ascot PV & EV Charging - \$282,000 (\$53,603 carried forward);
 - FOGO Picking Station - RHWMF - \$246,095 (carried forward);
 - Install Power Supply to Lots 8 9 & 10 - RHWMF - \$202,484 (carried forward);
 - Purchase / Replace Minor Plant and Equipment - RHWMF - \$200,559 (carried forward);
 - Wood Waste to Energy Plant - Fire Protection - HRRP - \$200,000; and
 - Wood Waste to Energy Utilities/Infrastructure - HRRP - \$195,440.
- 27 This is offset by an increase in the following Capital Expenditure budget provision following a review of the capital expenditure program:
- Construct Class III Cell Stage 17 - RHWMF - \$5,125,374;
At its meeting on 22 February 2024, Council approved additional budget funding for the construction of Stage 17 landfill cell which will be funded by the budget from Class IV cell construction as well as the surplus funds available in the Municipal Fund reserves.
 - Construct Waste Transfer Station - HRRP - \$1,618,756;
At its meeting on 22 June 2023, Council approved unbudgeted provisional sum includes additional 5% contingency funding to the value of \$342,779 on the contract sum and unbudgeted provisional sum of \$1,275,977 to address the final claims from the Contractor.
 - Sewer Line connection to Talloman - HRRP - \$470,885;
 - Hydrant Upgrade - HRRP - \$362,827;
 - Upgrade Power Supply to Workshop No 2 - RHWMF - \$328,456;
 - Purchase Vehicles - Ascot Place - \$227,204;
 - Regional Waste Collection Project - Plant Purchases - \$200,000;
 - Waste Transfer Station - Thermal Cameras - HRRP - \$175,738;
 - Purchase / Replace Other Equipment - RHWMF - \$175,000;

- Purchase / Replace Vehicles - RHWMF - \$170,708;
- Noise Control Fencing Hazelmere - Construct - \$154,249;
- Purchase / Replace Minor Plant and Equipment - HRRP - \$133,741; and
- Construct FOGO Processing Area - RHWMF - \$100,000.

28 Funding for the majority of the capital items budgeted but not purchased in 2023/2024 has been carried forward into the 2024/2025 financial year.

29 Footnote:

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

Reserves (page 43)

30 At the end of the 2023/2024 financial year the amount held in Reserves (Note 28) decreased by \$6,679,197 to a balance of \$45,552,164 compared to the 2022/2023 balance of \$52,231,361 and higher than the 2023/2024 budget of \$30,816,750 by \$14,735,414.

31 The decrease in reserves resulting from capital expenditures funded by reserves during the year was greater than the inflow of reserves.

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

STRATEGIC/POLICY IMPLICATIONS

33 Reporting on EMRC Strategic Policy implications align with the Revised 10 Year Strategic Plan 2017 - 2027 and the Sustainability Strategy 2022/2023 – 2026/2027.

FINANCIAL IMPLICATIONS

34 As outlined within the report and attachments.

SUSTAINABILITY IMPLICATIONS

35 Nil

RISK MANAGEMENT

Risk – Non-compliance with Financial Regulations

Consequence	Likelihood	Rating
Moderate	Unlikely	Moderate
Action/Strategy		
➤ The financial report is scrutinised by the EMRC Council throughout the financial year to ensure that all statutory requirements are met. ➤ Internal Audit reviews to ensure compliance with Financial Regulations. ➤ External Audit confirms compliance.		



MEMBER COUNCIL IMPLICATIONS

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

ATTACHMENT(S)

1. Annual Financial Report for the Year Ended 30 June 2024 (D2024/27564)
2. Audit Concluding Report to the Audit Committee for the Year Ended 30 June 2024 (D2024/27564)

VOTING REQUIREMENT

Simple Majority

RECOMMENDATION(S)

That:

1. Council adopts the audited Annual Financial Report for the year ended 30 June 2024 and the Independent Auditor's Report on that Annual Financial Report forming attachment 1 of this report.
2. Council notes the contents of the Audit Concluding Report to the Audit Committee for the year ended 30 June 2024 forming attachment 2 of this report.

Cr Bowman queried the presentation of the liability for the payout of the City of Kalamunda's equity share, specifically whether it would be recognised as current or non-current.

Mr Chai reaffirmed that the City of Kalamunda's equity share is correctly presented as a non-current liability as at 30 June 2024 as the payout is not expected until 1 July 2025 or later.

AC RECOMMENDATION(S)

MOVED CR SUTHERLAND SECONDED CR POLIWKA

That:

1. Council adopts the audited Annual Financial Report for the year ended 30 June 2024 and the Independent Auditor's Report on that Annual Financial Report forming attachment 1 of this report.
2. Council notes the contents of the Audit Concluding Report to the Audit Committee for the year ended 30 June 2024 forming attachment 2 of this report.

CARRIED UNANIMOUSLY

The AC Chairperson thanked the external Auditors.

Mr Aamir Shiek, Mr Wen-Shien Chai and Mr Noel Lam departed the meeting at 6:20pm.



COUNCIL RESOLUTION(S)

MOVED CR JEANS

SECONDED CR BOWMAN

THAT:

1. COUNCIL ADOPTS THE AUDITED ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2024 AND THE INDEPENDENT AUDITOR'S REPORT ON THAT ANNUAL FINANCIAL REPORT FORMING ATTACHMENT 1 OF THIS REPORT.
2. COUNCIL NOTES THE CONTENTS OF THE AUDIT CONCLUDING REPORT TO THE AUDIT COMMITTEE FOR THE YEAR ENDED 30 JUNE 2024 FORMING ATTACHMENT 2 OF THIS REPORT.

CARRIED UNANIMOUSLY

EASTERN METROPOLITAN REGIONAL COUNCIL

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2024

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The Eastern Metropolitan Regional Council conducts the operations of a local government with the following community vision:

The Council focuses on delivering waste, resource recovery and sustainability services, capitalising on its existing capabilities and infrastructure to act as an industry leader.

Principal place of business:
226 Great Eastern Highway
ASCOT WA 6104

**EASTERN METROPOLITAN REGIONAL COUNCIL
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

*Local Government Act 1995
Local Government (Financial Management) Regulations 1996*

STATEMENT BY CEO

The accompanying financial report of the Eastern Metropolitan Regional Council has been prepared in compliance with the provisions of the *Local Government Act 1995* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2024 and the financial position as at 30 June 2024.

At the date of signing this statement the particulars included in the financial report are not misleading or inaccurate.

Signed on the 3 day of October 2024



Acting Chief Executive Officer

HUA JER LIEW

Name of Acting Chief Executive Officer

**EASTERN METROPOLITAN REGIONAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2024**

	NOTE	2024 Actual	2024 Budget	2023 Actual
		\$	\$	\$
Revenue				
Fees and charges	2(a)	63,796,738	46,234,883	43,576,117
Grants, subsidies and contributions	2(a)	2,530,900	2,739,095	2,559,346
Interest revenue	2(a)	3,896,789	2,030,365	2,376,427
Other revenue	2(a)	3,338,415	3,955,714	3,332,191
		<u>73,562,842</u>	<u>54,960,057</u>	<u>51,844,081</u>
Expenses				
Employee costs	2(b)	(13,469,513)	(14,057,260)	(12,088,391)
Materials and contracts		(11,089,097)	(12,327,927)	(10,492,355)
Utility charges		(455,920)	(377,077)	(367,407)
Depreciation		(7,131,129)	(4,505,745)	(3,969,028)
Finance costs	2(b)	(270,658)	0	(254,430)
Insurance		(461,176)	(427,647)	(417,344)
Other expenditure	2(b)	(24,633,739)	(20,996,858)	(17,933,267)
		<u>(57,511,232)</u>	<u>(52,692,514)</u>	<u>(45,522,222)</u>
		16,051,610	2,267,543	6,321,859
Profit on asset disposals		65,265	187,938	0
Loss on asset disposals		0	0	(42,716)
		<u>65,265</u>	<u>187,938</u>	<u>(42,716)</u>
Net result for the period	26(b)	16,116,875	2,455,481	6,279,143
Other comprehensive income for the period				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	17	467,066	0	635,245
Total other comprehensive income for the period	17	467,066	0	635,245
Total comprehensive income for the period		16,583,941	2,455,481	6,914,388

This statement is to be read in conjunction with the accompanying notes.



**EASTERN METROPOLITAN REGIONAL COUNCIL
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024**

	NOTE	2024	2023
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	27,350,538	28,624,162
Other financial assets	4(a)	60,500,000	51,500,000
Trade and other receivables	5	6,249,406	4,817,450
Inventories	6	133,919	32,950
Other assets	7	37,493	20,620
TOTAL CURRENT ASSETS		94,271,356	84,995,182
NON-CURRENT ASSETS			
Property, plant and equipment	8	101,530,400	93,658,631
Infrastructure	9	40,256,376	35,365,491
TOTAL NON-CURRENT ASSETS		141,786,776	129,024,122
TOTAL ASSETS		236,058,132	214,019,304
CURRENT LIABILITIES			
Trade and other payables	12	16,566,656	6,168,848
Other liabilities	13	1,053,410	629,212
Employee related provisions	15	1,962,857	2,139,838
Other provisions	16	21,000,517	21,000,517
TOTAL CURRENT LIABILITIES		40,583,440	29,938,415
NON-CURRENT LIABILITIES			
Employee related provisions	15	177,062	170,792
Other provisions	16	36,758,162	6,236,355
TOTAL NON-CURRENT LIABILITIES		36,935,224	6,407,147
TOTAL LIABILITIES		77,518,664	36,345,562
NET ASSETS		158,539,468	177,673,742
EQUITY			
Retained surplus		75,389,318	88,296,747
Reserve accounts	28	45,552,164	52,231,361
Revaluation surplus	17	37,597,986	37,145,634
TOTAL EQUITY		158,539,468	177,673,742

This statement is to be read in conjunction with the accompanying notes.



**EASTERN METROPOLITAN REGIONAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2024**

	NOTE	RETAINED SURPLUS \$	RESERVE ACCOUNTS \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2022		77,146,186	56,729,632	36,883,536	170,759,354
Comprehensive income for the period					
Net result for the period		6,279,143	0	0	6,279,143
Other comprehensive income for the period					
Other comprehensive income for the period	17	0	0	635,245	635,245
Revaluation Surplus Reversal	17	373,147	0	(373,147)	0
Total comprehensive income for the period		6,652,290	0	262,098	6,914,388
Transfers from reserve accounts	28	34,234,867	(34,234,867)	0	0
Transfers to reserve accounts	28	(29,736,596)	29,736,596	0	0
Balance as at 30 June 2023		88,296,747	52,231,361	37,145,634	177,673,742
Comprehensive income for the period					
Net result for the period		16,116,875	0	0	16,116,875
Other comprehensive income for the period					
Movement in site rehabilitation and environmental monitoring provisions	17	0	0	467,066	467,066
Revaluation Surplus Reversal	17	14,714	0	(14,714)	0
Total comprehensive income for the period		16,131,589	0	452,352	16,583,941
Transfers from reserve accounts	28	37,354,113	(37,354,113)	0	0
Transfers to reserve accounts	28	(30,674,916)	30,674,916	0	0
Provision for City of Kalamunda payout	16, 22	(30,718,215)	0	0	(30,718,215)
Dividends Payable to member councils	12	(5,000,000)	0	0	(5,000,000)
Balance as at 30 June 2024		75,389,318	45,552,164	37,597,986	158,539,468

This statement is to be read in conjunction with the accompanying notes.



**EASTERN METROPOLITAN REGIONAL COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2024**

	NOTE	2024 Actual \$	2023 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Fees and charges		62,736,044	43,422,838
Operating grants, subsidies and contributions		2,530,900	2,559,346
Interest revenue		3,525,528	2,055,054
Goods and services tax received		6,981,126	4,941,543
Other revenue		3,338,415	3,332,191
		79,112,013	56,310,972
Payments			
Employee costs		(14,056,369)	(11,687,415)
Materials and contracts		(8,406,689)	(12,480,893)
Utility charges		(455,920)	(367,407)
Finance costs		0	0
Insurance paid		(461,176)	(417,344)
Goods and services tax paid		(3,543,226)	(2,424,336)
Other expenditure		(24,633,739)	(17,881,353)
		(51,557,119)	(45,258,748)
Net cash provided by (used in) operating activities	18(b)	27,554,894	11,052,224
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of property, plant & equipment	8(a)	(12,069,320)	(10,505,313)
Payments for construction of infrastructure	9(a)	(7,941,471)	(1,445,769)
Proceeds from sale of property, plant & equipment		182,273	202,910
Net proceeds/(payments) for financial assets at amortised cost		(9,000,000)	5,000,000
Net cash provided by (used in) investing activities		(28,828,518)	(6,748,172)
Net increase (decrease) in cash held		(1,273,624)	4,304,052
Cash at beginning of year		28,624,162	24,320,110
Cash and cash equivalents at the end of the year	18(a)	27,350,538	28,624,162

This statement is to be read in conjunction with the accompanying notes.



**EASTERN METROPOLITAN REGIONAL COUNCIL
STATEMENT OF FINANCIAL ACTIVITY
FOR THE YEAR ENDED 30 JUNE 2024**

NOTE	2024 Actual \$	2024 Budget \$	2023 Actual \$
OPERATING ACTIVITIES			
Revenue from operating activities			
Fees and charges	63,796,738	46,234,883	43,576,117
Grants, subsidies and contributions	2,530,900	2,739,095	2,559,346
Interest revenue	3,896,789	2,030,365	2,376,427
Other revenue	3,338,415	3,955,714	3,332,191
Profit on asset disposals	65,265	187,938	0
	73,628,107	55,147,995	51,844,081
Expenditure from operating activities			
Employee costs	(13,469,513)	(14,057,260)	(12,088,391)
Materials and contracts	(11,089,097)	(12,327,927)	(10,492,355)
Utility charges	(455,920)	(377,077)	(367,407)
Depreciation	(7,131,129)	(4,505,745)	(3,969,028)
Finance costs	(270,658)	0	(254,430)
Insurance	(461,176)	(427,647)	(417,344)
Other expenditure	(24,633,739)	(20,996,858)	(17,933,267)
Loss on asset disposals	0	0	(42,716)
	(57,511,232)	(52,692,514)	(45,564,938)
Non-cash amounts excluded from operating activities	27(a) 2,342,792	(15,765,450)	(16,603,693)
Amount attributable to operating activities	18,459,667	(13,309,969)	(10,324,550)
INVESTING ACTIVITIES			
Inflows from investing activities			
Proceeds from disposal of assets	182,273	422,000	202,910
	182,273	422,000	202,910
Outflows from investing activities			
Purchase of property, plant and equipment	8(a) (12,069,320)	(15,742,871)	(10,505,313)
Purchase and construction of infrastructure	9(a) (7,941,471)	(12,666,758)	(1,445,769)
	(20,010,791)	(28,409,629)	(11,951,082)
Amount attributable to investing activities	(19,828,518)	(27,987,629)	(11,748,172)
FINANCING ACTIVITIES			
Inflows from financing activities			
Transfers from reserve accounts	28 37,354,113	28,220,137	34,234,867
	37,354,113	28,220,137	34,234,867
Outflows from financing activities			
Transfers to reserve accounts	28 (30,674,916)	(12,499,893)	(29,736,596)
	(30,674,916)	(12,499,893)	(29,736,596)
Amount attributable to financing activities	6,679,197	15,720,244	4,498,271
MOVEMENT IN SURPLUS OR DEFICIT			
Surplus or deficit at the start of the financial year	27(b) 2,825,406	22,612,402	20,399,857
Amount attributable to operating activities	18,459,667	(13,309,969)	(10,324,550)
Amount attributable to investing activities	(19,828,518)	(27,987,629)	(11,748,172)
Amount attributable to financing activities	6,679,197	15,720,244	4,498,271
Surplus or deficit after imposition of general rates	27(b) 8,135,752	(2,964,952)	2,825,406

This statement is to be read in conjunction with the accompanying notes.



**EASTERN METROPOLITAN REGIONAL COUNCIL
FOR THE YEAR ENDED 30 JUNE 2024
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**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

1. BASIS OF PREPARATION

The financial report of the Eastern Metropolitan Regional Council (EMRC) which is a Class 2 local government comprises general purpose financial statements which have been prepared in accordance with the Local Government Act 1995 and accompanying regulations.

Local Government Act 1995 requirements

Section 6.4(2) of the *Local Government Act 1995* read with the *Local Government (Financial Management) Regulations 1996* prescribe that the financial report be prepared in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards. The Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board were applied where no inconsistencies exist.

The *Local Government (Financial Management) Regulations 1996* specify that vested land is a right-of-use asset to be measured at cost, and is considered a zero cost concessionary lease. All right-of-use assets under zero cost concessionary leases are measured at zero cost rather than at fair value, except for vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the council to measure any vested improvements at zero cost.

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the financial report has 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.

Critical accounting estimates and judgements

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 which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

As with all estimates, the use of different assumptions could lead to material changes in the amounts reported in the financial report.

The following are estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and further information on their nature and impact can be found in the relevant note:

- Fair value measurement of assets carried at reportable value including:
 - Property, plant and equipment - note 8
 - Infrastructure - note 9
- Measurement of employee benefits - note 15
- Measurement of provisions - note 16

Fair value hierarchy information can be found in note 8

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.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 29 of the financial report.

Initial application of accounting standards

During the current year, the following new or revised Australian Accounting Standards and Interpretations were applied for the first time.

- AASB 2021-2 Amendments to Australian Accounting Standards
 - Disclosure of Accounting Policies or Definition of Accounting Estimates

This standard resulted in terminology changes relating to material accounting policies (formerly referred to as significant accounting policies).

New accounting standards for application in future years

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

- AASB 2014-10 Amendments to Australian Accounting Standards
 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- AASB 2020-1 Amendments to Australian Accounting Standards
 - Classification of Liabilities as Current or Non-current
- AASB 2021-7c Amendments to Australian Accounting Standards
 - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [deferred AASB 10 and AASB 128 amendments in AASB 2014-10 apply]
- AASB 2022-5 Amendments to Australian Accounting Standards
 - Lease Liability in a Sale and Leaseback
- AASB 2022-6 Amendments to Australian Accounting Standards
 - Non-current Liabilities with Covenants

These amendments are not expected to have any material impact on the financial report on initial application.

- AASB 2022-10 Amendments to Australian Accounting Standards
 - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities

These amendment may result in changes to the fair value of non-financial assets. The impact is yet to be quantified.

- AASB 2023-1 Amendments to Australian Accounting Standards
 - Supplier Finance Arrangements

These amendments may result in additional disclosures in the case of applicable finance arrangements.

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

2. REVENUE AND EXPENSES

(a) Revenue

Contracts with customers

Recognition of revenue is dependant on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:

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

Revenue Recognition

Revenue recognised during the year under each basis of recognition by nature of goods or services is provided in the table below:

FOR THE YEAR ENDED 30 JUNE 2024

Nature	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Fees and charges	63,796,738	0	0	0	63,796,738
Grants, subsidies and contributions	129,623	0	0	2,401,277	2,530,900
Interest revenue	0	0	0	3,896,789	3,896,789
Other revenue	946,521	0	0	2,391,894	3,338,415
Total	64,872,882	0	0	8,689,960	73,562,842

FOR THE YEAR ENDED 30 JUNE 2023

Nature	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Fees and charges	43,576,117	0	0	0	43,576,117
Grants, subsidies and contributions	149,950	0	0	2,409,396	2,559,346
Interest revenue	0	0	0	2,376,427	2,376,427
Other revenue	521,256	0	0	2,810,935	3,332,191
Total	44,247,323	0	0	7,596,758	51,844,081

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	Note	2024	2023
		Actual	Actual
		\$	\$
Interest revenue			
Interest on reserve account funds		2,348,530	1,704,816
Interest on municipal cash and investments		1,539,232	671,178
Interest from other sources		9,027	433
		3,896,789	2,376,427
Other revenue			
Sale of Products		2,192,428	1,903,924
Gas Royalty Income		514,457	252,284
Rebate Income		432,064	268,972
Miscellaneous Income		199,466	293,505
Dividend from liquidator of Lehman Brothers Australia		0	613,506
		3,338,415	3,332,191
(b) Expenses			
Auditors remuneration			
- Audit of the Annual Financial Report		53,300	47,000
		53,300	47,000
Employee Costs			
Employee benefit costs		13,298,852	11,445,355
Other employee costs		170,661	643,036
		13,469,513	12,088,391
Finance costs			
Other provisions: Unwinding of discount		270,658	254,430
		270,658	254,430
Other expenditure			
State landfill levy		21,976,917	14,118,567
Other expenses		2,656,822	2,239,500
FOGO contribution adjustment to member Councils*		0	1,575,200
		24,633,739	17,933,267

*A contribution adjustment of \$1,575,200 was paid to the EMRC's member Councils for the implementation of the FOGO (food organics and garden organics) collection process. In the event that a member Council does not implement FOGO collection process, the contribution paid to the member Council is to be refunded to the EMRC.

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

3. CASH AND CASH EQUIVALENTS

Note	2024 \$	2023 \$
Cash at bank and on hand	3,350,538	26,624,162
Term deposits	24,000,000	2,000,000
Total cash and cash equivalents	27,350,538	28,624,162
Held as		
- Unrestricted cash and cash equivalents	14,084,346	26,330,588
- Restricted cash and cash equivalents	13,266,192	2,293,574
	27,350,538	28,624,162

MATERIAL ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

Restricted financial assets

Restricted financial asset balances are not available for general use by the local government due to internally and externally imposed restrictions. Restrictions are specified in an agreement, contract or legislation. This applies to reserve accounts, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement and for which no liability has been recognised.

4. OTHER FINANCIAL ASSETS

(a) Current assets

Financial assets at amortised cost

Other financial assets at amortised cost

Term deposits

Held as

- Unrestricted other financial assets at amortised cost
- Restricted other financial assets at amortised cost

	2024 \$	2023 \$
Financial assets at amortised cost	60,500,000	51,500,000
	60,500,000	51,500,000
Other financial assets at amortised cost		
Term deposits	60,500,000	51,500,000
	60,500,000	51,500,000
Held as		
- Unrestricted other financial assets at amortised cost	27,885,729	1,221,213
- Restricted other financial assets at amortised cost	32,614,271	50,278,787
	60,500,000	51,500,000

MATERIAL ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Fair values of financial assets at amortised cost are not materially different to their carrying amounts, since the interest receivable on those assets is either close to current market rates or the assets are of a short term nature. Non-current financial assets at amortised cost fair values are based on discounted cash flows using a current market rates. They are classified as level 2 fair values in the fair value hierarchy (see Note 25 (i)) due to the observable market rates).

Interest received is presented under cashflows from operating activities in the Statement of Cash Flows where it is earned from financial assets that are held for cash management purposes.

Financial assets at fair value through profit or loss

The Council has elected to classify the following financial assets at fair value through profit or loss:

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

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 23.

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

5. TRADE AND OTHER RECEIVABLES

Note	2024 \$	2023 \$
Current		
Trade receivables	4,032,735	4,110,577
Trade receivables - Regional Waste Collection Project**	124,990	0
Other receivables	44,988	36,474
Accrued interest	945,788	574,526
Loan receivables*	1,277,983	1,382,549
Loan receivables - Regional Waste Collection Project**	1,109,598	0
Allowance for credit losses of trade receivables	23(b) (1,286,676)	(1,286,676)
	6,249,406	4,817,450

*The carrying amounts of the loan receivables include the loan on commercial terms between the EMRC and Anergy Australia Pty Ltd.

*The balance of the loan receivable from Anergy Australia Pty Ltd as at 30 June 2024 of \$1,277,983 has been fully impaired as the Company is under voluntary liquidation.

**Trade Receivables and Loan Receivables for Regional Waste Collection Project are recognised in accordance with the participants agreement terms and commercial loan terms between the EMRC and Shire of Mundaring.

Disclosure of opening and closing balances related to contracts with customers

Information about receivables from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non financial assets is:

Note	30 June 2024 Actual \$	30 June 2023 Actual \$	1 July 2022 Actual \$
Trade and other receivables from contracts with customers	7,536,082	6,104,126	5,630,742
Allowance for credit losses of trade receivables	(1,286,676)	(1,286,676)	(1,287,945)
Total trade and other receivables from contracts with customers	6,249,406	4,817,450	4,342,797

MATERIAL ACCOUNTING POLICIES

Trade receivables

Trade receivables are amounts receivable from contractual arrangements with customers for goods sold, services performed or grants or contributions with sufficiently specific performance obligations as part of the ordinary course of business.

Other Receivables

Other receivables are amounts receivable from contractual arrangements with third parties other than contracts with customers including grants for the construction of recognisable non financial assets.

Measurement

Trade and other receivables are recognised initially at the amount of the transaction price, unless they contain a significant financing component, and are to be recognised at fair value.

Classification and subsequent measurement

Receivables which are generally due for settlement within 30 days except rates receivables which are expected to be collected within 12 months are classified as current assets. All other receivables such as, deferred pensioner rates receivable after the end of the reporting period are classified as non-current assets.

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

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 23.

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

6. INVENTORIES

Note	2024	2023
	\$	\$
Current		
Fuel and materials	133,919	32,950
	133,919	32,950
The following movements in inventories occurred during the year:		
Balance at beginning of year	32,950	16,301
Inventories expensed during the year	(1,673,893)	(1,288,306)
Additions to inventory	1,774,862	1,304,955
Balance at end of year	133,919	32,950

MATERIAL ACCOUNTING POLICIES

General

Inventories are measured 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.

**EASTERN METROPOLITAN REGIONAL COUNCIL
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FOR THE YEAR ENDED 30 JUNE 2024**

7. OTHER ASSETS

	2024	2023
	\$	\$
Other assets - current		
Prepayments	37,493	20,620
	37,493	20,620

MATERIAL ACCOUNTING POLICIES

Other current assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

Movement in the balances of each class of property, plant and equipment between the beginning and the end of the current financial year.

	Land	Buildings	Total land and buildings	Furniture and fittings	Plant and equipment	Plant and equipment - Regional Waste Collection Project*	Artworks	Work in progress	Total
	\$	\$		\$	\$		\$	\$	\$
Balance at 1 July 2022	47,850,257	7,813,771	55,664,028	94,476	12,978,613	0	83,800	17,385,179	86,206,096
Additions	0	0	0	0	2,610,337	0	0	7,894,976	10,505,313
Disposals	0	(94,465)	(94,465)	0	(151,160)	0	0	0	(245,625)
Work in progress write off	0	0	0	0	0	0	0	(45,678)	(45,678)
Depreciation	0	(260,320)	(260,320)	(21,957)	(2,479,198)	0	0	0	(2,761,475)
Transfers	0	1,713,822	1,713,822	0	25,953	0	0	(1,739,775)	0
Balance at 30 June 2023	47,850,257	9,172,808	57,023,065	72,519	12,984,545	0	83,800	23,494,702	93,658,631
Comprises:									
Gross balance amount at 30 June 2023	47,850,257	9,661,050	57,511,307	117,911	19,394,464	0	83,800	23,494,702	100,602,184
Accumulated depreciation at 30 June 2023	0	(488,242)	(488,242)	(45,392)	(6,409,919)	0	0	0	(6,943,553)
Balance at 30 June 2023	47,850,257	9,172,808	57,023,065	72,519	12,984,545	0	83,800	23,494,702	93,658,631
Additions	0	2,553,534	2,553,534	16,893	5,137,275	1,058,836	0	3,302,782	12,069,320
Disposals	0	0	0	0	(117,008)	0	0	0	(117,008)
Depreciation	0	(695,432)	(695,432)	(22,307)	(3,210,338)	(152,466)	0	0	(4,080,543)
Transfers	0	9,461,771	9,461,771	0	255,156	0	0	(9,716,927)	0
Balance at 30 June 2024	47,850,257	20,492,681	68,342,938	67,105	15,049,630	906,370	83,800	17,080,557	101,530,400
Comprises:									
Gross balance amount at 30 June 2024	47,850,257	21,676,356	69,526,613	134,805	24,556,128	1,058,836	83,800	17,080,557	112,440,739
Accumulated depreciation at 30 June 2024	0	(1,183,675)	(1,183,675)	(67,700)	(9,506,498)	(152,466)	0	0	(10,910,339)
Balance at 30 June 2024	47,850,257	20,492,681	68,342,938	67,105	15,049,630	906,370	83,800	17,080,557	101,530,400

*Plant and equipment for Regional Waste Collection Project are recognised in accordance with the participants agreement terms between the EMRC and Shire of Mundaring.

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Land and buildings					
Land	2	Market approach	Independent registered valuer	June 2021	Price per square metre.
Buildings	3	Cost Approach	Independent valuer and Management valuation	June 2021	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.
Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.					
During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.					
(ii) Cost					
Furniture and fittings		N/A	N/A	N/A	N/A
Plant and equipment		N/A	N/A	N/A	N/A
Artworks		N/A	N/A	N/A	N/A

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

9. INFRASTRUCTURE

(a) Movements in Balances

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

	Landfill cells	Other structures	Post closure assets	Work in progress	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2022	7,850,364	9,003,496	5,454,659	12,824,994	35,133,513
Additions	0	16,060	0	1,429,709	1,445,769
Work in progress write off	0	0	0	(6,237)	(6,237)
Depreciation	(878,846)	(145,498)	(183,210)	0	(1,207,554)
Balance at 30 June 2023	6,971,518	8,874,058	5,271,449	14,248,466	35,365,491
Comprises:					
Gross balance at 30 June 2023	10,021,839	9,163,130	5,616,910	14,248,466	39,050,345
Accumulated depreciation at 30 June 2023	(3,050,321)	(289,072)	(345,461)	0	(3,684,854)
Balance at 30 June 2023	6,971,518	8,874,058	5,271,449	14,248,466	35,365,491
Additions	0	237,643	0	7,703,828	7,941,471
Depreciation	(2,605,364)	(160,972)	(284,250)	0	(3,050,586)
Transfer	0	164,878	0	(164,878)	0
Balance at 30 June 2024	4,366,154	9,115,607	4,987,199	21,787,416	40,256,376
Comprises:					
Gross balance at 30 June 2024	10,021,839	9,565,651	5,616,910	21,787,416	46,991,816
Accumulated depreciation at 30 June 2024	(5,655,685)	(450,044)	(629,711)	0	(6,735,440)
Balance at 30 June 2024	4,366,154	9,115,607	4,987,199	21,787,416	40,256,376

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

9. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Landfill cells	3	Cost approach using current replacement cost	Management valuation	June 2021	Construction costs and current condition, residual values and remaining useful life assessments inputs
Other structures	3	Cost approach using current replacement cost	Independent valuer and Management valuation	June 2021	Construction costs and current condition, residual values and remaining useful life assessments inputs
Post closure assets	3	Cost approach using current replacement cost	Management valuation	June 2021	Construction costs and current condition, residual values and remaining useful life assessments inputs

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used to determine the fair value of infrastructure using level 3 inputs.

**EASTERN METROPOLITAN REGIONAL COUNCIL
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FOR THE YEAR ENDED 30 JUNE 2024**

10. FIXED ASSETS

(a) Depreciation

Freehold land, artworks and work-in-progress are not depreciated.

Depreciation rates

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

Asset Class	Useful life
Buildings	7.50 to 100 years (based on components)
Structures	
General	15 to 105 years
Class III and IV Waste Cells	Based on actual usage
Plant	3 to 24 years
Furniture and fittings	3 to 25 years
Equipment	3 to 25 years
Post closure assets	Based on actual usage
Landfill cells	Based on actual usage

There are three general components of cell construction:

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

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

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

(b) Temporarily Idle or retired from use assets

The carrying value of assets held by the Council which are temporarily idle or retired from active use and not classified as held for sale are shown in the table below.

Plant and equipment

2024	2023
\$	\$
110,000	0
110,000	0

(c) Fully Depreciated Assets in Use

The gross carrying value of assets held by the Council which are currently in use yet fully depreciated are shown in the table below.

Plant and equipment

2024	2023
\$	\$
884,600	480,100
884,600	480,100

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

10. FIXED ASSETS (Continued)

MATERIAL ACCOUNTING POLICIES

Initial recognition

An item of property, plant and equipment or infrastructure that qualifies for recognition as an asset is measured at its cost.

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

Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with Local Government (Financial Management) Regulation 17A(5). These assets are expensed immediately.

Where multiple individual low value assets are purchased together as part of a larger asset or collectively forming a larger asset exceeding the threshold, the individual assets are recognised as one asset and capitalised.

Individual assets that are land, buildings and infrastructure acquired between scheduled revaluation dates of the asset class in accordance with the Council's revaluation policy, are recognised at cost and disclosed as being at reportable value.

Measurement after recognition

Plant and equipment including furniture and equipment and right-of-use assets (other than vested improvements) are measured using the cost model as required under Local Government (Financial Management) Regulation 17A(2). Assets held under the cost model are carried at cost less accumulated depreciation and any impairment losses being their reportable value.

Reportable Value

In accordance with Local Government (Financial Management) Regulation 17A(2), the carrying amount of non-financial assets that are *land and buildings classified as property, plant and equipment*, investment properties, infrastructure or vested improvements that the local government controls.

Reportable value is for the purpose of Local Government (Financial Management) Regulation 17A(4) is the fair value of the asset at its last valuation date minus (to the extent applicable) the accumulated depreciation and any accumulated impairment losses in respect of the non-financial asset subsequent to its last valuation date.

Revaluation

Land and buildings classified as property, plant and equipment, *infrastructure or vested improvements that the local government controls* and measured at reportable value, are only required to be revalued every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on land vested in the Council.

Revaluation (continued)

Whilst the regulatory framework only requires a revaluation to occur every five years, it also provides for the Council to revalue earlier if it chooses to do so.

For land, buildings and infrastructure, increases in the carrying amount arising on revaluation of asset classes are credited to a revaluation surplus in equity.

Decreases that offset previous increases of the same class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

Subsequent increases are then recognised in profit or loss to the extent they reverse a net revaluation decrease previously recognised in profit or loss for the same class of asset.

Depreciation

The depreciable amount of all property, plant and equipment and infrastructure, 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.

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

Depreciation on revaluation

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

- (i) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset.
- (ii) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Impairment

In accordance with Local Government (Financial Management) Regulations 17A(4C), the Council is not required to comply with AASB 136 Impairment of Assets to determine the recoverable amount of its non-financial assets that are land or buildings classified as property, plant and equipment, infrastructure or vested improvements that the local government controls in circumstances where there has been an impairment indication of a general decrease in asset values.

In other circumstances where it has been assessed that one or more of these non-financial assets are impaired, the 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 or losses on disposal

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.

**EASTERN METROPOLITAN REGIONAL COUNCIL
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FOR THE YEAR ENDED 30 JUNE 2024**

11. LEASES

The Council does not currently have any operating leases.

MATERIAL ACCOUNTING POLICIES

Leases

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

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

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

Right-of-use assets - measurement

Right-of-use assets are measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not recognised in the Statement of Financial Position). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value.

Refer to Note 10 under revaluation for details on the material accounting policies applying to vested improvements.

Right-of-use assets - depreciation

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

**EASTERN METROPOLITAN REGIONAL COUNCIL
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FOR THE YEAR ENDED 30 JUNE 2024**

12. TRADE AND OTHER PAYABLES

	2024	2023
	\$	\$
Current		
Sundry creditors	10,289,421	5,679,946
Sundry creditors - Regional Waste Collection Project*	25,115	0
Accrued payroll liabilities	0	416,145
ATO liabilities	151,549	72,757
Funding to Regional Waste Collection Project*	1,100,571	0
Dividends Payable to member councils**	5,000,000	0
	16,566,656	6,168,848

*Sundry creditors and Funding for Regional Waste Collection Project are recognised in accordance with the participants agreement terms between the EMRC and Shire of Mundaring.

**At the 24th June 2024 ordinary council meeting, a dividend of \$5,000,000 was declared. The distribution of the dividend will be made after finalisation and adoption of the Annual Financial Report 2023/2024.

MATERIAL ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are initially recognised at fair value when the Council becomes a party to the contractual provisions of the instrument.

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

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and any consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Council prior to the end of the financial year that are unpaid and arise when the Council becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

**EASTERN METROPOLITAN REGIONAL COUNCIL
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13. OTHER LIABILITIES

	2024	2023
	\$	\$
Current		
Contract liabilities - Amounts Received in Advance*	725,110	288,212
Contract liabilities - Unspent Grants	328,300	341,000
	1,053,410	629,212
Reconciliation of changes in contract liabilities		
Opening balance	629,212	405,480
Additions	6,818,713	629,212
Revenue from contracts with customers included as a contract liability at the start of the period	(6,394,515)	(405,480)
	1,053,410	629,212

Contract Liabilities represent the EMRC's performance obligations relating to services to be delivered in the financial year ending 30 June 2024.

* Amounts Received in Advance from contracts with customers of \$725,110 are unrestricted financial assets.

MATERIAL ACCOUNTING POLICIES

Contract liabilities

Contract liabilities represent the Council's obligation to transfer goods or services to a customer for which the Council has received consideration from the customer.

Contract liabilities represent obligations which are not yet satisfied. Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

Capital grant/contribution liabilities

Capital grant/contribution liabilities represent the Council's obligations to construct recognisable non-financial assets to identified specifications to be controlled by the Council which are yet to be satisfied. Capital grant/contribution liabilities are recognised as income when the obligations in the contract are satisfied.

Fair values for non-current capital grant/contribution liabilities, not expected to be extinguished within 12 months, are based on discounted cash flows of expected cashflows to satisfy the obligations using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 25(i)) due to the unobservable inputs, including own credit risk.

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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14. BORROWINGS

The EMRC does not have any loans or borrowings.

There were no new borrowings during the 2023/2024 financial year.

There were no unspent loans during the 2023/2024 financial year.

MATERIAL ACCOUNTING POLICIES

Borrowing costs

The council has elected to recognise borrowing costs as an expense when incurred regardless of how the borrowings are applied.

Fair values of borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short term nature.

Borrowings fair values are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 25(i)) due to the unobservable inputs, including own credit risk.

Risk

Information regarding exposure to risk can be found at Note 23.

EASTERN METROPOLITAN REGIONAL Council
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

15. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

	2024	2023
	\$	\$
Current provisions		
Employee benefit provisions		
Annual Leave	1,100,576	1,029,203
Annual Leave - Regional Waste Collection Project*	23,056	0
Long Service Leave	557,894	814,947
Other Employee Leave Provision	36,790	30,221
	1,718,316	1,874,371
Other provisions		
Employment on-costs	244,541	265,467
	244,541	265,467
Total current employee related provisions	1,962,857	2,139,838
Non-current provisions		
Long Service Leave	160,052	153,258
Long Service Leave - Regional Waste Collection Project*	204	0
	160,256	153,258
Other provisions		
Employment on-costs	16,806	17,534
	16,806	17,534
Total non-current employee related provisions	177,062	170,792
Total employee related provisions	2,139,919	2,310,630

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave and associated on costs for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

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

	Note	2024	2023
		\$	\$
Amounts are expected to be settled on the following basis:			
Less than 12 months after the reporting date		1,178,306	1,324,534
More than 12 months from reporting date		961,613	986,096
		2,139,919	2,310,630

*Employee benefit provisions for Regional Waste Collection Project are recognised in accordance with the participants agreement terms between the EMRC and Shire of Mundaring.

MATERIAL ACCOUNTING POLICIES

Employee benefits

The Council's obligations for employees' annual leave, long service leave and other employee leave entitlements are recognised as employee related provisions in the Statement of Financial Position.

Short-term employee benefits

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

The Council's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

Long-term employee benefits provisions are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Council's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Council does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

**EASTERN METROPOLITAN REGIONAL COUNCIL
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16. OTHER PROVISIONS

	Site Rehabilitation Provision	Environmental Monitoring Provision	City of Belmont Payout Provision	City of Kalamunda Payout Provision	Total
	\$	\$	\$		\$
Opening balance at 1 July 2023					
Current provisions	0	0	21,000,517	0	21,000,517
Non-current provisions	4,263,318	1,973,037	0	0	6,236,355
	4,263,318	1,973,037	21,000,517	0	27,236,872
Additional provision	0	0	0	30,718,215	30,718,215
Amounts used	(311,668)	(155,398)	0	0	(467,066)
Unused amounts reversed	0	0	0	0	0
Charged to profit or loss					0
- unwinding of discount	185,028	85,630	0	0	270,658
Balance at 30 June 2024	4,136,678	1,903,269	21,000,517	30,718,215	57,758,679
Comprises					
Current	0	0	21,000,517	0	21,000,517
Non-current	4,136,678	1,903,269	0	30,718,215	36,758,162
	4,136,678	1,903,269	21,000,517	30,718,215	57,758,679

Other provisions

Amounts which are expected to be paid out within 12 months of the reporting date are classified as current. Exact timing of payment of non-current obligations is unable to be reliably estimated as it is dependent on factors beyond the control of the local government.

Site rehabilitation provision

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

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

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

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

Environmental monitoring provision

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

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

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

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

City of Belmont Payout Provision

Refer to Note 22 for further details.

City of Kalamunda Payout Provision

Refer to Note 22 for further details.

MATERIAL ACCOUNTING POLICIES

Provisions

Provisions are recognised when the Council has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

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

**EASTERN METROPOLITAN REGIONAL COUNCIL
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17. REVALUATION SURPLUS

	2024 Opening Balance	Revaluation Increment/ (decrement)	Revaluation Writeback on disposals*	2024 Closing Balance	2023 Opening Balance	Revaluation Increment/ (decrement)	Revaluation Writeback on disposals*	2023 Closing Balance
	\$	\$		\$	\$	\$		\$
Revaluation surplus - Land - freehold land	26,804,789	0	0	26,804,789	26,804,789	0	0	26,804,789
Revaluation surplus - Buildings	974,972	0	0	974,972	1,290,137	0	(315,165)	974,972
Revaluation surplus - Furniture and fittings	23,400	0	0	23,400	23,400	0	0	23,400
Revaluation surplus - Plant and equipment	4,634,055	0	(14,714)	4,619,341	4,692,037	0	(57,982)	4,634,055
Revaluation surplus - Artworks	14,164	0	0	14,164	14,164	0	0	14,164
Revaluation surplus - Other structures	2,389,712	0	0	2,389,712	2,389,712	0	0	2,389,712
Revaluation surplus - Landfill cells and post closure asset	2,304,542	467,066	0	2,771,608	1,669,297	635,245	0	2,304,542
	37,145,634	467,066	(14,714)	37,597,986	36,883,536	635,245	(373,147)	37,145,634

***Revaluation writeback on disposals**

This is comprised of the revaluation surplus on assets that were disposed during the financial year. The balance has been transferred to retained surplus in accordance with AASB 116.

**EASTERN METROPOLITAN REGIONAL COUNCIL
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18. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

	Note	2024 Actual \$	2023 Actual \$
Cash and cash equivalents	3	27,350,538	28,624,162
Restrictions			
The following classes of financial assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:			
- Cash and cash equivalents	3	13,266,192	2,293,574
- Financial assets at amortised cost	4	32,614,271	50,278,787
		45,880,463	52,572,361
The restricted financial assets are a result of the following specific purposes to which the assets may be used:			
Restricted reserve accounts	28	45,552,164	52,231,361
Contract liabilities - Unspent Grant	13	328,300	341,000
Total restricted financial assets		45,880,464	52,572,361
(b) Reconciliation of Net Result to Net Cash Provided By Operating Activities			
Net result		16,116,875	6,279,143
Non-cash items:			
Depreciation/amortisation		7,131,129	3,969,028
(Profit)/loss on sale of asset		(65,265)	42,716
Expected credit losses reversed		0	(1,269)
Finance costs: unwinding of discount		270,658	254,430
Work in progress write off		0	51,915
Changes in assets and liabilities:			
(Increase)/decrease in trade and other receivables		(1,060,694)	(152,010)
(Increase)/Decrease in accrued interest earnings		(371,262)	(321,374)
(Increase)/decrease in other assets		(16,872)	7,419
(Increase)/decrease in inventories		(100,969)	(16,649)
Increase/(decrease) in trade and other payables		5,397,808	425,587
Increase/(decrease) in employee related provisions		(170,712)	289,556
Increase/(decrease) in other liabilities		424,198	223,732
Net cash provided by/(used in) operating activities		27,554,894	11,052,224
(c) Undrawn Borrowing Facilities			
Credit Standby Arrangements			
Credit card limit		80,000	60,000
Credit card balance at balance date		(16,582)	(17,241)
Total amount of credit unused		63,418	42,759

**EASTERN METROPOLITAN REGIONAL COUNCIL
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19. CONTINGENT LIABILITIES

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

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

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

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

It is the opinion of the attorney representing the EMRC in this action that the claim will not be decided until further advice is received.

20. CAPITAL COMMITMENTS

	2024	2023
	\$	\$
Contracted for:		
- capital expenditure projects	3,430,628	1,525,219
- plant & equipment purchases	2,814,107	1,732,600
	6,244,735	3,257,819
Payable:		
- not later than one year	6,244,735	3,257,819

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

21. RELATED PARTY TRANSACTIONS

(a) Elected Member Remuneration

Fees, expenses and allowances to be paid or reimbursed to council members and the Chairman.

Note	2024 Actual \$	2024 Budget \$	2023 Actual \$
Councillors' meeting fees	65,940	76,930	75,768
Chairman's meeting fees	20,875	16,480	20,565
Deputy Councillors' meeting fees	2,375	10,496	1,952
Deputy Chairman's meeting fees	5,219	0	5,141
Chairman's Local Government fee	16,480	20,875	16,235
Deputy Chairman's Local Government fee	10,990	5,219	21,648
Travel and accommodation expenses	654	0	2,258
21(b)	122,533	130,000	143,567

(b) Key Management Personnel (KMP) Compensation

The total of compensation paid to KMP of the Council during the year are as follows:

Note	2024 Actual \$	2023 Actual \$
Short-term employee benefits	945,711	1,108,068
Post-employment benefits	136,220	145,531
Employee - other long-term benefits	106,653	128,075
Council member costs	122,533	143,567
21(a)	1,311,117	1,525,241

Short-term employee benefits

These amounts include all salary and fringe benefits awarded to KMP except for details in respect to fees and benefits paid to council members which may be separately found in the table above.

Post-employment benefits

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

Other long-term benefits

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

Termination benefits

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

Council member costs

These amounts represent payments of member fees, expenses, allowances and reimbursements during the year.

**EASTERN METROPOLITAN REGIONAL COUNCIL
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FOR THE YEAR ENDED 30 JUNE 2024**

21. RELATED PARTY TRANSACTIONS

Transactions with related parties

Transactions between related parties and the Council are on normal commercial terms and conditions, no more favourable than those available to other parties, unless otherwise stated.
No outstanding balances or provisions for doubtful debts or guarantees exist in relation to related parties at year end.

In addition to KMP compensation above the following transactions occurred with related parties:

	2024 Actual \$	2023 Actual \$
Member Councils		
Sale of goods and services	24,746,602	27,075,815
Purchase of goods and services	351,977	216,575
FOGO contribution adjustment to member councils	0	1,575,200
Amounts outstanding from related parties:		
Trade and other receivables	2,137,795	2,289,375
Amounts payable to related parties:		
Trade and other payables	0	0

Related Parties

The Council's main related parties are as follows:

i. Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any council member, are considered key management personnel and are detailed in Notes 21(a) and 21(b).

ii. Other Related Parties

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

iii. Entities subject to significant influence by the Council

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

**EASTERN METROPOLITAN REGIONAL COUNCIL
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22. INTEREST IN THE EMRC

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

Member Council	2024		2023	
	%	\$	%	\$
Town of Bassendean	5.56	8,821,409	4.69	8,328,620
City of Bayswater	24.44	38,741,912	20.37	36,194,706
City of Kalamunda	0.00	0	17.29	30,718,215
Shire of Mundaring	13.55	21,485,320	11.43	20,305,412
City of Swan	56.45	89,490,827	46.22	82,126,789
Total Equity	100.00	158,539,468	100.00	177,673,742

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

The City of Belmont issued its Notice of Withdrawal from the EMRC on 23 December 2020. The effective date of the withdrawal is after the 30 June 2021. Consequently, the withdrawal took effect from 1 July 2021.

A provision of \$21,000,517 was made as at 30 June 2022 for the City of Belmont equity payment. No changes to the provision balance were noted as at 30 June 2024. This value will be adjusted once the final payment value has been finalised (Refer to Note 16).

The City of Kalamunda issued its Notice of Withdrawal from the EMRC on 22 November 2022. The effective date of the withdrawal is after the 30 June 2023. Consequently, the withdrawal takes effect from 1 July 2023.

A provision of \$30,718,215 has been made as at 30 June 2024 for the City of Kalamunda equity payment. This value will be adjusted once the final payment value has been finalised (Refer to Note 16).

The value of the City of Belmont and City of Kalamunda equity payments are indicative only and not necessary equal to the value they are entitled to in withdrawal. The City of Belmont and City of Kalamunda equity entitlements are subject to a different valuation methodology and process prescribed in the Establishment Agreement for withdrawing participants. At present, a separate process is in progress and the values are not finalised.

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23. FINANCIAL RISK MANAGEMENT

This note explains the Council's exposure to financial risks and how these risks could affect the Council's future financial performance.

Risk	Exposure arising from	Measurement	Management
Market risk - interest rates	Long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings
Credit risk	Cash and cash equivalents, trade receivables, financial assets and debt investments	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

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

Financial risk management is carried out by the finance department under policies approved by the Council. The finance department identifies, evaluates and manages financial risks in close co-operation with the operating divisions. Council have approved the overall risk management policy and provide policies on specific areas such as investment policy.

(a) Interest rate risk

Cash and cash equivalents

The Council's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the Council to cash flow interest rate risk. The Council seeks advice from an independent adviser before placing any cash and investments. The Council does not have any short term overdraft facilities.

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the Council to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents, term deposits, and Treasury bonds held disclosed as financial assets at amortised cost are reflected in the table below.

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2024					
Cash and cash equivalents	4.47%	27,350,538	24,000,000	3,346,488	4,050
Financial assets at amortised cost - term deposits	4.91%	60,500,000	60,500,000	0	0
2023					
Cash and cash equivalents	1.16%	28,624,162	2,000,000	26,620,112	4,050
Financial assets at amortised cost - term deposits	3.10%	51,500,000	51,500,000	0	0

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

	2024	2023
	\$	\$
Impact of a 1% movement in interest rates on profit or loss and equity*	33,465	266,201

* Holding all other variables constant

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The 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.

The Council does not have any borrowings or loans.

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

(b) Credit risk

Trade and Other Receivables

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

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

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

The Council applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade and other receivables. To measure the expected credit losses, receivables from grants, contributions and reimbursements are separated from other trade receivables due to the difference in payment terms and security.

The expected loss rates are based on the payment profiles of trade and other receivables over a period of 36 months before 1 July 2023 or 1 July 2024 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of users to settle the receivables.

The loss allowance as at 30 June 2024 and 30 June 2023 was determined as follows for trade and other receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2024					
Trade and loan receivables					
Expected credit loss	0.00%	0.00%	0.00%	99.46%	
Gross carrying amount	3,889,129	322,933	515	1,293,621	5,506,198
Loss allowance	0	0	0	1,286,676	1,286,676
Other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	44,988	0	0	0	44,988
Loss allowance	0	0	0	0	0
30 June 2023					
Trade and loan receivables					
Expected credit loss	0.00%	0.00%	0.00%	99.93%	
Gross carrying amount	3,860,098	344,933	550	1,287,545	5,493,126
Loss allowance	0	0	0	1,286,676	1,286,676
Other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	36,474	0	0	0	36,474
Loss allowance	0	0	0	0	0

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

(b) Credit risk

The loss allowances for trade and other receivables as at 30 June reconcile to the opening loss allowances as follows:

	Trade receivables		Other receivables	
	2024 Actual	2023 Actual	2024 Actual	2023 Actual
	\$	\$	\$	\$
Opening loss allowance as at 1 July	1,286,676	1,287,945	0	0
Increase in loss allowance recognised in profit or loss during the year	0	0	0	0
Receivables written off during the year as uncollectible	0	(269)	0	0
Unused amount reversed	0	(1,000)	0	0
Closing loss allowance at 30 June	1,286,676	1,286,676	0	0

Trade and other receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Council, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade and other receivables are presented as net impairment losses within other expenditure. Subsequent recoveries of amounts previously written off are credited against the same line item.

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

(c) Liquidity risk

Payables

Payables are 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. The 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 the Council's payables are set out in the liquidity table below. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
<u>2024</u>	\$	\$	\$	\$	\$
Trade and other payables	16,566,656	0	0	16,566,656	16,566,656
	16,566,656	0	0	16,566,656	16,566,656
<u>2023</u>					
Trade and other payables	6,168,848	0	0	6,168,848	6,168,848
	6,168,848	0	0	6,168,848	6,168,848

**EASTERN METROPOLITAN REGIONAL COUNCIL
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24. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

There have been no significant events after the reporting period that are required to be included in the 2023/2024 Annual Financial Report.

**EASTERN METROPOLITAN REGIONAL COUNCIL
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25. OTHER MATERIAL ACCOUNTING POLICIES

a) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable. 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 presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

b) Current and non-current classification

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle. In the case of liabilities where the Council does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current or non-current based on the Council's intentions to release for sale.

c) Rounding off figures

All figures shown in this annual financial report, other than a rate in the dollar, are rounded to the nearest dollar. Amounts are presented in Australian Dollars.

d) Comparative figures

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

When the Council applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements that has a material effect on the statement of financial position, an additional (third) Statement of Financial Position as at the beginning of the preceding period in addition to the minimum comparative financial report is presented.

e) 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.

f) Superannuation

The Council contributes to a number of Superannuation Funds on behalf of employees. All funds to which the Council contributes are defined contribution plans.

g) Fair value of assets and liabilities

Fair value is the price that the Council would receive to sell the asset or would have to pay to transfer a 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 or liability. 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 or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) 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.

h) Interest revenue

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset measured at amortised cost except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

Each valuation technique requires inputs that 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.

j) Impairment of assets

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 impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is 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 any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

26. FUNCTION AND ACTIVITY

(a) Service objectives and descriptions

Council operations as disclosed in this financial report encompass the following service orientated functions and activities.

Objective	Description
Governance To provide responsible and accountable governance and management of the EMRC.	Includes the activities of members of council and the administration and operation of facilities and services to members of Council together with other administrative governance costs.
General purpose funding To provide responsible and accountable financial management practices.	Includes the activities relating to the management of the EMRC's investment portfolio, records interest revenue as well as other general purpose revenue.
Community amenities To provide sustainable waste disposal, resource recovery and recycling operations and solutions in partnership with member Councils.	Includes waste disposal, resource recovery and recycling operations undertaken at the Red Hill Waste Disposal Facility, the Hazelmere Resource Recovery Facility, Baywaste, Coppin and Mathieson Road transfer stations.
Other property and services To facilitate the sustainable economic development of the region together with the provision of responsible and accountable management of the EMRC.	Includes activities and projects of the EMRC's Sustainability directorate, the operations of the Ascot Place activity and records the activities associated with public works overheads, plant operation, materials, salaries and wages.

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

26. FUNCTION AND ACTIVITY (Continued)

(b) Income and expenses

	2024 Actual	2023 Actual
	\$	\$
Income excluding grants, subsidies and contributions		
Governance	0	0
General purpose funding	3,914,600	3,001,624
Community amenities	66,804,466	46,033,765
Other property and services	312,876	249,346
	<u>71,031,942</u>	<u>49,284,735</u>
Grants, subsidies and contributions		
Governance	3	52,731
Community amenities	2,268,068	2,258,157
Other property and services	262,829	248,458
	<u>2,530,900</u>	<u>2,559,346</u>
Total Income	<u>73,562,842</u>	<u>51,844,081</u>
Expenses		
Governance	(1,448,457)	(1,610,315)
Community amenities	(53,304,944)	(40,575,822)
Other property and services	(2,757,831)	(3,336,085)
Total expenses	<u>(57,511,232)</u>	<u>(45,522,222)</u>
Increase/ (Decrease)	<u>16,051,610</u>	<u>6,321,859</u>
Disposal of assets		
Profit on Sale	65,265	0
Loss on Sale	0	(42,716)
Profit/ (Loss) on disposals	<u>65,265</u>	<u>(42,716)</u>
Net result for the period	<u>16,116,875</u>	<u>6,279,143</u>
(c) Total Assets		
Governance	9,974,878	10,648,554
General purpose funding	50,008,189	33,536,748
Community amenities	137,207,096	132,090,834
Unallocated - Work In Progress	38,867,969	37,743,168
	<u>236,058,132</u>	<u>214,019,304</u>

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

27. DETERMINATION OF SURPLUS OR DEFICIT

		2023/24 Budget	2022/23
	2023/24 (30 June 2024 Carried Forward)	(30 June 2024 Carried Forward)	(30 June 2023 Carried Forward)
Note	\$	\$	\$
(a) Non-cash amounts excluded from operating activities			
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> .			
Adjustments to operating activities			
Less: Profit on asset disposals	(65,265)	(187,938)	0
Less: Expected credit losses reversed	0	0	(1,269)
Add: Loss on disposal of assets	0	0	42,716
Add: Depreciation	7,131,129	4,505,745	3,969,028
Add: Expected credit losses	0	0	0
Add: Finance costs: unwinding of discount	270,658	0	254,430
Add: Work in progress write off	0	0	51,915
Less: Movement in liabilities associated with restricted cash	0	0	326,553
Less: Dividends Payable to member councils	(5,000,000)	0	0
Non-cash movements in non-current assets and liabilities:			
Employee benefit provisions	6,270	0	134,266
Other provisions	0	(20,083,257)	(21,381,332)
Non-cash amounts excluded from operating activities	2,342,792	(15,765,450)	(16,603,693)
(b) Surplus or deficit after imposition of general rates			
The following current assets and liabilities have been excluded from the net current assets used in the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.			
Adjustments to net current assets			
Less: Reserve accounts	(45,552,164)	(30,816,750)	(52,231,361)
Total adjustments to net current assets	(45,552,164)	(30,816,750)	(52,231,361)
Net current assets used in the Statement of Financial Activity			
Total current assets	94,271,356	36,001,544	84,995,182
Less: Total current liabilities	(40,583,440)	(8,149,746)	(29,938,415)
Less: Total adjustments to net current assets	(45,552,164)	(30,816,750)	(52,231,361)
Surplus or deficit after imposition of general rates	8,135,752	(2,964,952)	2,825,406

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

28. RESERVE ACCOUNTS

	2024 Actual Opening Balance	2024 Actual Transfer to	2024 Actual Transfer (from)	2024 Actual Closing Balance	2024 Budget Opening Balance	2024 Budget Transfer to	2024 Budget Transfer (from)	2024 Budget Closing Balance	2023 Actual Opening Balance	2023 Actual Transfer to	2023 Actual Transfer (from)	2023 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restricted by council												
(a) Plant and Equipment Reserve	1,347,455	3,670,232	(3,728,692)	1,288,995	1,337,416	4,342,152	(5,423,000)	256,568	2,207,862	4,062,712	(4,923,119)	1,347,455
(b) Site Rehabilitation Reserve - Post Closure	4,263,318	198,894	0	4,462,212	5,393,328	810,877	0	6,204,205	4,509,687	135,590	(381,959)	4,263,318
(c) Future Development Reserve	9,036,948	3,934,648	(6,288,667)	6,682,929	18,621,067	759,780	(18,496,226)	884,621	20,460,811	438,045	(11,861,908)	9,036,948
(d) Environmental Monitoring Reserve	1,973,037	92,047	0	2,065,084	2,522,694	380,013	0	2,902,707	2,107,483	63,364	(197,810)	1,973,037
(e) Class IV Reserve	40,237	6,961,365	(2,428,382)	4,573,220	36,863	3,029,888	(2,599,586)	467,165	742,057	695,183	(1,397,003)	40,237
(f) Secondary Waste Reserve	7,915,283	4,243,781	(1,846,394)	10,312,670	9,674,779	2,123,992	(1,701,325)	10,097,446	17,764,498	4,555,176	(14,404,391)	7,915,283
(g) Class III Reserve	2,378,510	1,519,413	(2,689,210)	1,208,713	2,366,982	789,129	0	3,156,111	2,535,770	911,416	(1,068,677)	2,378,509
(h) EastLink Relocation Reserve	5,506,110	256,874	0	5,762,984	5,481,809	203,960	0	5,685,769	5,345,394	160,717	0	5,506,111
(i) Committed Capital Expenditure Reserve	18,663,605	9,746,024	(20,372,768)	8,036,861	0	0	0	0	0	18,663,605	0	18,663,605
(j) Long Service Leave Reserve	1,106,858	51,638	0	1,158,496	1,102,056	60,102	0	1,162,158	1,056,070	50,788	0	1,106,858
	52,231,361	30,674,916	(37,354,113)	45,552,164	46,536,994	12,499,893	(28,220,137)	30,816,750	56,729,632	29,736,596	(34,234,867)	52,231,361

All reserves are supported by cash and cash equivalents and financial assets at amortised cost and are restricted within equity as Reserve accounts.

In accordance with Council resolutions or adopted budget in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

Name of reserve account	Purpose of the reserve account
(a) Plant and Equipment Reserve	to finance the replacement of major items of plant and equipment.
(b) Site Rehabilitation Reserve - Post Closure	to finance the rehabilitation of the Red Hill waste disposal site at time of decommissioning.
(c) Future Development Reserve	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.
(d) Environmental Monitoring Reserve	to provide funds for environmental monitoring after decommissioning of the Red Hill Waste disposal site.
(e) Class IV Reserve	to finance the construction of future Class IV cells and associated works at the Red Hill waste disposal site.
(f) Secondary Waste Reserve	to accumulate and to make provision for Secondary Waste Treatment Technology in the future.
(g) Class III Reserve	to finance the construction of future Class III cells and associated works at the Red Hill waste disposal site.
(h) EastLink Relocation Reserve	to accumulate and provide funds for the relocation of EMRC's buildings and structures that will be impacted by the EastLink alignment route through the EMRC's Red Hill site.
(i) Committed Capital Expenditure Reserve	to accumulate and provide funds for the committed projects.
(j) Long Service Leave Reserve	to accumulate and provide funds to enable the EMRC to fund staff long service leave.

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

29. TRUST FUNDS

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

	1-Jul-23	Amounts Received	Amounts Paid	30 June 2024
	\$	\$	\$	\$
Green Deal Alliance	340,281	287,500	(151,297)	476,484
	340,281	287,500	(151,297)	476,484



Auditor General

INDEPENDENT AUDITOR'S REPORT

2024

Eastern Metropolitan Regional Council

To the Council of the Eastern Metropolitan Regional Council

Opinion

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

- the statement of financial position as at 30 June 2024, the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of financial activity for the year then ended
- notes comprising a summary of material accounting policies and other explanatory information.

In my opinion, the financial report is:

- based on proper accounts and records
- presents fairly, in all material respects, the results of the operations of the Council for the year ended 30 June 2024 and its financial position at the end of that period
- in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for opinion

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

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

Other information

The Chief Executive Officer (CEO) is responsible for the preparation and the Council for overseeing the other information. The other information is the information in the entity's annual report for the year ended 30 June 2024, but not the financial report and my auditor's report.

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

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

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

Responsibilities of the Chief Executive Officer and Council for the financial report

The Chief Executive Officer (CEO) of the Council is responsible for:

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

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

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

My independence and quality management relating to the report on the financial report

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

Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the Eastern Metropolitan Regional Council for the year ended 30 June 2024 included in the annual report on the Council's website. The Council's management is responsible for the integrity of the Council's website. This audit does not provide assurance on the integrity of the Council's website. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to contact the Council to confirm the information contained in the website version.

Mark Ambrose

Mark Ambrose
Senior Director Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
9 October 2024



AUDIT CONCLUDING REPORT

Eastern Metropolitan Regional Council

Audit for the year ended 30 June 2024



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Executive Summary

The key purpose of this report is to communicate the results of the audit with those charged with governance.

We have performed an audit of the financial report of the Eastern Metropolitan Regional Council (the Council) for the year ended 30 June 2024 in accordance with Australian Auditing Standards ('ASAs').

The purpose of the audit is to express an opinion as to whether the Council's financial report fairly represents, in all material respects, the financial transactions of the Council for the period ended 30 June 2024 and its financial position at the end of that period in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Australian Accounting Standards.

Key Audit Risks or Focus Areas

As part of our audit procedures, we identified key risks based on our knowledge of the industry and experience. This risk assessment process is designed to ensure that we focused our audit work on the areas of highest risk.

This risk assessment and our responses were updated throughout the engagement to ensure that all areas of material risk are addressed.

We are pleased to advise we have satisfactorily completed our audit procedures designed to address these risks and meet our audit objectives.

Set out below, are what we have identified as the key audit risks and focus areas for the audit:

- Valuation of property, plant and equipment and infrastructure assets
- Accounting for landfill site, environmental monitoring and employee related provisions
- Accounting for withdrawal of City of Kalamunda equity payout provision
- Revenue recognition
- Completeness of liabilities and expenses
- Disclosures in the financial report
- Related party transactions
- Fraud risk and management override of controls

Audit Opinion

We will recommend the OAG to issue an unmodified opinion on the audit of the Council's financial report.

Significant Audit and Accounting Issues

Particulars of the significant audit and accounting issues which arose, are included in this section of the report for further consideration, where appropriate. Appropriate action has been taken by management to resolve any issues and there is no further action that we are aware of that needs to be taken prior to signing off the financial report.

Accounting Policies

The 30 June 2024 financial report has been prepared in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Australian Accounting Standards. The accounting policies are consistent with those applied in the financial report for the 30 June 2023 year.

We are not aware of any other material changes in accounting policies applied during the financial year. In addition, we are not aware of any significant unusual transactions in controversial or emerging areas.

Our audit procedures included a review of the accounting policies to ensure that they were consistently applied throughout the period.

Adoption of changes to Accounting Standards

We have also considered changes that have occurred in Australian Accounting Standards and other relevant parts of the regulatory framework as part of our audit. There are no significant changes that impacted on the accounting results and disclosure requirements of the Council for the year ended 30 June 2024.

No other major accounting standards are coming into force over the next year that have the potential to significantly impact the financial report.

Judgmental Matters and Estimations

The preparation of the financial report requires the use of management judgments and accounting estimates or assumptions, which affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingent assets and contingent liabilities. Certain estimates can be particularly sensitive because of their significance to the financial report and the possibility that actual future events affecting them may differ significantly from management's current assumptions and expectations.

In relation to the Council, our assessment is that the following account balances are critically affected by management judgments or accounting estimates. Given the nature of the Council's revenue, expenses, assets and liabilities - accounting for them is not overly complex nor affected by contentious accounting practices.

Major accounts affected by management judgments or accounting estimates are:

- Accounting for landfill site rehabilitation, environmental monitoring and employee related provisions
- Accounting for City of Belmont and Kalamunda payout provision
- Depreciation rates of non-current assets
- Fair value of land and buildings and infrastructure assets

Where necessary we have challenged the judgments of management based on our examination of evidential matter relating to those estimates. We are satisfied that the accounting estimates for the current financial period are reasonable in light of known circumstances. In our view a prudent approach has been adopted by management in applying judgments and in making estimates.

Key Audit Risks and Focus Areas

Valuation of property, plant and equipment and infrastructure assets

These are the biggest classes of non-financial assets reported in the Council's statement of financial position where there is a mix of cost (for plant and equipment) and fair value (for land, buildings and infrastructure – revalued every 4 years) accounting involved.

There is an inherent risk given the large balances and nature of assets, and the judgement applied in determining revaluation of land, buildings and infrastructure, depreciation/ amortisation expense including impairment.

Key audit procedures performed were:

- Reviewed and updated documented system procedures and performed walkthroughs for property, plant and equipment and infrastructure assets;
- Assessed accounting policies to ensure they were in accordance with AASB 116 Property, Plant and Equipment, AASB 13 *Fair Value Measurement* and AASB 136 *Impairment of Assets*;
- Sample tested asset additions, disposals and depreciation; and
- Reviewed management's impairment assessment against the Council's circumstances.

Based on procedures performed, we are satisfied that property, plant and equipment and infrastructure assets are reasonable and fairly stated as at 30 June 2024.

Accounting for landfill site rehabilitation, environmental monitoring and employee related provisions

The Council operates the Red Hill Landfill Site. There is a present obligation to rehabilitate/make good at the end of the asset's useful life. The Council's liabilities also include employee-related annual leave and long service leave provisions. As at 30 June 2024 the total current provision value is \$8mil which represents 10% of the total liabilities value of \$77.5mil. Provisions involve a degree of management estimation and uncertainty in their calculation in respect of present value inputs (inflation rates, discount factors, work costs), timing and probabilities of settlement.

Key audit procedures performed were:

- Agreed underlying information to employee employment contracts and approved leave applications;
- Reviewed management's assumptions, inputs and calculation of employee related provisions to ensure they are in accordance with AASB 119; and
- Reviewed management's assumptions, inputs and the rehabilitation costs worksheet to ensure cost estimates relating to the liabilities were calculated using a reasonable approach in accordance with AASB 137.

Based on procedures performed, we are satisfied that the landfill site rehabilitation, environmental monitoring and employee related provisions are reasonable and fairly stated as at 30 June 2024.

Accounting for withdrawal for City of Kalamunda equity payout provision

The City of Kalamunda issued its Notice of Withdrawal from the Council on 22 November 2022, with the effective date of the withdrawal being 30 June 2023. As at 1 July 2023, the Council has a present obligation to provision for the City's equity payout. The City's equity entitlement is subject to a valuation methodology and process prescribed in the Establishment Agreement for withdrawing participants based on a wind-up basis. As at 30 June 2024, the process has not commenced due to the delays caused in the finalisation of City of Belmont's equity payment. Therefore, a provision of \$30.7m was recognised based on management's best estimate as at 30 June 2024. The process will commence as when the City of Belmont's equity payment is finalised.

Key audit procedures performed were:

- Reviewed management's assumptions and verified workings to ensure payout estimates relating to the City of Kalamunda's equity payout has been calculated using a reasonable approach in accordance with AASB 137.

Revenue recognition

Revenue is being recognised in accordance with AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities*. The main revenue generating activities include fees & charges and government grants & contributions. Given the different revenue streams, there is a risk that revenue may not be recognised as required.

Key audit procedures performed were:

- Reviewed and performed the relevant audit provision on the application of the Council's revenue recognition policies for application under AASB 15 and 1058;
- Performed a walkthrough of the revenue cycles to gain the understanding of the process;
- On sample basis, tested revenue streams to supporting grant agreements, tax invoices and bank statement receipts; and
- On sample basis, tested the recognition of contract liabilities to ensure proper accounting in accordance with AASB 15 and AASB 1058.

Based on procedures performed, we are satisfied that revenue has been recognised appropriately for the year ended 30 June 2024.

Completeness and Accuracy of Liabilities and Expenses

There is an inherent risk that expenditure, and corresponding liabilities (creditors, payroll accruals and expense accruals), are not brought to account in the correct accounting period. Most of the Council's expenses relate to employee benefits expenses, materials and contracts and State landfill levy. To address the risk of underreporting we:

- Obtained post period end bank statements up until the time of our audit testing and agreed a sample of bank payments to supporting documentation (e.g. tax invoices, payroll reports);
- Supporting documentation was traced to posted expenditure accounting transactions to check if transactions were recorded in the correct accounting period; and
- Ensured classification of expenditure accounting transactions have been coded appropriately to its function and activities; and
- Ensured GST has been properly accounted for; and
- Reviewed the fixed asset register for capital transactions that were operational in nature that should have been expensed as repairs and maintenance rather than being capitalised.

From the work performed, we are satisfied that transactions have been recognised in the correct accounting periods and therefore expenditure is accurately recorded for the year ended 30 June 2024.

Disclosures in the Financial Report

The Council is required to disclose information in relation to:

- Contingent assets and liabilities;
- Post balance date events;
- Key management personnel remuneration;
- Related party transactions;
- Auditor's remuneration;
- Capital commitments; and
- Interest of Member Councils.

Our procedures indicate that appropriate and adequate disclosures have been made in respect of the above.

As at this date we are not aware of any significant post balance date events that need to be disclosed in the financial report, however we seek to reconfirm this position just prior to signing off the audit report.

Fraud Risk and Management Override of Controls

Management is involved in day-to-day operations and monitoring of the Council, which gives them the ability to manipulate accounting records and prepare fraudulent financial reports by overriding controls in place. Due to the unpredictable way in which such override could occur, this leads to potential fraud risk and is always assessed as a significant risk.

To address the risk of management override, the following procedures were performed:

- Reviewed journal entries and other adjustments for evidence of possible material misstatements due to fraud;
- Reviewed accounting estimates and application of accounting policies for evidence of bias or aggressive accounting practices; and
- For significant or unusual transactions, evaluated the business rationale (or the lack thereof) for evidence of fraudulent financial reporting or misappropriation of assets.

Based on testing performed, we are satisfied that the risk of fraud from management override has been reduced to an acceptable level.

Significant Representations by Management

Both our and the OAG's representation letters have been provided and a signed copy is to be returned to us prior to our submission of the financial report with the OAG.

There are no significant representations (other than the ones referred to in our and the OAG's standard representation letters) made by management for which we and OAG are relying on in forming our audit opinions.

Audit Adjustments

We are required by the auditing standards to communicate all unadjusted differences (other than clearly trivial) that we noted during the audit.

The table below summarises the impact of possible adjustments, affecting the statement of comprehensive income, arising from the audit:

There are no material adjusted audit differences noted from the audit.

Internal Controls

As part of our planned audit approach, we evaluated the Council's system of internal controls primarily to enable us to determine the appropriate nature and extent of our procedures.

This, however, does not constitute a comprehensive review. Accordingly, the Audit and Risk Committee may wish to discuss with management any matters they may have raised with respect to particular systems, which may necessitate a more comprehensive review.

It should be appreciated that our audit procedures are designed primarily to enable us to form an opinion on the financial statements and therefore may not bring to light all weaknesses in systems and procedures which may exist. However, we aim to use our knowledge of the Council gained during our work to make comments and suggestions which, we hope, will be useful to you.

No key internal control deficiencies were noted in the final audit of the Council.

The management letter for the interim audit identified some findings to be actioned by the Council. Below is an update on the findings based on our follow up:

Findings	Rating	Update
1. No evidence of independent review of general journals	Moderate	Resolved
2. Lack documentation of verbal quotation obtained prior to incurring expenditure	Minor	Resolved

The management letter for the previous period identified some findings to be actioned by the Council. Below is an update on the findings based on our follow up:

Findings	Rating	Update
1. Annual review of residual values and useful lives of non-financial assets was not performed	Minor	Resolved
2. Statement of financial activity	Minor	Resolved

Other Key Matters

Withdrawal of Member Councils

City of Belmont

The City of Belmont withdrew from the Council on 1 July 2021. The City's equity entitlement is subject to a valuation methodology and process prescribed in the Establishment Agreement for withdrawing participants. As at 30 June 2022, a separate process was in progress and so the value could not be finalised. Therefore, a provision for the equity payment of \$21 million was recognised based on management's best estimate as at 30 June 2022. Due to unforeseen delays, this exercise could not be completed by 30 June 2024. As a result, management adopted a prudent approach and opted not to adjust the provision until the equity entitlement has been finalised. This is expected to occur during the 2024/25 financial year. Furthermore, the provision amount has been quarantined.

City of Kalamunda

The City of Kalamunda withdrew from the Council on 1 July 2023. The City's equity entitlement is subject to a valuation methodology and process prescribed in the Establishment Agreement for withdrawing participants. As at 30 June 2024, the process has not commenced due to the delays caused in the finalisation of City of Belmont's equity payment. Therefore, a provision of \$30.7m was recognised based on management's best estimate as at 30 June 2024. The process will commence as when the City of Belmont's equity payment is finalised. This is expected to occur during the 2024/25 financial year.

At present the Council has sufficient funds on hand, including incremental cash flow from its operations to meet its obligations and pay the City of Kalamunda. Should the funds be insufficient, the remaining participants of the Council may be required to pay the distribution to the City in accordance with clause 9.9 of the Establishment Agreement.

Non-Compliance with Laws and Regulations or Fraudulent Activity

We confirm no matters have come to our attention that indicate material misstatement in the financial report due to non-compliance with laws and regulations or fraudulent activity. Management has confirmed that they are unaware of any fraudulent activity.

Auditor's Responsibility to Consider Fraud

As auditors, we obtain reasonable assurance that the financial report is free from material misstatements due to fraud or error.

Accordingly, certain procedures were performed as part of our audit by way of enquiry, evaluation and review as required by the Australian Auditing Standards on fraud, ASA 240.

We have enquired with management regarding the existence of fraud and/or non-compliance with laws and regulations. We have also reviewed the general ledger and minutes for evidence of these.

Based on representations obtained from management and the work performed, we are confident that the risk of fraud in relation to financial reporting and non-compliance with laws and regulations is low and we have not identified any reportable matters for your attention.

Liaison with Management

We had no disagreements with management about significant audit, accounting or disclosures matters.

We identified no errors or irregularities that would cause the financial report to contain a material misstatement and noted no apparent illegal acts.

There were no difficulties encountered in dealing with management related to the performance of the audit.

There was no correspondence between us and management relating to any significant audit and accounting issues during the period other than those discussed under the Significant Audit and Accounting Issues section above.

Independence

We have established policies and procedures designed to ensure our independence, including policies on holding financial interests in the Council and other related parties, business relationships, employment relationships, and the provision of non-audit services.

We have assessed our audit independence at the planning stage and to the best of our knowledge and belief, we are of the opinion that each engagement team member and partners of all Moore network firms in Australia are not in contravention of the auditor independence and ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia.

We have also fulfilled our other ethical responsibilities with the Code. We have further considered the safeguards the Moore Australia network has in place, and we are not aware of any services being provided that would compromise our independence as external auditor.

Confidentiality

This document is strictly confidential and although it has been made available to management and those charged with governance to facilitate discussions, it may not be taken as altering our responsibilities to the Council arising under our audit contract with the OAG.

The information contained in this document is confidential and cannot be conveyed to any party other than the party to which it is directed.

Conflicts of Interest

The firm is not aware of any existing or potential relationship, transaction or holding that would compromise its objectivity in the conduct of the services provided. Should the possibility of a perceived or actual conflict arise the matter would be raised with the Council immediately and activities suspended until the issue was resolved to your satisfaction.

Outstanding items

The following items remain outstanding at the time of writing:

- Signed management representation letter; and
- Signed financial report.



Wen-Shien Chai
Partner
[Moore Australia Audit \(WA\)](#)

Dated 3 October 2024

CONTACT US

Level 15, 2 The Esplanade,
Perth WA 6000

T +61 8 9225 5355

F +61 8 9225 6181

E perth@moore-australia.com.au

www.moore-australia.com.au



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12.2 INTERNAL AUDIT REPORT – 2024 PROGRAMME

D2024/24987 (AC) | D2024/27566

PURPOSE OF REPORT

The purpose of this report is to present the Audit Committee (AC) with the internal audit report of the 2023/2024 internal audit programme.

KEY POINT(S)

- At the June 2020 meeting, Council endorsed a new internal audit programme to be spread over a three year (plus three year) cycle to coincide with the new requirements of the *Local Government (Financial Management) Regulations 1996* and consisting of 22 auditable areas.
- This year represents the fourth year of the three year (plus three year) programme.
- The internal audit programme for this year commenced in May 2024 for the 8 auditable areas as set out in this report.
- The audits were finalised by July 2024 and internal audit reports are now ready to be presented to Council.
- All 8 auditable areas have achieved or mostly achieved their overall risk rating outcomes.
- There were no findings.
- A summary of the findings, recommendations and business improvements for the various auditable areas is set out in the table contained within this report.

RECOMMENDATION(S)

That:

1. Council notes the internal audit reports forming attachments 1 to 8 to this report.
2. The attachments 4 and 5 remain confidential and be certified by the Chairperson and the CEO.

SOURCE OF REPORT

Acting Chief Executive Officer

BACKGROUND

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

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

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

REPORT

- 3 The internal audit programme for the 2023/2024 financial year commenced in May 2024 for the following audit areas:
 - Accounts Payable (Transactional Processing);
 - Accounts Receivable;
 - Corporate Governance;
 - IT General Controls;
 - IT Vulnerability Assessment;
 - Payroll (Transactional);
 - Procurement; and
 - Waste Management (Landfill Operations).
- 4 The last set of internal audits (2022/2023) were presented at the 5 October 2023 Audit Committee meeting and the 23 November 2023 Council meeting.

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

Auditable Area	Overall Risk Rating Outcomes	Summary of Findings	Recommendations	Business Improvements
Accounts Payable (Transactional Processing)	Achieved	None	None	1. Audit suggests that EMRC considers ensuring that the purchase order numbers are noted on the tax invoice by the supplier and sends a reminder to suppliers for them to quote the purchase order number on invoices. 2. Audit suggests EMRC considers examining workflow options for approvals given most tax invoices were authorised via handwriting. 3. Audit suggests that given tax invoices are printed, stamped and stored in a lock cabinet, EMRC considers scanning these into Content Manager replacing the original digital invoice, thus saving on physical storage.
Accounts Receivable	Achieved	None	None	None
Corporate Governance	Achieved	None	None	It is suggested that EMRC considers the use of some form of performance review mechanism for Council members to help identify knowledge gaps and areas for improvement to help enhance skills.
IT General Controls	Achieved	None	None	As detailed in the confidential attachment 4 to this report.
IT Vulnerability Assessment	Achieved / Most achieved	None	None	As detailed in the confidential attachment 5 to this report.

Auditable Area	Overall Risk Rating Outcomes	Summary of Findings	Recommendations	Business Improvements
Payroll (Transactional)	Achieved	None	None	None
Procurement	Achieved	None	None	1. Given there is no specific register for either contract variations or exemptions, Audit suggests that EMRC considers developing Variation and Exemption Registers using a spreadsheet or other means. 2. Given the CEO can authorise procurements out of their delegation limit (\$1 M) where the purchase is within the annual budget and for operational purposes, Audit suggests that EMRC considers updating the Council Policy 3.5 Purchasing, to reflect this. 3. Given declarations of conflicts of interest only apply for procurements over \$250,000, Audit suggests that EMRC considers requiring conflicts of interest to be declared for all quotations \$50,000 and above.
Waste Management Facility (Landfill Operations)	Achieved	None	None	1. It is suggested that EMRC reviews the Standard Operating Procedure – Weighbridge Traffic (last review 10 May 2022) and notes this on the document. 2. It is suggested that EMRC reviews the Standard Operating Procedure – Mandalay – Cash Sales Reconciliation (last review 10 May 2022) and notes this on the document.

- 6 The audit results of each of the auditable areas are covered in attachments 1 to 8 as part of this report.
- 7 The EMRC is reviewing all the suggested business improvement opportunities highlighted in the final audit report, and progressively being implemented.
- 8 On the recommendation of the Internal Auditor, attachments 4 and 5 are marked as confidential due to the content of the documents contain security matters in accordance with s.5.23(2) of the *Local Government Act 1995*.

STRATEGIC/POLICY IMPLICATIONS

- 9 Reporting on EMRC Strategic Policy implications align with the Revised 10 Year Strategic Plan 2017 - 2027 and the Sustainability Strategy 2022/2023 – 2026/2027.

FINANCIAL IMPLICATIONS

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

SUSTAINABILITY IMPLICATIONS

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

RISK MANAGEMENT

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

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

MEMBER COUNCIL IMPLICATIONS

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

ATTACHMENT(S)

1. Internal Audit Report - Accounts Payable (Transactional Processing) (D2024/27567)
2. Internal Audit Report - Accounts Receivable (D2024/27568)
3. Internal Audit Report - Corporate Governance (D2024/27569)
4. Confidential Internal Audit Report - IT General Controls (D2024/27570)
5. Confidential Internal Audit Report - IT Vulnerability Assessment (D2024/27571)
6. Internal Audit Report – Payroll (Transactional) (D2024/27572)
7. Internal Audit Report - Procurement (D2024/27573)
8. Internal Audit Report - Waste Management Facility (Landfill Operations) (D2024/227574)



VOTING REQUIREMENT

Simple Majority

RECOMMENDATION(S)

That:

1. Council notes the internal audit reports forming attachments 1 to 8 to this report.
2. The attachments 4 and 5 remain confidential and be certified by the Chairperson and the CEO.

AC RECOMMENDATION(S)

MOVED CR BOWMAN

SECONDED CR SUTHERLAND

That:

1. Council notes the internal audit reports forming attachments 1 to 8 to this report.
2. The attachments 4 and 5 remain confidential and be certified by the Chairperson and the CEO.

CARRIED UNANIMOUSLY

COUNCIL RESOLUTION(S)

MOVED CR JEANS

SECONDED CR BOWMAN

THAT:

1. COUNCIL NOTES THE INTERNAL AUDIT REPORTS FORMING ATTACHMENTS 1 TO 8 TO THIS REPORT.
2. THE ATTACHMENTS 4 AND 5 REMAIN CONFIDENTIAL AND BE CERTIFIED BY THE CHAIRPERSON AND THE CEO.

CARRIED UNANIMOUSLY



PO Box 1908
West Perth WA 6872
Australia

Level 2, 40 Kings Park Road
West Perth WA 6005
Australia

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

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



**Eastern Metropolitan Regional Council
Accounts Payable (Transactional Processing)**

Internal Audit

June 2024

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1. EXECUTIVE SUMMARY

Introduction

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

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

As part of the Strategic Internal Audit Plan 2020/2021 – 2025/2026 an audit of Accounts Payable (Transactional) is conducted every second year. This is a core financial related audit that would be expected to be relied upon by the Office of the Auditor General, Western Australia. The audit will cover the period 1 July 2023 to 30 April 2024. This audit will examine reliability and integrity of information, compliance and safeguarding of assets.

Audit Objective:

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

The specific objectives of this audit are as follows:

Reliability and Integrity of Information

- Determine whether payments are accurate, complete, made in a timely manner and have adequate substantiation
- Determine whether adequate controls exist to provide reasonable assurance that payments are only made to approved creditors
- Determine whether controls over record keeping provide reasonable assurance that accounts are posted to correct general ledger account in a timely manner.

Compliance

- Identify whether payments are made in accordance with approved policy.

Safeguarding of Assets

- Determine whether there are adequate procedures in place to mitigate the risk of fraudulent payments.

Risks Identified

- Authorisation (including receipt of goods/services)
- Accuracy (including coding)
- Timeliness.

Scope of works

The audit period was 1 July 2023 to 30 April 2024.

2. OVERALL AUDIT OUTCOMES AGAINST AUDIT SCOPE OF WORKS

Overall Risk Rating

Scope Report Reference	Audit Scope	Outcomes	Risk Rating
8.1	Determine whether payments are accurate, complete, made in a timely manner and have adequate substantiation.	Achieved	N/A
8.2	Determine whether adequate controls exist to provide reasonable assurance that payments are only made to approved creditors.	Achieved	N/A
8.3	Determine whether controls over record keeping provide reasonable assurance that accounts are posted to correct general ledger account in a timely manner.	Achieved	N/A
8.4	Identify whether payments are made in accordance with approved policy.	Achieved	N/A
8.5	Determine whether there are adequate procedures in place to mitigate the risk of fraudulent payments.	Achieved	N/A

3. SUMMARY OF FINDINGS

1. No findings were made.

4. RECOMMENDATIONS

1. No recommendations were made.

5. BUSINESS IMPROVEMENTS

1. Given several original tax invoices without purchase order numbers, Audit suggests that EMRC considers ensuring that the purchase order numbers are noted on the tax invoice by the supplier and sends a reminder to suppliers for them to quote the purchase order number on invoices.
2. Given most tax invoices were authorised via handwriting, Audit suggests EMRC considers examining workflow options for approvals.
3. Given tax invoices are printed and stamped and stored in the locked cabinet, Audit suggests EMRC Council considers scanning these into Content Manager replacing the original digital invoice, thus saving on physical storage.

6. OVERALL COMMENTS

Eastern Metropolitan Regional Council - Management Comments

We thank the Audit team for their diligence and work undertaken for the Internal Audit on the Accounts Payable (Transactional Processing) module.

We acknowledge the suggested areas of Business Improvements listed and these will be developed.

Stantons - Audit Management Comments

We greatly appreciate all the assistance from the Finance team and note that the Business Improvements listed will be developed.

7. RISK RATING AND DEFINITIONS

Risk Ratings and Interpretations

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

DISCLAIMER, BASIS OF AUDIT AND LIMITATIONS

DISCLAIMER

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

BASIS OF AUDIT

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

INHERENT LIMITATIONS

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation.

Report Release

Released by (Name): James Cottrill

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

Signature:

Date: 5 June 2024



8. DETAILED AUDIT ASSESSMENT

8.1 DETERMINE WHETHER PAYMENTS ARE ACCURATE, COMPLETE, MADE IN A TIMELY MANNER AND HAVE ADEQUATE SUBSTANTIATION.

Overall Outcome	Payments were made in line with the purchase order and tax invoice and authorised by delegated authorities within delegation limits with most payments made in a timely manner.
------------------------	---

Audit randomly selected twenty (20) transactions from the Expenditure Invoice List for the period 01/07/2023 – 30/04/2024 as sample, comprising:

- 01/07/2023 – IT Vision Australia Pty Ltd - \$53,641.16
- 19/07/2023 – Major Motors Pty Ltd - \$147,500.00
- 10/08/2023 – Spuds Gardening Services - \$1,670.00
- 13/08/2023 – Kool Kreative - \$137.50
- 20/08/2023 – Avora Pty Ltd - \$74,969.37
- 29/09/2023 – Mcinerney Ford - \$52,071.35
- 10/10/2023 – Industrial Recruitment Partners - \$2,665.85
- 03/11/2023 – Tmo Pest and Weed Management - \$6,000.00
- 09/11/2023 – Drake Australia Pty Ltd - \$2,162.02
- 23/11/2023 – Raubex Construction - \$232,247.51
- 21/11/2023 – Lo-Go Appointments WA - \$2,257.20
- 13/12/2023 – Pirtek Midland (M & B Hydraulics Pty Ltd) - \$509.94
- 02/01/2024 – Pirtek Midland (M & B Hydraulics Pty Ltd) - \$912.03
- 16/01/2024 – Powerup Auto Treatments - \$4,851.00
- 26/02/2024 – Major Motors Pty Ltd - \$147,500.00
- 27/02/2024 – Apollo Fabrications - \$31,152.00
- 14/03/2024 – Midway Ford (WA) - \$420.00
- 31/03/2024 – Talis Consultations - \$3,643.75
- 17/04/2024 – Hays Specialist Recruitment - \$2,691.40
- 26/04/2024 – Japanese Truck & Bus Spares Pty Ltd - \$235.35

We conducted sample testing against the purchase order, tax invoice, and remittance advice of each transaction and noted that payments were made in line with the purchase order and tax invoice and were authorised by delegated authorities within delegation limits. We also observed the following:

- Purchase orders were not coded on the original tax invoice for the transactions below. Through enquiry with the Finance Team, it was noted that EMRC does have the requirement of noting the purchase order on the tax invoices and it appears to be the supplier not quoting the purchase order:
 - 01/07/2023 – IT Vision Australia Pty Ltd - \$53,641.16
 - 10/10/2023 – Industrial Recruitment Partners - \$2,665.85
 - 03/11/2023 – Tmo Pest and Weed Management - \$6,000.00
 - 09/11/2023 – Drake Australia Pty Ltd - \$2,162.02
 - 23/11/2023 – Raubex Construction - \$232,247.51
 - 13/12/2023 – Pirtek Midland (M & B Hydraulics Pty Ltd) - \$509.94
 - 26/02/2024 – Major Motors Pty Ltd - \$147,500.00.
- The transactions below were identified as being paid after the invoice due date. Through enquiry with the Finance Team, it was noted that a Supplier Details Form is to be completed prior to being a certified creditor of the EMRC, which sets out that the EMRC's Trading Terms are 20 Business Days from the Date of Invoice. Upon

completion of the Supplier Details Form, the applicant is deemed to acknowledge and agree with EMRC's trading terms. However, we noted that older suppliers are unlikely to acknowledge the trading terms due to the newly implemented Supplier Details Form.

- 13/08/2023 – Kool Kreative - \$137.50
 - 03/11/2023 – Tmo Pest and Weed Management - \$6,000.00
 - 21/11/2023 – Lo-Go Appointments WA - \$2,257.20
 - 16/01/2024 – Powerup Auto Treatments - \$4,851.00
 - 27/02/2024 – Apollo Fabrications - \$31,152.00
 - 14/03/2024 – Midway Ford (WA) - \$420.00.
- We noted that EMRC's payment term has been consistently communicated to suppliers through emails and phone call and is also indicated on the EMRC's supplier Details Form.
 - Tax invoices was authorised in handwriting with no use of workflow. Through enquiry with the Finance Team, it was noted that the Authorising Officer is to ensure the authorisation of the tax invoices.

Suggested Improvement 1	Business Given several original tax invoices without purchase order numbers, Audit suggests that EMRC considers ensuring that the purchase order numbers are noted on the tax invoice by the supplier and sends a reminder to suppliers for them to quote the purchase order number on invoices.
Suggested Improvement 2	Business Given most tax invoices were authorised via handwriting, Audit suggests EMRC considers examining workflow options for approvals.

8.2 DETERMINE WHETHER ADEQUATE CONTROLS EXIST TO PROVIDE REASONABLE ASSURANCE THAT PAYMENTS ARE ONLY MADE TO APPROVED CREDITORS.

Overall Outcomes	EMRC has in place adequate controls to provide reasonable assurance that payments are only made to approved creditors.
-------------------------	--

Audit obtained and reviewed the Supplier Details Form and noted that the Supplier Details Form is to be completed by each new supplier with supplier information (i.e., ABN, address, contact number) and bank details to be provided, and returned to the Council, as presented below.



Eastern Metropolitan Regional Council
1st Floor Ascot Place, 226 Great Eastern Hwy,
Belmont, Western Australia 6104
PO Box 214 Belmont Western Australia 6984

SUPPLIER DETAILS FORM

Supplier Name

ABN **ACN**

Supplier Registered for GST Yes ☐ No ☐

Street Address

Suburb **State** **Post Code**

Postal Address

Suburb **State** **Post Code**

Phone Number **Mobile**

BANK DETAILS FOR EFT PAYMENT

Account Name

Bank

Branch

BSB

Account Number

REMITTANCE ADVICE

Email Address

SUPPLIER'S AUTHORISATION

Authorising Officer

Signature

Date

The EMRC's Trading Terms are 20 Business Days from the Date of Invoice

EMRC OFFICE USE ONLY

Credit Limit Applied For

Estimated Yearly Spend

Nature of Goods/Services Required

Please return completed Form to Responsible Officer

Through enquiry with the Finance Team, it was noted that the Finance Team is to seek the authorised person from the supplier to verify any change request where a Change to Creditor

Bank Account Details Form is to be generated with an Audit Trail Report to be created as evidence, recording reasonable actions conducted (via direct phone check and confirmation email) by the Finance Team to verify the request of changing bank details by the supplier.

We also obtained and reviewed the list of Active Supplier as at 30 April 2024 and noted that there is a total of 1,150 suppliers active as at 30 April 2024 with one hundred and nineteen (119) new suppliers during the period 01/07/2023 – 30/04/2024. Upon sample testing conducted in section 8.1, we verified that payments were only made to approved creditors.

No issues were noted.

8.3 DETERMINE WHETHER CONTROLS OVER RECORD KEEPING PROVIDE REASONABLE ASSURANCE THAT ACCOUNTS ARE POSTED TO CORRECT GENERAL LEDGER ACCOUNT IN A TIMELY MANNER.

Overall Outcome	The Council has in place controls over record keeping which provides reasonable assurance that accounts are posted to correct general ledger account in a timely manner.
------------------------	--

Through enquiry with the Finance Team, it was noted that general ledger entry was created when the requisition was made. The Authorising Officer is to verify whether the purchase order is fully invoiced or not. Once the purchase order is marked as fully invoiced, the Finance Team is to process the payment. If the purchased order is not marked, the Finance Team will follow up with the Authorising Officer to inquire if the invoice can be paid. For any discrepancy noted with an invoice amount greater than purchase order value by 5% or more, the Finance Team will request a brief explanation from the Authorising Officer to determine whether the payment is to be processed.

The accounts payable processing was generally conducted in a physical manner with printed tax invoices to be stamped. The physical accounts payable documents (i.e., purchase order, tax invoice, remittance advice) are stored in a locked cabinet whereas any original digital tax invoices were saved in Content Manager. Only with authorisation from the CEO can the accounts payable files be disposed of by the Records Officer.

In addition, EMRC has limited the access to the SynergySoft Accounts Payable module with access only available to the Finance Team and the Manager Information Services.

No issues were noted.

Suggested Improvement 3	Business	Given tax invoices are printed and stamped and stored in the locked cabinet, Audit suggests EMRC Council considers scanning these into Content Manager replacing the original digital invoice, thus saving on physical storage.
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8.4 IDENTIFY WHETHER PAYMENTS ARE MADE IN ACCORDANCE WITH APPROVED POLICY.

Overall Outcome	Payments were made in accordance with approved policy.
------------------------	--

Audit conducted sample testing against twenty (20) transactions below selected from the Expenditure List for the period 01/07/2023 – 30/04/2024 and verified that all payments were authorised by the delegated authorities within delegation limits in accordance with the Management Guideline Authorisation of Expenditure:

- 01/07/2023 – IT Vision Australia Pty Ltd - \$53,641.16
- 19/07/2023 – Major Motors Pty Ltd - \$147,500.00
- 10/08/2023 – Spuds Gardening Services - \$1,670.00
- 13/08/2023 – Kool Kreative - \$137.50
- 20/08/2023 – Avora Pty Ltd - \$74,969.37
- 29/09/2023 – Mcinerney Ford - \$52,071.35
- 10/10/2023 – Industrial Recruitment Partners - \$2,665.85
- 03/11/2023 – Tmo Pest and Weed Management - \$6,000.00
- 09/11/2023 – Drake Australia Pty Ltd - \$2,162.02
- 23/11/2023 – Raubex Construction - \$232,247.51
- 21/11/2023 – Lo-Go Appointments WA - \$2,257.20
- 13/12/2023 – Pirtek Midland (M & B Hydraulics Pty Ltd) - \$509.94
- 02/01/2024 – Pirtek Midland (M & B Hydraulics Pty Ltd) - \$912.03
- 16/01/2024 – Powerup Auto Treatments - \$4,851.00
- 26/02/2024 – Major Motors Pty Ltd - \$147,500.00
- 27/02/2024 – Apollo Fabrications - \$31,152.00
- 14/03/2024 – Midway Ford (WA) - \$420.00
- 31/03/2024 – Talis Consultations - \$3,643.75
- 17/04/2024 – Hays Specialist Recruitment - \$2,691.40
- 26/04/2024 – Japanese Truck & Bus Spares Pty Ltd - \$235.35

No issues were noted.

8.5 DETERMINE WHETHER THERE ARE ADEQUATE PROCEDURES IN PLACE TO MITIGATE THE RISK OF FRAUDULENT PAYMENTS.

Overall Outcome	The Council has in place adequate procedures to mitigate the risk of fraudulent payments.
------------------------	---

Audit obtained and reviewed the Management Guideline Authorisation of Expenditure and noted the Guideline was endorsed on 29 October 2021 and last reviewed on 28 February 2024 and will be next reviewed on 1 July 2025. The Guideline has set out authority limit against the EMRC Capital and Operational expenditure in accordance with the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations*, as presented in the table below.

Item	Positions Applicable	Capital Expenditure Applicable Bands (Amount Excluding GST)	Operational Expenditure Applicable Bands (Amount Excluding GST)	Functional Areas of Responsibility
1.	Chief Executive Officer	> ≤ \$1,000,000 (contracts which have undergone a tender or request for quote process)	> ≤ \$1,000,000 (contracts which have undergone a tender or request for quote process)	All
2.	Chief Financial Officer	≤ \$50,000	≤ \$50,000	All
3.	Chief Operating Officer	≤ \$37,500	≤ \$100,000 (fuel only for operations at Hazelmere) ≤ \$37,500 (general expenditure)	Operations Team
4.	Chief Project Officer	≤ \$37,500	≤ \$37,500	Projects Team
5.	Chief Sustainability Officer	≤ \$37,500	≤ \$37,500	Sustainability Team
6.	Manager Engineering	≤ \$15,000	≤ \$15,000	Functional area of responsibility
7.	Manager Environmental & Waste Compliance Operations	Nil	≤ \$10,000	Functional area of responsibility
8.	Manager Financial Services	Nil	≤ \$15,000	Functional area of responsibility
9.	Manager Human Resources	Nil	≤ \$10,000	Functional area of responsibility
10.	Manager Information Services	≤ \$10,000	≤ \$10,000	Functional area of responsibility
11.	Manager Operations (Hazelmere)	Nil	≤ \$40,000 (fuel only for operations at Hazelmere) ≤ \$15,000 (general expenditure)	Functional area of responsibility
12.	Manager Procurement and Governance	Nil	≤ \$10,000	Functional area of responsibility
13.	Manager Wood Waste to Energy Plant	Nil	≤ \$15,000	Functional area of responsibility
14.	Site Manager (Red Hill)	Nil	≤ \$40,000 (fuel only for operations at Red Hill)	Functional area of responsibility
			≤ \$15,000 (general expenditure)	
15.	Administration Officer (Sustainability)	Nil	≤ \$1,500	Functional area of responsibility
16.	Administration Supervisor (Hazelmere)	Nil	≤ \$1,500	Functional area of responsibility
17.	Administration Supervisor (Red Hill)	Nil	≤ \$2,000	Functional area of responsibility
18.	Communications Coordinator	Nil	≤ \$5,000	Functional area of responsibility
19.	Coordinator Administration	Nil	≤ \$5,000	Functional area of responsibility
20.	Coordinator Urban Environment	Nil	≤ \$5,000	Functional area of responsibility
21.	Coordinator Waste Education	Nil	≤ \$5,000	Functional area of responsibility
22.	Executive Assistant to Chief Executive Officer	Nil	≤ \$2,000	Functional area of responsibility
23.	Senior Human Resources Advisor	Nil	≤ \$1,500	Functional area of responsibility
24.	Waste and Resources Recovery Specialist	Nil	≤ \$15,000	Functional area of responsibility
25.	Works Co-Ordinator (Hazelmere)	Nil	≤ \$8,000	Functional area of responsibility

Audit also obtained and reviewed the Management Guideline Cheque Signatories and Online (EFT) Supplier Payments and note that the Guideline was endorsed in December 2008 and last reviewed in February 2024 and will be next reviewed in February 2025. The Guideline has sets out the authority for signatures on Council cheques and for online supplier payment via Electronic Funds Transfers (EFT) where authorisation from any two (2) of the following delegated authorities is required:

- Chief Executive Officer
- Chief Financial Officer
- Chief Sustainability Officer
- Manager Financial Services
- Manager Information Services

- Finance Team Leader.

Through enquiry with the Finance Team, it was confirmed that online supplier payment via Electronic Funds Transfers (EFT) is to be made in a weekly manner and authorised by either two (2) of the authorities above after EFT files have been uploaded to the bank site, whereas the cheque payment is to be made in a monthly manner and signed by two (2) of the authorities above.

No issues were noted.



PO Box 1908
West Perth WA 6872
Australia

Level 2, 40 Kings Park Road
West Perth WA 6005
Australia

Tel: +61 8 9481 3188

Fax: +61 8 9321 1204

ABN: 84 144 581 519

www.stantons.com.au



Eastern Metropolitan Regional Council Accounts Receivable

Internal Audit

June 2024

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1. EXECUTIVE SUMMARY

Introduction

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

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

As part of the Strategic Internal Audit Plan 2020/2021 – 2025/2026 an audit of Accounts Receivable is conducted every second year. This is a core financial related audit that would be expected to be relied upon by the Office of the Auditor General, Western Australia. The audit will cover the period 1 July 2023 to 30 April 2024. This audit will examine reliability and integrity of information, compliance and safeguarding of assets.

Audit Objective:

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

The specific objectives of this audit are as follows:

Reliability and Integrity of Information

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

Compliance

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

Safeguarding of Assets

- Identify whether the Council has procedures in place assess customer's ability to service debt before granting credit
- Review procedure for debt collection for efficiency and effectiveness.

Risks Identified

- Credit checks – ongoing & review
- Payment procedures
- Debt incurred
- Timeliness
- Accuracy
- Authorisation

- Approval of bad debts and write-offs
- Lack of outstanding debtors follow up.

Scope of works

The audit period was 1 July 2023 to 30 April 2024.

2. OVERALL AUDIT OUTCOMES AGAINST AUDIT SCOPE OF WORKS

Overall Risk Rating

Scope Report Reference	Audit Scope	Outcomes	Risk Rating
8.1	Determine whether accounts receivable are calculated accurately, completely and in a timely manner.	Achieved	N/A
8.2	Determine whether policies and procedures are documented, understood by staff, and followed.	Achieved	N/A
8.3	Identify whether the Council has procedures in place to assess customer's ability to service debt before granting credit.	Achieved	N/A
8.4	Review procedure for debt collection for efficiency and effectiveness.	Achieved	N/A

3. SUMMARY OF FINDINGS

1. No findings were made.

4. RECOMMENDATIONS

1. No recommendations were made.

5. BUSINESS IMPROVEMENTS

1. There were no business improvements suggested.

6. OVERALL COMMENTS

Eastern Metropolitan Regional Council - Management Comments

We thank the Audit team for their diligence and work undertaken for the Internal Audit on the Accounts Receivable module.

Stantons - Audit Management Comments

We greatly appreciate all the assistance from the Finance team, and it was pleasing that there were no findings or business improvements raised.

7. RISK RATING AND DEFINITIONS

Risk Ratings and Interpretations

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

DISCLAIMER, BASIS OF AUDIT AND LIMITATIONS

DISCLAIMER

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

BASIS OF AUDIT

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

INHERENT LIMITATIONS

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation.

Report Release

Released by (Name): James Cottrill

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

Signature:

Date: 5 June 2024



8. DETAILED AUDIT ASSESSMENT

8.1 DETERMINE WHETHER ACCOUNTS RECEIVABLE ARE CALCULATED ACCURATELY, COMPLETELY AND IN A TIMELY MANNER.

Overall Outcome	Accounts Receivable at EMRC are calculated accurately, completely and in a timely manner.
------------------------	---

Audit randomly selected twenty-seven (27) transactions from the Revenue Invoices List for the period 01/07/2023 – 30/04/2024, comprising:

- 03/07/2023 – Covalent Lithium Pty Ltd - \$137,500.00
- 10/07/2023 – C.D. Dodd Scrap Metal Recycles - \$1,139.60
- 11/07/2023 – Brownes Fencing - \$148.50
- 18/07/2023 – HZ-Cash-Residential - \$68.83
- 07/08/2023 – Teco Australia Pty Ltd - \$176.00
- 08/08/2023 – Remondis Australia Pty Ltd - \$2,489.04
- 14/08/2023 – City of Joondalup - \$2,702.70
- 22/08/2023 – RH-Cash-Commercial - \$29,171.80
- 05/09/2023 – Cleanaway – Baywaste Commercial - \$63,237.10
- 12/09/2023 – West Tip Waste Control - \$1,390.18
- 30/09/2023 – Remondis Australia Pty Ltd - \$155.50
- 10/10/2023 – Tidy Up - \$27.01
- 23/10/2023 – Stallion Building Co. Pty Ltd - \$33,354.58
- 07/11/2023 – Midland Junction Alliance - \$196,794.00
- 16/11/2023 – Cambercentric Pty Ltd - \$1,524.88
- 29/11/2023 – Pickles Auctions - \$33,727.50
- 12/12/2023 – Georgiou Group Pty Ltd - \$264,091.02
- 12/12/2023 – BW-Cash-Commercial - \$10,810.38
- 12/01/2024 – Town of Victoria Park - \$555.88
- 23/01/2024 – City of Swan - \$285,073.48
- 31/01/2024 – Pallet Cycle - \$220.00
- 13/02/2024 – Remondis Australia Pty Ltd - \$1,113.86
- 20/02/2024 – Remondis Australia Pty Ltd - \$875.75
- 05/03/2024 – Tianqi Lithium Kwinana Pty Ltd - \$49,227.36
- 31/03/2024 – Veolia Environmental Service (Australia) Pty Ltd - \$5,136.07
- 10/04/2024 – Sims Metal Management WA - \$1,586.31
- 23/04/2024 – Shire of Mundaring - \$42,738.35.

Audit conducted sample testing and noted that most tax invoices are generated at three (3) facility sites, including Red Hill Waste Management Facility, Hazelmere Resource Recovery Park, and Baywaste Community Recycling Centre. Only invoices for prepayment, contributions, etc. were generated at head office. All invoices were accurately calculated as per the schedule of fees and charges or contracted rates and raised in a timely manner in line with either the weekly invoice cycle or agreement.

Upon the sample testing, the following was observed:

- Several invoices were issued to residential and commercial cash accounts at each facility site. Through enquiry with the Finance Team, it was noted that EFTPOS and cash payments were accepted at Red Hill Waste Management Facility and Baywaste Community Recycling Centre whereas only EFTPOS was accepted at Hazelmere Resource Recovery Park.

- Recipient Created Tax Invoices (RCTI) are accepted by EMRC. Through enquiry with the Finance Team, it was noted that after receipt of RCTI, it is to be forwarded to each site to verify service conducted, associated rate, and invoice amount.
- Invoice for 23/10/2023 – Stallion Building Co. Pty Ltd - \$33,354.58 was issued more than one (1) month after services have been conducted. Through enquiry with the Finance Team, it was noted that the invoice amount has been prepaid by Stallion Building Co. Pty Ltd.
- Invoice for 16/11/2023 – Cambercentric Pty Ltd - \$1,524.88 was issued for refund payment. Through enquiry with the Finance Team, it was noted that the invoice was issued to offset the remaining prepayment amount before refund.

We also obtained and reviewed Credit Notes List for the period 01/07/2023 – 30/04/2024 and noted that there is a total of fifty-one (51) credit notes made during the period 01/07/2023 – 30/04/2024. Through enquiry with the Finance Team, it was noted that the Finance Team Leader is to verify any discrepancies/errors between the tax invoice and journal account.

No issues were noted.

8.2 DETERMINE WHETHER POLICIES AND PROCEDURES ARE DOCUMENTED, UNDERSTOOD BY STAFF AND FOLLOWED.

Overall Outcomes	EMRC has in place procedures/processes in relation to debtors which have been understood by staff and followed.
-------------------------	---

The Council has in place following procedures/processes in relation to debtors:

- Receipting of Direct Debt
- Standard Operating Procedure – Mandalay Invoicing including Data Extract
- Management Guideline Credit Control and Debt Management
- Process for Preparing Weekly Debtors Report
- SynergySoft User Guide Debtors.

Through enquiry with the Finance Team, it was noted that Mandalay is currently in use at three (3) facility sites, comprising Red Hill Waste Management Facility, Hazelmere Resource Recovery Park, and Baywaste Community Recycling Centre. A CSV file is to be extracted from Mandalay and then imported to SynergySoft for invoice creation on a weekly basis.

Audit obtained and reviewed the Standard Operating Procedure – Mandalay Invoicing including Data Extract and noted that the procedure has set up a step-by-step process for the Finance/Administration Officer at each facility site to generate the original CSV files and separate out any Special Customers and prepaid transactions and then create invoices in SynergySoft. We noted that most steps were described in writing some snapshots attached which should be sufficient for staff.

Review of the SynergySoft User Guide Debtors noted that the Guide has detailed processes for EMRC employees to perform debtor-related functions within the SynergySoft, including:

- Debtor account creation maintenance
- Debtors invoicing
- Debtors parameters
- Code maintenance
- Credit notes
- Recurring invoices/licences/leases
- Receipting
- Payment options
- Interest
- Statement production
- Reporting.

Upon sample testing conducted and observation in section 8.1, the debtor procedures and processes appear to be understood by staff and followed.

No issues were noted.

8.3 IDENTIFY WHETHER THE COUNCIL HAS PROCEDURES IN PLACE TO ASSESS CUSTOMER'S ABILITY TO SERVICE DEBT BEFORE GRANTING CREDIT.

Overall Outcome	EMRC has implemented the Management Guideline Credit Control and Debt Management to assess customer's ability to service debt before granting credit where an Application for Credit Account Form is to be completed by each customer which is assessed by the Finance Team including reference checks.
------------------------	---

Audit obtained and reviewed the Management Guideline Credit Control and Debt Management and noted that the Guideline was endorsed in April 2018 and last reviewed by the Executive Leadership Team in February 2024 and will be next reviewed in February 2025.

The Guideline sets out that the prospective customer is required to complete and return an Application for Credit Account Form prior to establishing a credit account with the Council. Upon receipt of the completed account application form, trade reference checks are to be undertaken by phone and an online credit reference check is to be obtained as well to ensure credit is only extended to creditworthy customers. As part of the application process, the customer may be required to provide copy of Balance Sheet to support their ability to pay.

Audit obtained and reviewed the Application for Credit Account Form and noted that there are two (2) options in relation to operating a credit account with the EMRC, comprising:

- Credit limit requested equal to or less than \$5,000 expenditure per month where account is to be on direct debit terms with invoice amount to be deducted automatically from nominated bank account on the 14th day from the date of the invoice
- Credit limit requested greater than \$5,000 expenditure per month where account is to be on strictly fourteen (14) days term with payment to be made no later than fourteen (14) days from the date of the invoice.

The Applicant is to fill in the Application for Credit Account Form and Direct Debit Request and acknowledge and sign-off the Direct Debit Terms and Conditions as well as the Direct Debit Request Service Agreement.

Application for the Credit Account is to be approved by relevant delegated authority based upon credit limit request, as presented in the table below.

Credit Limit per Month (GST Incl.)	Authority Officer
Credit limit request up to \$15,000 (incl.)	Manager Financial Services
Credit limit request over \$15,000 and up to \$50,000 (incl.)	Chief Financial Officer
Credit limit request over \$50,000	Chief Executive Officer

Each applicant is to be informed in writing regarding outcome of the application where successful customers are to be reminded of the EMRC's trading terms as well as acceptable payment methods and consequences of late or non-payment of accounts, whereas unsuccessful customers are to be informed that they are still able to make purchases or utilise the EMRC's services on a cash, credit, or debit card basis.

The Council has in place controls over management of credit accounts, including:

- A range of payment methods to make paying easy
- Credit card processing fee for payments made by Visa or Mastercard where applicable
- Direct Debit option
- Payment plan options where a customer has difficulty to make payment.

A weekly Debtors Report is to be generated for the Manager Financial Services and the CFO to review. Review of the Debtors Trading Terms Analysis as at 26 April 2024 noted that the Debtor Report is generated in a weekly manner, outlining the credit limit and outstanding debtors for each credit account.

No issues were noted.

8.4 REVIEW PROCEDURE FOR DEBT COLLECTION FOR EFFICIENCY AND EFFECTIVENESS.

Overall Outcome	EMRC has in place the Management Guideline Credit Control and Debt Management as procedure for debt collection process. Given outstanding debtors decreased during the Audit Period, the debt collection process at EMRC appears appropriate and efficient.
------------------------	---

Audit obtained and reviewed the Management Guideline Credit Control and Debt Management and noted that EMRC is to undertake written and verbal reminders when an account becomes overdue with the consequences of non-payment to be informed, i.e., possible account suspension, closure of account, etc. When following up debtors with outstanding accounts, the following actions to be implemented:

- Telephone or email reminders to be made in relation to the overdue amount
- Negotiate and agree on a specific payment date
- Final demand email or letter to be sent out if debt is not settled within the agreed timeframe
- Account to be put on Stop Credit if payment still remains outstanding following final demand and must be authorised by the relevant Chief of the CFO
- Closure of account and engagement of a debt collection agency to recover the debt including possible legal action to be undertaken if necessary
- Payment plan options available to assist customers who are experiencing difficulties with the payment of their account.

We obtained and reviewed the Debtors Trial Balance as at 31/07/2023 and 30/04/2024 and noted that there is a total of \$7,011,387.72 debtors outstanding as at 31/07/2023 with \$844,713.10 overdue thirty (30) days and \$1,287,545.88 overdue ninety (90) days whereas there is a totalling of \$5,368,851.76 debtors outstanding as at 30/04/2024 with \$487,685.68 overdue thirty (30) days and \$1,391,679.06 overdue ninety (90) days. It appears that EMRC has in place appropriate and efficient debt collection processes with total outstanding debtors falling from July 2023 to April 2024.

Despite the decrease identified in outstanding debtors during the Audit Period, we noted that the \$1,277,982.87 outstanding debt from Anergy Australia Pty Ltd remain uncollected. Through enquiry with the Finance Team, it was noted that the debt is still outstanding, and EMRC is undertaking legal actions to collect the debt.

No issues were noted.



PO Box 1908
West Perth WA 6872
Australia

Level 2, 40 Kings Park Road
West Perth WA 6005
Australia

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

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



Eastern Metropolitan Regional Council

Corporate Governance

Internal Audit

June 2024

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1. EXECUTIVE SUMMARY

Introduction

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

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

As part of the Strategic Internal Audit Plan 2020/2021 – 2025/2026 an audit of Corporate Governance is conducted every third year. The audit will cover the period 1 July 2023 to 31 May 2024. This audit will examine reliability and integrity of information, compliance, and efficiency/effectiveness.

Audit Objective:

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

The specific objectives of this audit are as follows:

Reliability and Integrity of Information

- Determine whether the Council receives relevant, timely accurate and concise information.

Compliance

- Identify processes in place to monitor organisational compliance with applicable legislation.

Efficiency / Effectiveness

- Determine how the Council ensures it has access to required levels of skills and expertise.

Risks Identified

- Register of interests being out of date
- Systemic non-compliance with legislative or regulatory requirements
- Councillors not receiving accurate, timely information
- New Councillors not being fully informed about their roles and responsibilities about the EMRC.

Scope of works

The audit period was 1 July 2023 to 31 May 2024.

2. OVERALL AUDIT OUTCOMES AGAINST AUDIT SCOPE OF WORKS

Overall Risk Rating

Scope Report Reference	Audit Scope	Outcomes	Risk Rating
8.1	Determine whether the Council receives relevant, timely, accurate and concise information.	Achieved	N/A
8.2	Identify processes in place to monitor organisational compliance with applicable legislation.	Achieved	N/A
8.3	Determine how the Council ensures it has access to required levels of skills and expertise.	Achieved	N/A

3. SUMMARY OF FINDINGS

1. No findings were made.

4. RECOMMENDATIONS

1. No recommendations were made.

5. BUSINESS IMPROVEMENTS

1. Audit suggests that EMRC considers the use of some form of performance review mechanism for Council members to help identify knowledge gaps and areas for improvement to help enhance skills.

6. OVERALL COMMENTS

Eastern Metropolitan Regional Council - Management Comments

We thank the Internal Audit team for their diligence and work undertaken for the Internal Audit on the Governance module.

We recognise the major trend in governance has been the increasing scrutiny of composition, process performance and effectiveness, particularly in the corporate sector.

Noting that this is not mandated by legislation for Local Governments, the business improvement suggestion will ultimately be a decision for the EMRC Council.

Stantons - Audit Management Comments

We note the management comments regarding the improvement suggestion relating to Council performance and acknowledge it is ultimately a decision for the EMRC Council.

We would wish to thank the CFO and his team for all their valuable assistance with audit.

7. RISK RATING AND DEFINITIONS

Risk Ratings and Interpretations

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

DISCLAIMER, BASIS OF AUDIT AND LIMITATIONS

DISCLAIMER

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

BASIS OF AUDIT

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

INHERENT LIMITATIONS

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

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

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

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Report Release

Released by (Name): James Cottrill

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

Signature:



Date: 12 July 2024

8. DETAILED AUDIT ASSESSMENT

8.1 DETERMINE WHETHER THE COUNCIL RECEIVES RELEVANT, TIMELY, ACCURATE AND CONCISE INFORMATION.

Overall Outcome	Audit concluded that EMRC has established a comprehensive process that ensures Council receives relevant, timely, accurate and concise information.
------------------------	---

The Council receives relevant, timely, accurate, and concise information to plan for the future of the organisation as required by Section 5.56 of the *Local Government Act 1995* and the *Local Government (Administration) Regulations Act 1996*. The Strategic Plan provides a solid foundation for decision making, with regular updates and reviews ensuring that the Council remains responsive to member Council needs and policy changes. The integration of sustainability as a strategic priority within the planning framework further enhances the Council's ability to deliver on its commitments efficiently and effectively. Areas of focus include the procedures for Council and committee meetings, disclosure of interests, the Establishment Agreement, appointment and tenure of members, and the complaints procedure.

The governance structure of the EMRC, as defined by the *Local Government Act 1995*, includes specific provisions for the conduct of ordinary and special Council meetings, and committee meetings. Ordinary Council meetings, which occur monthly or as determined by the Council, address regular Council business, while special meetings are convened to handle urgent, complex, or confidential matters. The key process includes the Chief Executive Officer (CEO) issuing notices for special Council meetings 48 hours in prior to the meeting. In urgent situations, a shortened notice period is permissible upon the opinion of the Chairperson or one third of the Council members. The committee meetings are called upon the request of the Chairperson, committee members, or the CEO, with clear terms regarding the notice period and the purpose of the meeting.

The conduct of meetings, such as Ordinary Meeting of Council will have a consistent agenda and EMRC adheres to the *Local Government Act 1995* and associated Regulations regarding the disclosure of financial and other interests by Council and committee members. This includes separating recommendations involving disclosed interest from other agenda items to maintain transparency and integrity in decision making. These disclosures are duly recorded in a register and managed according to legislative requirements. Audit noted regular review of meeting minutes and agendas to verify the correct recording and management of disclosures. Previous minutes of meetings are always confirmed by the members of Council. Further, the meetings have supporting information such as various employee reports on financial matters, policy reviews and reports from committees, such as the Audit Committee.

The Council has collaboration between the Town of Bassendean, City of Bayswater, Shire of Mundaring, and City of Swan through the Establishment Agreement with each member appointing two members. In terms of implementing and reporting the actions outlined in the Strategic Plan a set of Key Performance Indicators (KPIs) have been identified. There is regular reporting on the progress of these through the quarterly updates of the Corporate Business Plan, which are aligned to the Strategic Plan. Periodic reports on the progress of the Corporate Business Plan are provided to Council as well as any special projects or other initiatives.

Audit confirmed that the information provided to the Council is accurate and concise. The Corporate Business plan clearly outlines projects, programs, and services over the next five years, supported by the Strategic Review and the Sustainability Strategy. These documents provide a coherent framework for the Council to make informed decisions. The KPIs for measuring success, such as stakeholder satisfaction, financial sustainability, and progress

towards strategic targets, offer quantifiable metrics that ensure the Council receives precise and actionable data. The periodic reports align with these KPIs, enhancing the accuracy and clarity of the information presented.

Although the EMRC does not have a documented communication process, it is evident from emails, Council Minutes, and Council Delegates Reports that EMRC maintains a functional communication system. The emails, primarily managed by the CEO's personal assistant, are used effectively to distribute pre-meeting agendas and post meeting responses, ensuring that all arising questions are addressed efficiently.

Overall, it is evident that the EMRC has established a detailed process to ensure Council receives relevant information that is timely and accurately.

No issues were noted.

8.2 IDENTIFY PROCESSES IN PLACE TO MONITOR ORGANISATIONAL COMPLIANCE WITH APPLICABLE LEGISLATION.

Overall Outcomes	EMRC has an appropriate monitoring process of compliance with applicable legislation.
-------------------------	---

The EMRC has adopted a Strategic Plan and a Corporate Business Plan aligning to local government regulations. These plans guide the Council's priorities, operations, and resource management over a specified period, ensuring alignment with community aspirations and strategic objectives. To identify and assess the processes in place for monitoring organisational compliance with applicable legislation within EMRC compliance reviews are conducted under the framework established by the *Local Government Act 1995* and associated regulations. The Corporate Business Plan 2024/2025 – 2028/2029 covers the four financial years and aligns with the priorities outlined in the 10 Year Strategic Plan revised August 2022.

As required by section 5.56(1) and (2) of the *Local Government Act 1995* EMRC is required to 'to plan for the future of the district' by developing plans in accordance with the regulations such as the Corporate Business Plan in place and a Strategic Community Plan (being the 10 Year Strategic Plan). We confirmed that the Corporate Business Plan set outs relevant priorities, aligned to member Council objectives and aspirations and links to asset management, workforce planning and long-term financial planning. The plan is reviewed annually and then updated for the next four years which is approved by Council and adopted by an absolute majority. These modifications, if significant are required to be reported in the annual report as per Regulation 19CA. The EMRC's framework aligns operational activities with strategic priorities. The framework includes the 10 Year Strategic Plan and the four year Corporate Business Plan, ensuring that actions are prioritised and resourced appropriately.

The EMRC has shown a robust commitment to long-term goals with its Strategic Plan 2017 – 2027. This plan underscores the Council's dedication to sustainability, waste management, and community resilience. According to the requirements in Corporate Business Plan, EMRC provides quarterly reports to the Council. These updates include the progress on agreed tasks and alignment with Strategic Plan's Key Performance Indicators (KPIs). In 2020/2021, the EMRC conducted a strategic review endorsed by the Council in August 2021, reflecting significant strategic shifts and sustainability commitments. This proactive approach demonstrates the Council's responsiveness to evolving policy drivers and community expectations.

Further, we note that the EMRC has established a complaints procedure for handling breaches of conduct by Council and committee members in line with the Local Government Code of Conduct) Regulations 2021 and the EMRC Code of Conduct. A formal process for submitting complaints using specified forms and within designated timeframes.

EMRC also submits a Compliance Audit Return (CAR) on an annual basis to the Department of Local Government, Sport and Cultural Industries. This return cover specific areas with reference to the appropriate legislative requirements and includes:

- Commercial Enterprises by Local Governments
- Delegation of Power/Duty
- Disclosure of Interest
- Disposal of Property
- Elections
- Finance
- Local Government Employees

- Official Conduct
- Tenders for Providing Goods and Services
- Integrated Planning and Reporting
- Optional Questions.

The returns are completed in a timely manner the answers demonstrate compliance with legislative requirements. EMRC are also required to compliance with a variety of other legislative requirements relating to its operational sites and the handling of different classes of waste, environmental protection, and work health and safety. Alignment to these requirements were evident through the conduct of other internal audits.

Overall, the EMRC has established a comprehensive process to monitor and ensure compliance with applicable legislation. Regular audits, training, and procedural reviews are in place to maintain and enhance these processes.

No issues were noted.

8.3 DETERMINE HOW THE COUNCIL ENSURES IT HAS ACCESS TO REQUIRED LEVELS OF SKILLS AND EXPERTISE.

Overall Outcome	EMRC is required under its Establishment Agreement to appoint two members from its member Councils who will have differing levels of skills and expertise.
------------------------	--

The appointment of Council members to the Eastern Metropolitan Regional Council is governed by the *Local Government Act* and the Establishment Agreement, ensuring a structured and compliant approach to the selection and tenure of Council members. According to these guidelines, each participating local government appoints two members from its Council, with a provision for the appointment of a mayor or president if they express interest. This process can result in differing levels of skills and expertise depending on the experience of the Councillor appointed, with some who may have comprehensive local government expertise and knowledge.

The procedures for the appointment and tenure of Council members are designed to be timely and transparent, particularly following local government elections. This transparency ensures that the selection process is open and accountable, fostering trust and confidence of appointees. Additionally, the terms of office for Council members are clearly defined, including provisions for temporary replacements during absences, which ensures continuity in governance and decision making.

However, as EMRC itself does not select Council members and therefore, does not establish any specific criteria for their selection. This reliance on the participant local governments to appoint members means that the EMRC has limited control over ensuring that its Council possesses the required levels of skills and expertise tailored to its specific needs. Furthermore, Audit through discussions identified that the EMRC does not conduct performance reviews for Council members. The use of performance evaluations help identifies any gaps in knowledge or potential improvements which could be addressed through training for Council members. These could range from formal assessment through to anonymous member surveys which could provide feedback on gaps or areas for improvement that will allow for skill development.

Suggested Improvement 1	Business	Audit suggests that EMRC considers the use of some form of performance review mechanism for Council members to help identify knowledge gaps and areas for improvement to help enhance skills.
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PO Box 1908
West Perth WA 6872
Australia

Level 2, 40 Kings Park Road
West Perth WA 6005
Australia

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

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



Eastern Metropolitan Regional Council Payroll (Transactional)

Internal Audit

June 2024

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1. EXECUTIVE SUMMARY

Introduction

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

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

As part of the Strategic Internal Audit Plan 2020/2021 – 2025/2026 an audit of Payroll (Transactional) is conducted every second year. This is a core financial related audit that would be expected to be relied upon by the Office of the Auditor General, Western Australia. The audit will cover the period 1 July 2023 to 30 April 2024. This audit will examine reliability and integrity of information, compliance and safeguarding of assets.

Audit Objective:

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

The specific objectives of this audit are as follows:

Reliability and Integrity of Information

- Review controls in place in place for approval of overtime and allowances
- Identify controls over the accuracy and timeliness of payments.

Compliance

- Determine whether employees are paid in accordance with applicable awards, contracts, and legislation.

Safeguarding of Assets

- Determine whether adequate security exists over payroll records.
- Identify whether the fortnightly payroll is appropriately authorised.

Risks Identified

- Authorisation of data being processed
- Inaccurate time and attendance data
- Unauthorised overtime and allowances.

Scope of works

The audit period was 1 July 2023 to 30 April 2024.

2. OVERALL AUDIT OUTCOMES AGAINST AUDIT SCOPE OF WORKS

Overall Risk Rating

Scope Report Reference	Audit Scope	Outcomes	Risk Rating
8.1	Review controls in place in place for approval of overtime and allowances.	Achieved	N/A
8.2	Identify controls over the accuracy and timeliness of payments.	Achieved	N/A
8.3	Determine whether employees are paid in accordance with applicable awards, contracts, and legislation.	Achieved	N/A
8.4	Determine whether adequate security exists over payroll records.	Achieved	N/A
8.5	Identify whether the fortnightly payroll is appropriately authorised.	Achieved	N/A

3. SUMMARY OF FINDINGS

1. No findings were made.

4. RECOMMENDATIONS

1. No recommendations were made.

5. BUSINESS IMPROVEMENTS

1. There were no business improvements raised.

6. OVERALL COMMENTS

Eastern Metropolitan Regional Council - Management Comments

We thank the Audit team for their diligence and work undertaken for the Internal Audit on the Payroll (Transactional) module.

Stantons - Audit Management Comments

We greatly appreciate all the assistance from the Finance team, and it was pleasing that there were no findings or business improvements raised in relation to payroll.

7. RISK RATING AND DEFINITIONS

Risk Ratings and Interpretations

Risks Ratings	Rating Interpretation	Suggested timing of implementing recommendations
Critical	The finding poses a severe risk to EMRC if not appropriately and timely addressed.	Commence remedial action immediately
Major	The finding poses significant risk to EMRC if not appropriately and timely addressed.	Commence remedial action within 3 months
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Report Release

Released by (Name): James Cottrill

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

Signature:

Date: 5 June 2024



8. DETAILED AUDIT ASSESSMENT

8.1 REVIEW CONTROLS IN PLACE IN PLACE FOR APPROVAL OF OVERTIME AND ALLOWANCES.

Overall Outcome	EMRC has in place adequate controls over approval of overtime and allowances.
------------------------	---

Audit obtained and reviewed EMRC Payroll Procedure and noted that the procedure has been updated by Payroll Officer, reviewed by both the Manager Financial Services and Finance Team Leader, and approved by the Manager Financial Services in April 2024 and will be next reviewed in April 2025.

The procedure has set up step-by-step processes for the Payroll Officer to apply allowances and overtime payment for each payrun period within the SynergySoft in line with the contracts and awards and timesheets.

Each employee is expected to complete and submit timesheets, leave form, and motor vehicle travel claim forms to Content Manager, seeking approval from the manager/supervisor, whereas the manager/supervisor is to verify and ensure that working hours, leave forms and claim forms are accurate prior to forwarding approved Content Manager files to the Payroll Officer who processes the payroll with reliance upon approved timesheets and forms.

Timesheet Checklist and payroll documents for each pay period are to be printed before each payrun for the Manager Financial Services and the Finance Team Leader to verify the payroll setup, calculations, and payroll documents, i.e., termination, back-pay, employees' deductions, new employees, etc.

When commencing the payroll processing, the Payroll Officer is to cross-reference and reconcile the total number of employees from the Timesheet Checklist to the number of timesheets loaded into the SynergySoft Payroll system. The following reports are to be generated and forwarded to the Manager Financial Services and the Finance Team Leader for verification prior to finalising the payment.

- Payroll Employee History Detail Report
- Allowances Report
- Payroll Report.

A Gross Comparison report is generated by the Payroll Officer at the end of each pay period, explaining any variance identified between employee gross pay and standard fortnightly pay, i.e., overtime hours, allowances, termination payment, acting higher duties, leave loading, etc, which is required to be signed off by both the Manager Financial Services and Finance Team Leader. In addition, an Overtime Analysis Report is to be generated for each fortnight period ending and forwarded to HR, CFO, and the Manager Financial Services for review.

No issues were noted.

8.2 IDENTIFY CONTROLS OVER THE ACCURACY AND TIMELINESS OF PAYMENTS.

Overall Outcomes	EMRC has in place adequate controls over the accuracy and timeliness of payments.
-------------------------	---

Audit obtained and reviewed EMRC Payroll Procedure and noted that the procedure has set out the step-by-step process for the Payroll Officer to process payments to employees. Upon completion of payroll process, the Payroll Officer is to provide several documents to the Finance Team Leader and the Manager Financial Services for checking, comprising:

- Payslip Report
- Plant Utilisation Report
- Leave & Allowance Report
- Gross Variation Report
- Payroll Employee Net Listing Report
- Payroll Allowance Listing Report
- Fortnightly Payrun file, including printed timesheets, leave forms, other types of claim forms, etc.

Details on the Payslip Report are to be reviewed and cross referenced against other reports above regarding the following:

- Ordinary working hours
- Weekend penalty rates
- Overtime
- Standard monthly allowances
- Fortnightly vehicle allowance
- Public holidays
- Higher Duties
- New Starters
- Terminated employees
- Salary Sacrifice
- etc.

Once payroll process has been finalised by the Payroll Officer, the payment is required to be authorised by both the Manager Financial Services and the Finance Team Leader. A Gross Comparison report is generated to explain any variance identified between employee gross pay and standard fortnightly pay, i.e., overtime hours, allowances, termination payment, acting higher duties, leave loading, etc, which is to be authorised by both the Manager Financial Services and Finance Team Leader.

Review of the Gross Comparison Reports for the period ending 16/07/2023 and 21/04/2024 noted that the Report has detailed variation information between actual and standard salary in terms of individual employees and departments.

No issues were noted.

8.3 DETERMINE WHETHER EMPLOYEES ARE PAID IN ACCORDANCE WITH APPLICABLE AWARDS, CONTRACTS AND LEGISLATION.

Overall Outcome	EMRC employees are paid in accordance with applicable awards, contracts, and legislation.
------------------------	---

Audit obtained and reviewed the List of Current Employees as at 30 April 2024 and noted that there is a total of one hundred and twenty-two (122) employees appointed by EMRC as at 30 April 2024, thirty-four (34) of which were hired during the period 01/07/2023 – 30/04/2024. We randomly selected six (6) employees as sample, comprising:

- A9 – Waste Resources Recovery Specialist
- A110 – Coordinator Administration
- A421 – PA to Director Corporate Services / Council Support Officer
- R81 – Quality Officer
- R210 – Plant Operator
- R236 – Truck Driver – Domestic Waste.

We conducted sample testing against payslips for the period ending 16/07/2023 and 21/04/2024 and verified that base salary was paid in line with standard pay rate where allowances, higher duty, and overtime have been correctly applied, tax has been withheld at relevant rate, and Leave Application Forms have been completed and authorised for leave applied.

In terms of new starters, we randomly selected four (4) from thirty-four (34) new employees appointed during the period 01/07/2023 – 30/04/2024, comprising:

- A473 – Graduate Accountant
- R238 – Senior Truck Driver – Domestic Waste
- R251 – Quality Process Officer / Team Leader
- R262 – Plant Operator.

We conducted sample testing against first two (2) payslips of new starters and verified that the new employees were paid in line with standard pay rate and only got paid after commencement, where allowances and overtime have been correctly applied and tax has been withheld at relevant rate.

In relation to employee separation, Audit obtained and reviewed list of Employee Separations and noted that there is a totalling of thirty-seven (37) employees terminated due to either resignation or retirement during the period 01/07/2023 – 30/04/2024. We randomly selected three (3) employees as example, comprising:

- A406 – Weighbridge Officer
- A447 – Weighbridge / Administration Officer
- R252 – Leading Hand Beverage Container Refund Point.

We conducted sample testing against last two (2) payslips of terminated employees and verified that the employees were paid in line with standard pay rate and only got paid till termination, where accrual annual leaves have been paid and tax has been withheld at higher rate.

No issues were noted.

8.4 DETERMINE WHETHER ADEQUATE SECURITY EXISTS OVER PAYROLL RECORDS.

Overall Outcome	EMRC has in place adequate controls over security of payroll records.
------------------------	---

Review of the EMRC Payroll Procedure noted that EMRC generates several reports which are sensitive and need to be secure:

- An Award Classification Audit Trail Report to be generated monthly for the Manager Financial Services to review all changes made to pay rates
- An Employee Details Audit Trail Report to be generated monthly for the Manager Financial Services to review all changes made to employees' records
- A wages comparison report to be generated after the pay for the Finance Team Leader and the Manager Financial Services to review and monitor any difference against pay rates, allowances, deductions, worked hours, overtime, additional employee, and terminated employees.

Review of the EMRC Payroll Procedure noted that EMRC has implemented following controls over security of payroll records:

- Restricted access to reports generated
- Controls over review of payroll records on Content Manager and shared folder on the network
- Limited access to Payroll module on SynergySoft
- Encryption over payroll records to prevent unauthorised access.

We obtained and reviewed the Audit Trail Report for April 2024 and noted that the report detailed changes made towards pay rates and employee's record as well as employees who made the changes and associated actions. Both the Award Classification and Employee Details Audit Trail Reports have been reviewed by the Manager Financial Services.

Through enquiry with the Finance Team, it was confirmed that:

- There are seven (7) users able to access to the Payroll section within the SynergySoft with Payroll Enquiry Function only, comprising
 - HR Manager
 - Administrator
 - Two (2) HR Officers
 - Senior HR Advisor
 - CFO
 - Manager Financial Services
- There are four (4) users with full access to the SynergySoft Payroll section, including:
 - Finance Team Leader
 - Two (2) Payroll Officers
 - SynergySoft Web Access.

We also noted that storage of paper records remained unchanged where current paper records are stored in locked filing cabinet with access given only to the Payroll Officer and the Finance Team Leader whereas historical records are also kept in locked filing cabinets with access given to the Payroll Officer, Finance Team Leader, and the Records Officer.

No issues were noted.

8.5 IDENTIFY WHETHER THE FORTNIGHTLY PAYROLL IS APPROPRIATELY AUTHORISED.

Overall Outcome	The Fortnightly Payroll has been appropriately authorised.
------------------------	--

Audit obtained and reviewed the EMRC Payroll Procedure and noted that the Payroll Officer is to conduct routine payroll processes for each fortnight pay period and the payroll transactions are required to be approved and finalised by both the Finance Team Leader and either the Manager Financial Services or the CFO.

We obtained and reviewed the Payroll Report for the period ending 16/07/2023 and 21/04/2024 and noted that the Payroll Reports have been authorised by the Finance Team Leader and the Manager Financial Services on 19/07/2023 and 24/04/2024 respectively, which is the actual payment date.

We also obtained and reviewed the Gross Comparison Reports for the period ending 16/07/2023 and 21/04/2024 which explained any differences between employee gross pay and standard fortnightly pay, in terms of overtime hours, allowances, termination payment, acting higher duties, leave loading, etc. We noted that the Gross Comparison Reports have been authorised by the Finance Team Leader and the Manager Financial Services on 21/07/2023 and 30/04/2024 respectively after the actual payment date.

No issues were noted.



PO Box 1908
West Perth WA 6872
Australia

Level 2, 40 Kings Park Road
West Perth WA 6005
Australia

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

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



Eastern Metropolitan Regional Council

Procurement

Internal Audit

June 2024

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1. EXECUTIVE SUMMARY

Introduction

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

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

As part of the Strategic Internal Audit Plan 2020/2021 – 2025/2026 an audit of Procurement is conducted every second year. The audit will cover the period 1 July 2023 to 31 May 2024. This audit will examine compliance, safeguarding of assets and efficiency / effectiveness.

Audit Objective:

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

The specific objectives of this audit are as follows:

Compliance

- Determine whether the procurement process is conducted in accordance with applicable policies and legislation
- Review IT based procurement controls for compliance with delegated authorities.

Safeguarding of Assets

- Identify whether there is adequate probity over the procurement process.

Reliability and Integrity of Information

- Determine whether the procurement process facilitates the Council achieving best value for money in its decision making.

Risks Identified

- Efficiency
- Probity on tenders
- Compliance with Local Government Act and Regulations
- Compliance with delegations and authorities.

Scope of works

The audit period was 1 July 2023 to 31 May 2024.

2. OVERALL AUDIT OUTCOMES AGAINST AUDIT SCOPE OF WORKS

Overall Risk Rating

Scope Report Reference	Audit Scope	Outcomes	Risk Rating
8.1	Determine whether the procurement process is conducted in accordance with applicable policies and legislation.	Achieved	N/A
8.2	Review IT based procurement controls for compliance with delegated authorities.	Achieved	N/A
8.3	Identify whether there is adequate probity over the procurement process.	Achieved	N/A
8.4	Determine whether the procurement process facilitates the Council achieving best value for money in its decision making.	Achieved	N/A

3. SUMMARY OF FINDINGS

1. No findings were made.

4. RECOMMENDATIONS

1. No recommendations were made.

5. BUSINESS IMPROVEMENTS

1. Given there is no specific register for either contract variations or exemptions, Audit suggests that EMRC considers developing Variation and Exemption Registers using a spreadsheet or other means.
2. Given the CEO can authorise procurements out of their delegation limit (\$1 M) where the purchase is within the annual budget and for operational purposes, Audit suggests that EMRC considers updating the Council Policy 3.5 Purchasing, to reflect this.
3. Given declarations of conflicts of interest only apply for procurements over \$250,000 million, Audit suggests that EMRC considers requiring conflicts of interest to be declared for all quotations \$50,000 and above from members of the evaluation panel to enhance probity over the procurement process.

6. OVERALL COMMENTS

Eastern Metropolitan Regional Council - Management Comments

We thank the Internal Audit team for their diligence and work undertaken for the Internal Audit on the Procurement module.

We acknowledge the suggested areas of Business Improvements listed:

- Our Council policies are reviewed on a four yearly cycle as adopted by Council. The Council Policy 3.5 – Purchasing Policy has been reviewed internally by management and is due for tabling before Council at its August 2024 round of meetings.
- We accept the business improvement opportunity of developing a variation and exemption register and will be actioned.
- We will reflect the delegation(s) of authority to the CEO to accept tenders and contracts above the tender thresholds in the Council Policy

Declaration of Interest: Per the Management Guideline – Authorisation of Expenditure, only the Chief Financial Officer and the Chief Executive Officer has authority to incur expenditure above \$40,000 (excl GST). Both officers submit Annual Returns. Accordingly, the suggested business improvement initiative may be superfluous, especially if it relates to general purchases with quotations. However, for all tenders, all evaluation panel members will be required to declare conflicts of interest.

Stantons - Audit Management Comments

Stantons acknowledge the management comments in relation to the suggested business improvements. In terms of the declaration of interest, we note that the suggested business improvement initiative may be superfluous, especially if it relates to general purchases with quotations and note the authority delegation/limit of incurring expenditure above \$40k.

We would also like to thank the procurement team for all their assistance with the audit, it is greatly appreciated.

7. RISK RATING AND DEFINITIONS

Risk Ratings and Interpretations

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

DISCLAIMER, BASIS OF AUDIT AND LIMITATIONS

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BASIS OF AUDIT

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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.

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Report Release

Released by (Name): James Cottrill

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

Signature:



Release date: 16 July 2024

8. DETAILED AUDIT ASSESSMENT

8.1 DETERMINE WHETHER THE PROCUREMENT PROCESS IS CONDUCTED IN ACCORDANCE WITH APPLICABLE POLICIES AND LEGISLATION.

Overall Outcome	The procurement process is conducted in accordance with applicable policies and legislation.
------------------------	--

Audit obtained and reviewed the Council Policy 3.5 Purchasing and noted that the Policy was endorsed by the Council on 29 March 2007 and last reviewed on 17 September 2020 and was expected to be reviewed following the ordinary elections in 2021, however there was no evidence to indicate that the review was conducted. Through enquiry with the Procurement Team, it was confirmed that EMRC Policies are reviewed on a 4-year cycle where the Purchasing Policy was internally targeted for a June 2024 review and adoption by Council but deferred to August 2024 pending results from the internal audit.

The Policy specifies that EMRC employees are required to ensure the fair and equitable treatment of all parties through all stages of the purchasing process via observation and enforcement of principles, standards, and behaviours where:

- all purchasing practices are to comply with relevant legislation, regulations, and requirements consistent with the EMRC's policies, procedures, and Code of Conduct;
- full accountability is to be taken for all purchasing decisions;
- all processes, evaluation and decisions shall be transparent, free from bias and fully documented to provide a clear audit trail; and
- any actual or perceived conflicts of interest are to be identified, disclosed, and appropriately managed.

The extract table below illustrates the purchasing thresholds and process to be followed by EMRC employees where the total value of goods and/or services (excluding GST) for the contract or purchase order over the full contract period (including options to extend) is and/or is expected to be. However, in circumstances where there are not sufficient quotations received as per the minimum requirements of the Policy, then best endeavours must be applied to obtain as many quotes as possible.

Amount of Purchase ex GST	Policy Minimum Requirement
Up to \$5,000	Multiple quotations are not required when purchasing. A single written or verbal quotation must be obtained
\$5,000 - \$10,000	Seek at least two (2) written quotes
\$10,000 - \$49,999	Seek at least three (3) written quotes
\$50,000 - \$249,999	Seek at least three (3) formal written quotes containing price and specification of goods or services
\$250,000 and above	Conduct public tender process

Exemptions are given to the requirements of public tenders regardless of the value of expenditure where:

- the purchase or supply is obtained through the Council Purchasing Service of WALGA (Preferred Supplier Arrangements), or supplied by or obtained through the government of the State or the Commonwealth or any of its agencies, or by a local government or a regional local government;
- it is unlikely that there is more than one potential supplier due to the unique nature of the goods or services required or for any other reason;

- the goods or services are to be supplied by a person registered on the Aboriginal Business Directory WA published by the Chamber of Commerce and Industry of Western Australia Limited or a person registered with the Australian Indigenous Minority Supplier Office Limited (trading as Supply Nation) and
 - the consideration under the contract is \$250,000 or less, or worth \$250,000 or less; and
 - the local government is satisfied that the contract represents value for money;
- the goods or services are to be supplied by an Australian Disability enterprise as registered on www.ade.org.au;
- the purchase is from a pre-qualified supplier under a panel established by the EMRC; or
- any other exclusions under Regulation 11 of the Local Government (Functions and General) Regulations 1996 apply.

Audit obtained and reviewed the Contract Register as at 31 May 2024 and noted that there is a total of nineteen (19) new contracts during the period 01/07/2023 – 31/05/2024. We randomly selected four (4) contracts as part of our sampling:

- RFQ 2023-016 – Genset Hire and Sales Australia - \$187,903.34
- RFQ 2023-030 – Altona Group - \$298,349.00
- RFQ 2023-035 – Raubex Construction Pty Ltd - \$1,889,290.00
- RFQ 2023-050 – Talis Consultants Pty Ltd - \$31,746.00.

We conducted sample testing against procurement process of each contract and noted that a Request for Quotation (RFQ) or Request for Tender (RFT) is required to be completed by the employee depending on the value of the procurement and approved by the Chief Financial Officer (CFO) and the Chief Executive Officer (CEO). Each quotation or tender received is to be evaluated against qualitative criteria with an Evaluation Report generated for authorisation, including:

- Business Unit Chief
- Manager Procurement
- CFO
- CEO.

An Award Letter is to be sent to successful supplier with schedule of rates, payment details, contract term, and principal representative informed, whereas unsuccessful suppliers are to be informed of the outcome and the winner.

Audit obtained and reviewed the list of Contract Variations during the period 01/07/2023 – 31/05/2024 and noted that there is no specific register in place for contract variations. Instead, contract variations were stored as separate folders within the Shared Folders and Content Manager. There was a total of three (3) contract variations conducted during the period 01/07/2023 – 31/05/2024, comprising:

- RFT 2021-003 – MA Services Group Pty Ltd – August 2023
- RFT 2023-009 – Orez Solutions – February 2024
- RFT 2023-009 – Orez Solutions – April 2024.

We conducted testing against all the three (3) variations above and noted that contract variations have been authorised by both the CFO and CEO and variation letter has been acknowledged and signed by the supplier.

Audit also obtained and reviewed a list of Contract Exemptions during the period 01/07/2023 – 31/05/2024 and noted that there is no specific register in place for contract exemptions. Instead, contract exemptions were stored as separate folders within the Shared Folders and

Content Manager. There was a total of five (5) contracts exempted during the period 01/07/2023 – 31/05/2024. We randomly selected two (2) exemptions as a sample, comprising Talis Consultants and Pramukh Electricals Pty Ltd, and conducted sample testing and noted that these two (2) exemptions have been approved by the Council through Council meetings.

Suggested Improvement 1	Business	Given there is no specific register for either contract variations or exemptions, Audit suggests that EMRC considers developing Variation and Exemption Registers using a spreadsheet or other means.
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8.2 REVIEW IT BASED PROCUREMENT CONTROLS FOR COMPLIANCE WITH DELEGATED AUTHORITIES.

Overall Outcomes	EMRC has in place adequate controls over procurement to ensure compliance with delegated authorities, including IT based procurement controls.
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Audit obtained and reviewed the EMRC Delegation Register and noted that the following functions have been delegated to the Chief Executive Officer (CEO) as at 23 May 2024 in compliance with the *Local Government Act 1995*:

- Tenders for goods and services – call tenders
- Tenders for goods and services – accepting and rejecting tenders; varying contracts; and exercising contract extension options
- Payments from the municipal or trust funds
- Disposing of property
- Contracts for the sale of products
- Contracts for waste disposal related to operations
- Legal matters relating to Anergy Australia Pty Ltd
- Complaints officer
- Air pollution control residue disposal
- Procurement of spare parts and repairs of HAAS Grinder.

We also obtained and reviewed the Management Guideline Authorisation of Expenditure and noted that the Guideline was endorsed by the Executive Leadership Team on 29 October 2021 and last reviewed 28 February 2024 and will be next reviewed on 1 July 2025. The extract below from the Guideline illustrates authority limits against the broader Capital and Operational expenditure in relation to EMRC budget approvals.

Item	Positions Applicable	Capital Expenditure Applicable Bands (Amount Excluding GST)	Operational Expenditure Applicable Bands (Amount Excluding GST)	Functional Areas of Responsibility
1.	Chief Executive Officer	➤ ≤ \$1,000,000 (contracts which have undergone a tender or request for quote process)	➤ ≤ \$1,000,000 (contracts which have undergone a tender or request for quote process)	All
2.	Chief Financial Officer	≤ \$50,000	≤ \$50,000	All
3.	Chief Operating Officer	≤ \$37,500	≤ \$100,000 (fuel only for operations at Hazelmere) ≤ \$37,500 (general expenditure)	Operations Team
4.	Chief Project Officer	≤ \$37,500	≤ \$37,500	Projects Team
5.	Chief Sustainability Officer	≤ \$37,500	≤ \$37,500	Sustainability Team
6.	Manager Engineering	≤ \$15,000	≤ \$15,000	Functional area of responsibility
7.	Manager Environmental & Waste Compliance Operations	Nil	≤ \$10,000	Functional area of responsibility
8.	Manager Financial Services	Nil	≤ \$15,000	Functional area of responsibility
9.	Manager Human Resources	Nil	≤ \$10,000	Functional area of responsibility
10.	Manager Information Services	≤ \$10,000	≤ \$10,000	Functional area of responsibility
11.	Manager Operations (Hazelmere)	Nil	≤ \$40,000 (fuel only for operations at Hazelmere) ≤ \$15,000 (general expenditure)	Functional area of responsibility
12.	Manager Procurement and Governance	Nil	≤ \$10,000	Functional area of responsibility
13.	Manager Wood Waste to Energy Plant	Nil	≤ \$15,000	Functional area of responsibility
14.	Site Manager (Red Hill)	Nil	≤ \$40,000 (fuel only for operations at Red Hill)	Functional area of responsibility

			≤ \$15,000 (general expenditure)	
15.	Administration Officer (Sustainability)	Nil	≤ \$1,500	Functional area of responsibility
16.	Administration Supervisor (Hazelmere)	Nil	≤ \$1,500	Functional area of responsibility
17.	Administration Supervisor (Red Hill)	Nil	≤ \$2,000	Functional area of responsibility
18.	Communications Coordinator	Nil	≤ \$5,000	Functional area of responsibility
19.	Coordinator Administration	Nil	≤ \$5,000	Functional area of responsibility
20.	Coordinator Urban Environment	Nil	≤ \$5,000	Functional area of responsibility
21.	Coordinator Waste Education	Nil	≤ \$5,000	Functional area of responsibility
22.	Executive Assistant to Chief Executive Officer	Nil	≤ \$2,000	Functional area of responsibility
23.	Senior Human Resources Advisor	Nil	≤ \$1,500	Functional area of responsibility
24.	Waste and Resources Recovery Specialist	Nil	≤ \$15,000	Functional area of responsibility
25.	Works Co-Ordinator (Hazelmere)	Nil	≤ \$8,000	Functional area of responsibility

Through enquiry with the Procurement Team, it was noted that spending limit has been applied to the SynergySoft application where only expenditure within the delegation limit is able to be authorised.

Audit conducted sample testing against the four (4) contracts below selected from the Contract Register as at 31 May 2024 and noted that all selected purchasing of goods and services has been authorised by the CEO:

- RFQ 2023-016 – Genset Hire and Sales Australia - \$187,903.34
- RFQ 2023-030 – Altona Group - \$298,349.00
- RFQ 2023-035 – Raubex Construction Pty Ltd - \$1,889,290.00
- RFQ 2023-050 – Talis Consultants Pty Ltd - \$31,746.00.

However, RFQ 2023-035 – Raubex Construction Pty Ltd - \$1,889,290.00 was noted beyond the CEO's delegation limit. Through enquiry with the Procurement Team, it was confirmed that there is no limit applied to the CEO for the purchase of plant and machinery. The CEO can also authorise procurements over \$1 million where the purchase is within annual budget and for the operational purposes (i.e., capital works, IT services). This is reflected in the EMRC Delegations Register current as at 23 May 2024.

Suggested Improvement 3	Business	Given the CEO can authorise procurements out of their delegation limit (\$1M) where the purchase is within the annual budget and for operational purposes, Audit suggests that EMRC considers updating the Council Policy 3.5 Purchasing, to reflect this.
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8.3 IDENTIFY WHETHER THERE IS ADEQUATE PROBITY OVER THE PROCUREMENT PROCESS.

Overall Outcome	Declaration of conflicts of interest is only required against assessment of procurements over \$1 million.
------------------------	--

As per Council Policy 3.5 Purchasing, all EMRC employees are expected to observe the highest standards of ethics and integrity in undertaking purchasing activities and act in an honest and professional manner with any actual or perceived conflicts of interest to be identified, disclosed, and appropriately managed through all stages of the purchasing process.

Audit conducted sample testing against four (4) contracts below selected from the Contract Register as at 31 May 2024:

- RFQ 2023-016 – Genset Hire and Sales Australia - \$187,903.34
- RFQ 2023-030 – Altona Group - \$298,349.00
- RFQ 2023-035 – Raubex Construction Pty Ltd - \$1,889,290.00
- RFQ 2023-050 – Talis Consultants Pty Ltd - \$31,746.00

We noted that there were conflicts of interest declarations only applied for RFQ 2023-035 – Raubex Construction Pty Ltd - \$1,889,290.00. Through enquiry with the Procurement Team, it was confirmed that requirement of declaration of conflicts of interest is applied to procurement over \$250,000 from members of the evaluation panel, including all Request for Tenders (RFT) and Request for Quotations (RFQ) over \$250,000.

Suggested Business Improvement 4	Given declarations of conflicts of interest only apply for procurements over \$250,000 million, Audit suggests that EMRC considers requiring conflicts of interest to be declared for all quotations \$50,000 and above from members of the evaluation panel to enhance probity over the procurement process.
---	---

8.4 DETERMINE WHETHER THE PROCUREMENT PROCESS FACILITATES THE COUNCIL ACHIEVING BEST VALUE FOR MONEY IN ITS DECISION MAKING.

Overall Outcome	The procurement process does facilitate the Council in achieving best value for money in its decision making.
------------------------	---

Per the Council Policy 3.5 Purchasing, it specifies that the following criteria are to be considered in assessment of the best value for money for any purchasing:

- the quality of the goods and services
- fitness for purpose of the proposal
- the potential supplier's relevant experience and performance history
- flexibility of the proposal, including innovation and adaptability over the lifecycle of the procurement
- environmental sustainability of the proposed goods and services, i.e., emergency efficiency, environmental impact, and use of recycled products
- whole-of-life costs.

Audit conducted sample testing against four (4) contracts below selected from the Contract Register as at 31 May 2024:

- RFQ 2023-016 – Genset Hire and Sales Australia - \$187,903.34
- RFQ 2023-030 – Altona Group - \$298,349.00
- RFQ 2023-035 – Raubex Construction Pty Ltd - \$1,889,290.00
- RFQ 2023-050 – Talis Consultants Pty Ltd - \$31,746.00.

We noted that all quotations and tenders received have been evaluated against qualitative criteria with an Evaluation Report generated for the CEO to review and approve.

It was also noted that Request for Tender for RFQ 2023-030 – Altona Group - \$298,349.00 and RFQ 2023-035 – Raubex Construction Pty Ltd - \$1,889,290.00 had been cancelled and the contract was not awarded after assessment of relevant experience of tenderers for the critical criterion, particularly the assessment of the best value for money outcome. After approval by the Council, a Request for Quotation was issued, and successful supplier has been evaluated and authorised by the CEO.

No issues were noted.



PO Box 1908
West Perth WA 6872
Australia

Level 2, 40 Kings Park Road
West Perth WA 6005
Australia

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

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



**Eastern Metropolitan Regional Council
Waste Management Facility (Landfill Operations)**

Internal Audit

July 2024

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1. EXECUTIVE SUMMARY

Introduction

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

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

As part of the Strategic Internal Audit Plan 2020/2021 – 2025/2026 an audit of Waste Management Facility (Landfill Operations) is conducted every second year. This is a core financial related audit that would be expected to be relied upon by the Office of the Auditor General, Western Australia. The audit will cover the period 1 July 2023 to 31 May 2024. This audit will examine compliance and efficiency / effectiveness.

Audit Objective:

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

The specific objectives of this audit are as follows:

Compliance

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

Efficiency / Effectiveness

- Assess whether processes are undertaken in an efficient manner.

Risks Identified

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

Scope of works

The audit period was 1 July 2023 to 31 May 2024.

2. OVERALL AUDIT OUTCOMES AGAINST AUDIT SCOPE OF WORKS

Overall Risk Rating

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

3. SUMMARY OF FINDINGS

1. No findings were made.

4. RECOMMENDATIONS

1. No recommendations were made.

5. BUSINESS IMPROVEMENTS

1. It is suggested that EMRC reviews the Standard Operating Procedure - Weighbridge Traffic (last review 10 May 2022) and notes this on the document.
2. It is suggested that EMRC reviews the Standard Operating Procedure - Mandalay – Cash Sales Reconciliation (last review 10 May 2022) and notes this on the document.

6. OVERALL COMMENTS

Eastern Metropolitan Regional Council - Management Comments

Thank you to the auditors (Stantons), for recently reviewing the EMRC activities, process, and procedures, at the EMRC and Red Hill Waste Management Facility. The operations team is happy to accept the auditors' specified 'business improvements', including reviewing the '*Standard Operating Procedure - Weighbridge Traffic*' and '*Standard Operating Procedure - Mandalay – Cash Sales Reconciliation*' prior to the end of the 2024 – 2025 financial year.

Stantons - Audit Management Comments

We note acceptance of the suggested business improvements and would like to thank the Red Hill Site Manager and all her team for their valuable assistance with the audit.

7. RISK RATING AND DEFINITIONS

Risk Ratings and Interpretations

Risks Ratings	Rating Interpretation	Suggested timing of implementing recommendations
Critical	The finding poses a severe risk to EMRC if not appropriately and timely addressed.	Commence remedial action immediately
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Report Release

Released by (Name): James Cottrill

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

Signature:

Date: 12 July 2024



8. DETAILED AUDIT ASSESSMENT

8.1 DETERMINE COMPLIANCE WITH LEGISLATIVE REQUIREMENTS AND COUNCIL POLICY.

Overall Outcome	The Waste Management Facility is following legislative requirements and applicable Council Policies.
------------------------	--

As part of our audit, we confirmed that the Waste Management Facility complies with the requirements regarding the site's operational environmental plan, operating licences, other legislative requirements, and Council Policy. Audit reviewed the Environmental Management System Manual, which contains a comprehensive listing of all regulations, legislation, and requirements. Through assessing the legislative requirements within the EMS Manual, audit noted the following specified as requirements:

- Site operating license L8889/2015/2
- Ministerial Statement
- AS/NZS ISO 14001:2015 – Environmental Management Systems
- *Environmental Protection Act 1986*
- Landfill Waste Classification and Waste Definitions 1996
- *Local Government Act 1995*
- *National Greenhouse and Energy Reporting Act 2007*
- National Environment Protection Measure 1998
- *Occupational Safety and Health Act 1984*
- *Biodiversity Conservation Act 2016*
- Environmental Protection (NEPM – NPI) Regulations 1998
- Environmental Protection (Noise) Regulations 1997
- *Rights in Water and Irrigation Act 1994*
- Environmental Policy Commitments
- Code of Practice for the Safe Removal of Asbestos 2nd Edition 2005
- Radioactive Waste Disposal
- *Litter Act 1979*
- *Bush Fires Act 1954*
- *Soil and Land Conservation Act 1945*.

To comply with the requirements defined in Environment Management Systems (EMS) and to ensure environmental aspects associated with EMRC's operations are being effectively achieved, EMRC conducts a variety of internal audits which covers each area independently based on the requirements of ISO 14001:2015. The waste management facility is operated under Department of Water and Environmental Regulation (DWER) License No. L8889/2015/2, and it is approved to manage Class III contaminated waste and Class IV secure waste in Perth metropolitan areas. The operations such as soil excavation, earth materials supply, garden organics mulch and FOGO (Food Organics Garden Organics) composting, are also processed by the Red Hill Waste Management Facility. We also noted that there is monitoring in relation to the leachate ponds to detect any risks as per the requirements of the operating license. The control mechanisms for this are further discussed in the next section.

The waste management facility complies with the ministerial statements issued under Part IV by the *Environmental Protection Act 1986* and the prescribed premises site licence issued under Part V by DWER, as mandated by this Act. These licenses are renewed annually, with the EMRC being responsible for obtaining them promptly and ensuring they remain current. Upon acquiring new licenses, the compliance register is updated, and new requirements are communicated to all relevant personnel. A compliance audit is conducted periodically, legal

requirements associated with acknowledged significant environmental risks are audited every two years and other requirements are audited every three years.

There were no issues noted.

8.2 REVIEW ADMINISTRATIVE CONTROLS FOR COMPLIANCE WITH MANAGEMENT GUIDELINES.

Overall Outcomes	The Waste Management Facility has adequate administrative controls in place to ensure compliance with Management Guidelines.
-------------------------	--

The compliance with legislative requirements is managed by the Waste Management Services directorate. Items which are of high level or critical are discussed in the Operations meetings, and there is an effective and appropriate approach to meeting agendas and minutes. Audit obtained a sample of minutes from a recent monthly meeting being “Minutes, Red Hill Waste Management Facility, Operations Meeting No. 12, Tuesday 23 April 2024 at 9.00am, Location – Red Hill Boardroom”. These minutes capture that the Waste Management Facility has an adequate process in place to ensure that EMRC are monitoring compliance with various legislative requirements and actively reviewing actions to ensure that objectives are met. An appropriate agenda is prepared and shared with all members prior to the meeting so that updates can be provided over various operational areas such as projects, class III/IV waste transfers, FOGO, safety, staffing/budget, and any new business.

The Waste Management Facility has maintained its stringent standards for water monitoring and management as outlined in its Environmental Management Plan (EMP). The primary objectives include the design of appropriate landfill containment cells to protect both surface and groundwater. The facility actively monitors for any contamination and promptly undertakes remediation if contamination occurs. It meets the legal requirements of Ministerial Statement 462, 1140, and Site Operating License L8889/2015/2. Audit noted that EMRC complies with the following:

- Ministerial Statements Audit
- Site Operating Licence
- Contractor Check
- Environmental Management System Procedure Audit
- AS 4454-2003- Composts, Soil Conditioners and Mulches certification check
- National Pollutant Inventory Data and Procedure Check
- National Greenhouse and Energy Reporting Data and Procedure Check
- Contaminated Site Checks
- Red Hill Clearing Permits Check
- Works Approval Conditions
- Noise Level and Tonality Check
- Controlled Waste Tracking Checks
- Radioactive Waste Checks.

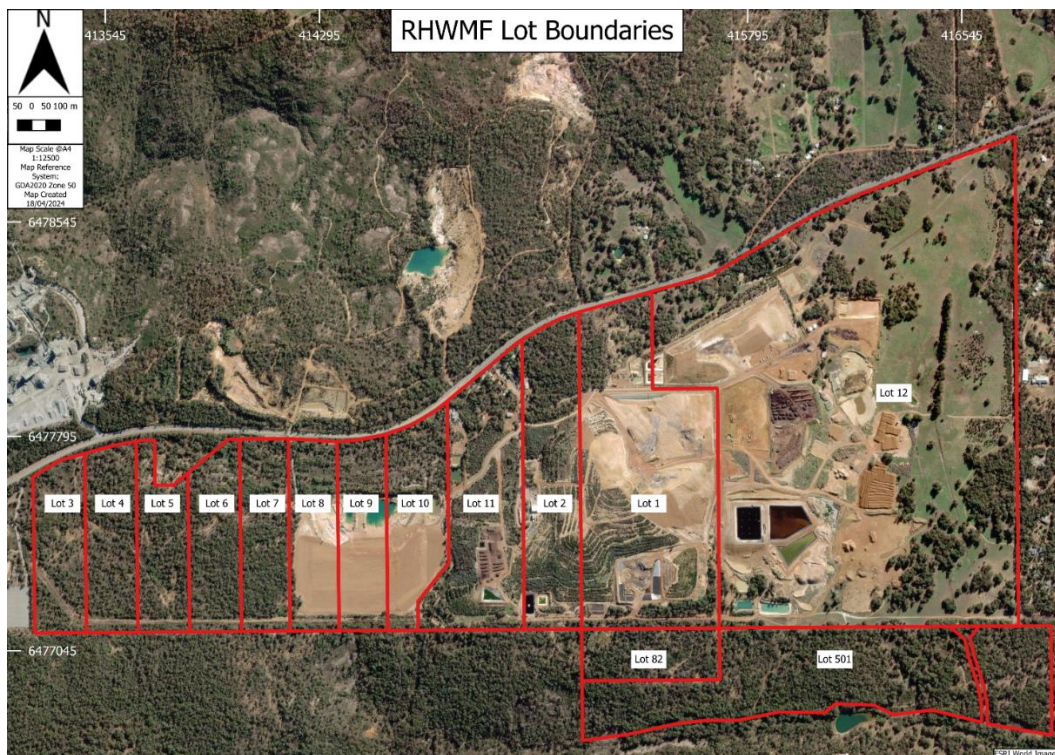
Red Hill Waste Management Facility groundwater bores are established, and surface water streams are monitored regularly. Ground water monitoring is conducted biannually, while surface water monitoring is conducted quarterly. The facility submits an Annual Monitoring and Compliance Report to the regulator each March, ensuring ongoing compliance and transparency. Red Hill employs various suppression strategies such as mulching, water suppression on roads, truck wheel wash facilities, and vegetation screens to minimise generation of windblown dust. We noted that dust monitoring is conducted during specific activities like power pole shredding to ensure the compliance with license conditions.

There are also measures in place to control odour, noise, greenhouse emissions as well as contain windblown litter. Weed control and revegetation measures are in place as well as minimising pest fauna.

The fire management includes a comprehensive strategy for both prevention and control. The Waste Management Facility has established protocols for managing various potential fuel

sources for fires and ensures that adequate firefighting resources are available. Staff are trained in fire control techniques and there is a collaboration with local fire services to ensure quick response to any incident. The Red Hill Waste Management Facility EMS is certified to the ISO standard 14001:2015 – Environmental Management System to ensure best practice standards are met with compliance requirements.

In terms of the site footprint, the licence (L8889/2015/2), notes the facility bounds an area across four lots, approximately 352 hectares (ha). The Site Boundary covers the whole of Lots 1, 2 and 11 (Diagrams 15239, 68630, and 69105, respectively) as well as a section of Lot 12 (Diagram 26468). Lots 8, 9, and 10, the land directly west of Lot 11, were acquired by the EMRC in December 2012 and cover an area of approximately 37ha. While these lots have yet to be incorporated into the prescribed development footprint, the EMRC is looking to expand operations into these relatively recent land acquisitions, which currently do not contain any permanent infrastructure. This will provide new disposal areas to cater for future waste requirements as shown below.



Lots 82 and 501 are designated as vegetation offset areas for clearing activities that took place on Lot 12 in 2016.

There were no issues noted.

8.3 ENSURE THAT EQUIPMENT USED ON SITE HAS CURRENT CERTIFICATION OR CALIBRATION CERTIFICATES AS REQUIRED.

Overall Outcome	The weighbridge is calibrated every year and is inspected monthly. All other plant and equipment are checked daily and serviced as required.
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Audit conducted a walk through and interviewed the Red Hill Site Manager to gain an understanding of the calibration process. It has been noted that the calibration of the two weighbridges is conducted every year on a Saturday in February/March by a contracted service provider. A regular inspection is carried out to check load cells, to make sure if they are working appropriately and if further changes are required. Once the 2 x 100 tonne weighbridges are calibrated, the certificates are required to be displayed at the Weighbridge Office to demonstrate they are appropriately calibrated.

Audit was informed that the weighbridge officers conduct a monthly visual checklist. The inspection involves checking the load cell placement gap measurement and for any debris build up to prevent incorrect readings. A full inspection and measure are conducted monthly. Different types of waste will dictate the handling procedure and charges. There are different requirements for vehicles coming into Red Hill such cars, tandem trailers/horse floats, and trucks. Trucks are required to tip off at the Tip Face, and if it is the first time they attend site, an induction and a guide map is provided to them. Each vehicle is weighed on the weighbridge at the entrance, and it is again weighted at the exit, and the customer is charged on the difference of weight between entry and exit weights. It is compulsory for all drivers to provide their details at the entrance and then they pay at the exit weighbridge.

As for plant and equipment, Audit sighted the full plant equipment list of all items in operation at Red Hill. Audit also noted that each plant has its own plant file which documents the servicing, warranties, and registration. The Red Hill facility has their own mechanics so that any servicing required will be put on a register for the mechanics to action. Regular servicing is scheduled as per the servicing requirements. We also note that every morning, the operators who oversee plant and equipment/machinery conducts a daily prestart. The prestart involves checking the oil levels, lights, alarms, fire extinguishers, tyres etc., of all equipment to ensure it is safe and operating correctly.

To enhance regulatory compliance, operational efficiency, and good maintenance, it is important to conduct periodic reviews of standard operating procedures. This helps to identify any changes needed due to legislative impact, manufacturer recommendations, safety enhancements or other factors. It was noted that the Standard Operating Procedure – Weighbridge Traffic does not provide any evidence of review since the last reviewed 10 May 2022, although we understand it is still current.

Suggested Improvement 1	Business	It is suggested that EMRC reviews the Standard Operating Procedure - Weighbridge Traffic (last review 10 May 2022) and notes this on the document.
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8.4 ASSESS WHETHER PROCESSES ARE UNDERTAKEN IN AN EFFICIENT MANNER.

Overall Outcome	Based on interview, walkthrough, documentation review and sampling, Audit concluded that waste management facility processes are undertaken in an efficient manner.
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Audit performed walkthrough of the administration centre and weighbridge to assess the efficiency and effectiveness of waste management process and risk management processes in relation to Red Hill's operations, cash management, and risk management. Audit observed the key processes involved at the weighbridge including:

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

The daily cash sales involve a thorough comparison and verification process to ensure accuracy and integrity in cash handling. The procedure starts with counting cash and checking it against the daily cash sales summary sheet, followed by comparing these figures with the Mandalay report and the RH – Settlement summary report. Any discrepancies between cash, card, and manual card totals are noted and adjusted accordingly. Additionally, till reports are double-checked for accuracy against the Summary of Cash Sales and tip passes report, and prepaid sales are verified to ensure they match the recorded figures. All the cash is bagged and prepared for Armaguard to deposit weekly, with double checking by another staff member to ensure accuracy.

Audit reviewed the standard operation procedure of Mandalay Invoicing including Data Extract, this procedure is only used when weekly cash sales summary procedure has been completed. As part of the audit process, we conducted sampling over various invoices against the Cash Sales and Weekly Banking, credit CSV file, direct debit CSV file, cash CSV file, monthly credit CSV file, Credit/Debit Debtor Batch Transaction Listing, and Monthly Debtor Transaction Listing for the following dates:

- 07 May 2024
- 14 May 2024
- 21 May 2024
- 28 May 2024
- 31 May 2024.

We noted that the transactions reconciled and that charges reflected the current Red Hill Fees and Charges schedule effective 1 July 2023. The use of tipping tickets was also noted as being correctly processed.

We reviewed the following documents to assess the compliance and monitoring process for cash management:

- Daily Cash Sales Summary Sheet
- Cash Sales and Tip Passes
- Mandalay Summary Report
- Till Check Report
- Red Hill Weekly Cash Sales Working Sheet

- Final For Bank.

In terms of the complaints process, it has been noted that each complaint is completed using a complaint form detailing the name and address of the complainant, nature of complaint, date and time, and the prevailing weather conditions. It is the responsibility of Site Manager to investigate the report and present it to Site Coordinator to take immediate actions.

Audit sighted the Red Hill, transfer station risk register, compliance with the Red Hill – Environmental Health and Safety Management Plan objectives including considering the legal obligations (legislative and regulatory) such as the *Work Health and Safety Act 2020*, and *Work Health and Safety Regulation 2022*. Based on the discussion with Site Coordinator and Site Manager, it has been noted that risks are being managed appropriately. The gatehouse also includes security cameras and have appropriate barriers in place to protect them from any irate customers.

To enhance regulatory compliance, operational efficiency, and good maintenance, it is important to conduct periodic reviews of standard operating procedures. This helps to identify any changes needed due to legislative impact, manufacturer recommendations, safety enhancements or other factors. It was noted that the Standard Operating Procedure – Mandalay – Cash Sales Reconciliation does not provide any evidence of review since the last reviewed 10 May 2022, although we understand it is still current.

Suggested Improvement 2	Business	It is suggested that EMRC reviews the Standard Operating Procedure - Mandalay – Cash Sales Reconciliation (last review 10 May 2022) and notes this on the document.
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12.3 CEO REVIEW OF FINANCIAL MANAGEMENT SYSTEMS AND PROCEDURES AND RISK MANAGEMENT, INTERNAL CONTROL AND LEGISLATIVE COMPLIANCE

D2024/24988 (AC) | D2024/27575

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 financial management systems and procedures as well as EMRC's systems regarding risk management, internal control and legislative compliance.

KEY POINT(S)

- Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* requires the Chief Executive Officer (CEO) to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every three financial years)
- Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the CEO to review and report on the appropriateness and effectiveness of the local government's systems regarding risk management, internal control and legislative compliance at least once every three (3) financial years.
- A review was undertaken by our internal auditors to meet and support these requirements.
- 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 Council:

1. In accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* receives the review of the appropriateness and effectiveness of the EMRC's financial management systems and procedures forming attachment 1 to this report.
2. In accordance with regulation 17(3) of the *Local Government (Audit) Regulations 1996* receives the review of the appropriateness and effectiveness of the EMRC's systems in relation to risk management, internal control and legislative compliance forming attachment 2 to this report.

SOURCE OF REPORT

Acting Chief Executive Officer

BACKGROUND

- 1 The *Local Government (Financial Management) Regulations 1996* were amended on 26 June 2018. Regulation 5(2)(c) now requires the CEO to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every three financial years) and report to the local government the results of those reviews. Previously, the review was to be undertaken not less than once every four years.
- 2 Regulation 17 of the *Local Government (Audit) Regulations 1996* was amended on 26 June 2018. The amendment requires the CEO to review and report on the appropriateness of the local government's systems regarding risk management, internal control and legislative compliance. The report and review process is to occur at least once every three (3) financial years. Previously these functions were required to be reviewed every two (2) calendar years.
- 3 At the Audit Committee meeting held on 4 June 2020 (Ref: D2020/07718), the Committee endorsed a three (3) year (plus three (3) year) Strategic Internal Audit Plan (SAIP), which was subsequently adopted by Council at its meeting of 18 June 2020. As part of the SAIP, the internal audit is to assist and support the CEO to meet the requirement of r.5 of the *Local Government (Financial Management) Regulations 1996* and the r. 17 of the *Local Government (Audit) Regulations 1996*.
- 4 The last review regarding the appropriateness and effectiveness of the financial management systems and procedures as well as the systems regarding risk management, internal control and legislative compliance was reported to the Audit Committee on 7 October 2021 (Ref: D2021/18432) and subsequently received by Council on 25 November 2021.
- 5 The last review concluded as follows:
 - Robust, up-to-date policies and procedures are in place.
 - Adequately designed well implemented controls are in place.
 - Controls operate effectively as intended.
 - Information systems are in place, fully integrated and operating effectively.
 - Processes are effectively designed, and human resources rely on these to achieve objectives

REPORT

- 6 In accordance with the requirements of r.5 of the *Local Government (Financial Management) Regulations 1996* and r.17 of the *Local Government (Audit) Regulations 1996*, a review was undertaken of:
 - the appropriateness and effectiveness of the financial management systems and procedures of the local government; and
 - the appropriateness and effectiveness of the systems and procedures relating to risk management, internal control and legislative requirements was undertaken.
- 7 To meet and support the requirements of r.5(2)(c) of the *Local Government (Financial Management) Regulations 1996* and r.17 of the *Local Government (Audit) Regulations 1996*, EMRC has engaged Stantons as our internal auditors to provide the following services:
 - Assess the systems and processes in place for the risk management process;
 - Assess the systems and processes in place for maintaining legislative compliance;
 - Evaluate the internal control systems and processes; and
 - Evaluate the financial management systems and procedures.

- 8 During the 2022/2023 and 2023/2024 financial years, our internal auditor has already conducted several internal audits which provide the reliance on this work done for the financial management components as required per the r.5 of the *Local Government (Financial Management) Regulations 1996*.
- 9 The review by the internal auditor regarding the appropriateness and effectiveness of the financial management systems and procedures forms attachment 1 to this report.
- 10 The internal auditor concluded that “.....the EMRC have appropriate and effective controls in relation to financial management systems and procedures including internal controls as required to be assessed under the *Local Government (Financial Management) Regulations 1996* r.5(2).”
- 11 The review by the internal auditor regarding the appropriateness and effectiveness of the systems and procedures relating to risk management, internal control and legislative requirements was undertaken forms attachment 2 to this report.
- 12 The internal auditors concluded that “...based on the financial management related internal audits already performed during 2022/2023 to 2023/2024 plus the three additional areas for the Regulation 5 audit, and our assessment of risk management and legislative compliance, we can conclude that EMRC have appropriate and effective controls relating to risk management, legislative compliance, and internal controls as required to be assessed under the *Local Government Local Government (Audit) Regulations 1996* r.17.”
- 13 It is thus considered that EMRC's financial management systems and procedures as well as EMRC's systems regarding risk management, internal control and legislative compliance are both appropriate and effective.
- 14 The next audit review is due in the 2027/2028 financial year.

STRATEGIC/POLICY IMPLICATIONS

- 15 Key Result Area – Good Governance
3.3 To provide responsible and accountable governance and management of the EMRC

FINANCIAL IMPLICATIONS

- 16 Nil

SUSTAINABILITY IMPLICATIONS

- 17 Nil

RISK MANAGEMENT

Risk – The EMRC must continue to Improve Financial and Asset Management Practices and to Report on any Audit Findings Regularly

Consequence	Likelihood	Rating
Moderate	Likely	High
Action/Strategy		
➤ Council to note the review of the appropriateness and effectiveness of the EMRC's financial management systems and procedures as well as the systems in relation to risk management, internal control and legislative compliance.		



MEMBER COUNCIL IMPLICATIONS

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

ATTACHMENT(S)

1. Review of Financial Management Systems and Procedures (D2024/27576)
2. Review of Risk Management, Internal Control and Legislative Compliance (D2024/27577)

VOTING REQUIREMENT

Simple Majority

RECOMMENDATION(S)

That Council:

1. In accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* receives the review of the appropriateness and effectiveness of the EMRC's financial management systems and procedures forming attachment 1 to this report.
2. In accordance with regulation 17(3) of the *Local Government (Audit) Regulations 1996* receives the review of the appropriateness and effectiveness of the EMRC's systems in relation to risk management, internal control and legislative compliance forming attachment 2 to this report.

AC RECOMMENDATION(S)

MOVED CR BOWMAN

SECONDED CR SUTHERLAND

That Council:

1. In accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* receives the review of the appropriateness and effectiveness of the EMRC's financial management systems and procedures forming attachment 1 to this report.
2. In accordance with regulation 17(3) of the *Local Government (Audit) Regulations 1996* receives the review of the appropriateness and effectiveness of the EMRC's systems in relation to risk management, internal control and legislative compliance forming attachment 2 to this report.

CARRIED UNANIMOUSLY

The AC Chairperson thanked the internal Auditors.

Mr James Contrill left the meeting at 6:30pm.

COUNCIL RESOLUTION(S)

MOVED

SECONDED

12.3 CEO REVIEW OF FINANCIAL MANAGEMENT SYSTEMS AND PROCEDURES AND RISK MANAGEMENT, INTERNAL CONTROL AND LEGISLATIVE COMPLIANCE

D2024/24988 (AC) | D2024/27575

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 financial management systems and procedures as well as EMRC's systems regarding risk management, internal control and legislative compliance.

KEY POINT(S)

- Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* requires the Chief Executive Officer (CEO) to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every three financial years)
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- A review was undertaken by our internal auditors to meet and support these requirements.
- 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 Council:

1. In accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* receives the review of the appropriateness and effectiveness of the EMRC's financial management systems and procedures forming attachment 1 to this report.
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SOURCE OF REPORT

Acting Chief Executive Officer

BACKGROUND

- 1 The *Local Government (Financial Management) Regulations 1996* were amended on 26 June 2018. Regulation 5(2)(c) now requires the CEO to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every three financial years) and report to the local government the results of those reviews. Previously, the review was to be undertaken not less than once every four years.
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REPORT

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 - the appropriateness and effectiveness of the systems and procedures relating to risk management, internal control and legislative requirements was undertaken.
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 - Assess the systems and processes in place for maintaining legislative compliance;
 - Evaluate the internal control systems and processes; and
 - Evaluate the financial management systems and procedures.

- 8 During the 2022/2023 and 2023/2024 financial years, our internal auditor has already conducted several internal audits which provide the reliance on this work done for the financial management components as required per the r.5 of the *Local Government (Financial Management) Regulations 1996*.
- 9 The review by the internal auditor regarding the appropriateness and effectiveness of the financial management systems and procedures forms attachment 1 to this report.
- 10 The internal auditor concluded that “.....the EMRC have appropriate and effective controls in relation to financial management systems and procedures including internal controls as required to be assessed under the *Local Government (Financial Management) Regulations 1996* r.5(2).”
- 11 The review by the internal auditor regarding the appropriateness and effectiveness of the systems and procedures relating to risk management, internal control and legislative requirements was undertaken forms attachment 2 to this report.
- 12 The internal auditors concluded that “...based on the financial management related internal audits already performed during 2022/2023 to 2023/2024 plus the three additional areas for the Regulation 5 audit, and our assessment of risk management and legislative compliance, we can conclude that EMRC have appropriate and effective controls relating to risk management, legislative compliance, and internal controls as required to be assessed under the *Local Government Local Government (Audit) Regulations 1996* r.17.”
- 13 It is thus considered that EMRC's financial management systems and procedures as well as EMRC's systems regarding risk management, internal control and legislative compliance are both appropriate and effective.
- 14 The next audit review is due in the 2027/2028 financial year.

STRATEGIC/POLICY IMPLICATIONS

- 15 Key Result Area – Good Governance
3.3 To provide responsible and accountable governance and management of the EMRC

FINANCIAL IMPLICATIONS

- 16 Nil

SUSTAINABILITY IMPLICATIONS

- 17 Nil

RISK MANAGEMENT

Risk – The EMRC must continue to Improve Financial and Asset Management Practices and to Report on any Audit Findings Regularly

Consequence	Likelihood	Rating
Moderate	Likely	High
Action/Strategy		
➤ Council to note the review of the appropriateness and effectiveness of the EMRC's financial management systems and procedures as well as the systems in relation to risk management, internal control and legislative compliance.		

MEMBER COUNCIL IMPLICATIONS

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

ATTACHMENT(S)

1. Review of Financial Management Systems and Procedures (D2024/27576)
2. Review of Risk Management, Internal Control and Legislative Compliance (D2024/27577)

VOTING REQUIREMENT

Simple Majority

RECOMMENDATION(S)

That Council:

1. In accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* receives the review of the appropriateness and effectiveness of the EMRC's financial management systems and procedures forming attachment 1 to this report.
2. In accordance with regulation 17(3) of the *Local Government (Audit) Regulations 1996* receives the review of the appropriateness and effectiveness of the EMRC's systems in relation to risk management, internal control and legislative compliance forming attachment 2 to this report.

AC RECOMMENDATION(S)

MOVED CR BOWMAN

SECONDED CR SUTHERLAND

That Council:

1. In accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* receives the review of the appropriateness and effectiveness of the EMRC's financial management systems and procedures forming attachment 1 to this report.
2. In accordance with regulation 17(3) of the *Local Government (Audit) Regulations 1996* receives the review of the appropriateness and effectiveness of the EMRC's systems in relation to risk management, internal control and legislative compliance forming attachment 2 to this report.

CARRIED UNANIMOUSLY

The AC Chairperson thanked the internal Auditors.

Mr James Contrill left the meeting at 6:30pm.



COUNCIL RESOLUTION(S)

MOVED CR JEANS

SECONDED CR BOWMAN

THAT COUNCIL:

1. IN ACCORDANCE WITH REGULATION 5(2)(C) OF THE *LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996* RECEIVES THE REVIEW OF THE APPROPRIATENESS AND EFFECTIVENESS OF THE EMRC'S FINANCIAL MANAGEMENT SYSTEMS AND PROCEDURES FORMING ATTACHMENT 1 TO THIS REPORT.
2. IN ACCORDANCE WITH REGULATION 17(3) OF THE *LOCAL GOVERNMENT (AUDIT) REGULATIONS 1996* RECEIVES THE REVIEW OF THE APPROPRIATENESS AND EFFECTIVENESS OF THE EMRC'S SYSTEMS IN RELATION TO RISK MANAGEMENT, INTERNAL CONTROL AND LEGISLATIVE COMPLIANCE FORMING ATTACHMENT 2 TO THIS REPORT.

CARRIED UNANIMOUSLY



PO Box 1908
West Perth WA 6872
Australia

Level 2, 40 Kings Park Road
West Perth WA 6005
Australia

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

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



Eastern Metropolitan Regional Council

Review of Financial Management Systems and Procedures

Internal Audit

September 2024

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1. EXECUTIVE SUMMARY

Introduction

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

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

As part of the Strategic Internal Audit Plan 2020/2021 – 2025/26 a review of Financial Management Systems and Procedures is conducted at least every three years. The audit will cover the period 1 July 2023 to 30 June 2024. As part of the Local Government (Financial Management) Regulations 1996 r.5(2), EMRC has appointed Stantons to undertake a review of the appropriateness and effectiveness of the Council's Financial Management systems and procedures.

Audit Objective:

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

During the 2022/23 and 2023/24 Financial Year, Stantons has already conducted several internal audits and we will be placing reliance on this work done for the financial management components as required per the *Local Government (Financial Management) Regulations 1996 r.5(2)*.

The financial management related internal audits already performed include:

- Contract Management (2022/23)
- Expenditure and Payments (2022/23 & 2023/24)
- Fringe Benefits Tax (FBT) (2022/23)
- Goods and Services Tax (GST) (2022/23)
- Human Resource Management (2022/23)
- IT General Controls (2023/24)
- Payroll (2022/23 & 2023/24)
- Revenue, Receipting and Accounts Receivable (2023/24).

Stantons will be focusing on the following areas that have yet to be assessed in full or have only been partially assessed in relation to the appropriateness and effectiveness of the financial management systems and procedures including internal controls:

- Asset Management
- Banking
- Credit Cards.

Scope of works

The audit period was 1 July 2023 to 30 June 2024.

2. OVERALL AUDIT OUTCOMES AGAINST AUDIT SCOPE OF WORKS

Overall Risk Rating

Scope Report Reference	Audit Scope	Outcomes	Risk Rating
8.1	Asset Management	Achieved	N/A
8.2	Banking	Achieved	N/A
8.3	Credit Cards	Achieved	N/A

Overall Outcome

Based on the financial management related internal audits already performed during 2022/23 to 2023/24 and the three areas that have been assessed above, we can conclude that EMRC have appropriate and effective controls in relation to financial management systems and procedures including internal controls as required to be assessed under the Local Government (Financial Management) Regulations 1996 r.5(2).

3. SUMMARY OF FINDINGS

1. No findings were made.

4. RECOMMENDATIONS

1. No recommendations were made.

5. BUSINESS IMPROVEMENTS

1. Given no requirement for a purchase order is needed for purchases valued at \$165 (GST inclusive) or less, EMRC considers ensuring purchase orders are only provided for goods and services expenditure over \$165 to ease the workload on the Finance Team.
2. Given the monthly payment of Corporate Credit Card accounts is to be certified by the Cardholder and the Cardholder's appropriate approving officer, the EMRC considers reminding all Cardholders and approving officers to perform the certification in a timely manner.
3. EMRC considers developing a formal register for credit card personal use in order to enhance management and record keeping of unauthorised/accidental credit card use.

6. OVERALL COMMENTS

Eastern Metropolitan Regional Council - Management Comments

We thank the Audit team for their diligence and work undertaken for the Review of Financial Management Systems and Procedures audit. We will incorporate your suggestions for business improvements in areas that are aligned with best practices.

Stantons - Audit Management Comments

Stantons acknowledges that EMRC will incorporate our suggestions for business improvements in areas that are aligned with best practices. We would like to thank the Financial Services team for all their assistance with the audit.

7. RISK RATING AND DEFINITIONS

Risk Ratings and Interpretations

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

DISCLAIMER, BASIS OF AUDIT AND LIMITATIONS

DISCLAIMER

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

BASIS OF AUDIT

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

INHERENT LIMITATIONS

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation.

Report Release

Released by (Name): James Cottrill

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

Signature:



Date: 17 September 2024

8. DETAILED AUDIT ASSESSMENT

8.1 ASSET MANAGEMENT.

Overall Outcome	The EMRC has in place adequate controls over asset management.
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Policy and Procedure

Audit obtained and reviewed the Council Policy 3.6 Asset Management Policy and noted that the Policy has been endorsed on 21 March 2013 and last reviewed on 23 May 2024 and will be next reviewed following the Local Government Elections in 2025. The Policy has set up roles and responsibilities in relation to asset management, as presented in the extract table below.

Position	Roles and Responsibilities
Council	➤ Act as stewards for all assets owned by EMRC ➤ Provides strategic direction for asset management ➤ Endorses asset management policy and strategy ➤ Endorses SAMP (as part of strategic planning) and OAMP (as part of budget process)
Chief Executive Officer	➤ Develops asset management policy and strategy for submission to Council ➤ Develops SAMP for submission to Council ➤ Develops OAMP ➤ Develops business cases ➤ Monitors and reports progress of SAMP and OAMP to Council as required
Chiefs	➤ Contribute towards preparation of SAMP and OAMP ➤ Authorise asset additions and disposals in accordance with the approved OAMP ➤ Maintain oversight over assets under their control (including usage, safeguards, risk management and insurance)
Asset Officer	➤ Maintains Asset Register and asset related records ➤ Updates General Ledger for asset related transactions (including depreciation, write off, acquisition and disposal) ➤ Provides assistance to EMRC teams as required
Team Members	➤ Initiate acquisition or disposal requests ➤ Utilise assets in a responsible manner

The classes of assets below are to be reported by the EMRC in accordance with Australian Accounting Standards.

- Land
- Buildings
- Structures
- Plant and Equipment
- Furniture and Fittings
- Artworks.

The EMRC has implemented the BMS for Processing Assets and Depreciation in Synergy Soft, detailing the step-by-step process regarding the addition of a new asset, disposal of existing asset, and depreciation calculation and reporting.

Asset Records

Per the BMS for Processing Assets and Depreciation in Synergy Software Procedure, it specifies that the EMRC has in place internal controls over asset records, comprising:

- A fixed asset register is maintained to record all capital purchases and disposals
- Updates to the fixed asset register are checked regularly

- Expenditure is capitalised based on the type of asset purchase
- Fixed asset registers are reconciled monthly to the accounting records, including the General Ledger.

Given Plant and Equipment at Waste Management Sites have been sighted via random sampling during the Plant and Equipment Audit conducted in Financial Year 2022/23, we selected a total of five (5) assets from the Asset Register as at 30 June 2024 with a focus on assets at the Ascot Administration Building, comprising:

- #3591 – Chairs – Blue no Arms – Chelsea Q Fabric - \$14,721.49
- #1976 – Artwork – Darlington Rocks and Trees – Mixed Media on Canvas – Robert Juniper - \$17,200.00
- #3630 – Free Standing Screen 1500W x 1800h x 70mm - \$8,705.95
- #4086 – Puma SUV – Petrol – 1HXT994 - \$31,340.18
- #3753 – Network Storage Device – HP Nimble San HF 20 - \$49,211.00.

We conducted sample testing against selected existing assets and verified that all selected assets have been sighted with asset information matched with the Asset Register.

Asset Additions

Per the BMS for Processing Assets and Depreciation in Synergy Software Procedure, it is specified that the EMRC has in place internal controls over asset acquisition, comprising:

- New capital assets are properly authorised and processed in accordance with the Purchasing Policy and Approval Limits
- Capital invoices are properly authorised and agreed with approved purchase order before record into the system
- Ensure new assets acquired during the year are insured by appropriate insurance policies.

The Accounts / Payroll Officer is responsible for updating new asset information within the Synergy software as well as the Asset Register and managing a listing of newly acquired assets. Once authorised tax invoices have been provided to the Finance Team, the Accounts / Payroll Officer is required to seek approval for capital expenditure over \$250,000 from the Manager Financial Services, the Chief Financial Officer, and the Chief Executive Officer respectively prior to entering new asset information within the Synergy software and the Asset Register.

Audit obtained and reviewed the Register of Asset Additions by Group for the year 2023/24 and noted that there is a total of one hundred and thirteen (113) assets newly acquired during the period 01/07/2023 – 30/06/2024. We randomly selected six (6) new assets as sample, comprising:

- #4086 – Puma SUV – Petrol – 1HXT994 – Ascot Place- \$31,340.18
- #4123 – Ford Ranger – 1IAJ257 – Ascot Place - \$47,368.18
- #4159 – Gates – Automatic Front Gates – Solar Powered Cantilever Gates - Hazelmere - \$65,586.95
- #4146 – Fuel System – Hazelmere - \$815.00
- #2405 – Volvo A30F Articulated Hauler – Red Hill - \$135,208.29
- #3490 – GPS Base Station – iCON GNSS Smart Ant – Ascot Place - \$356.34.

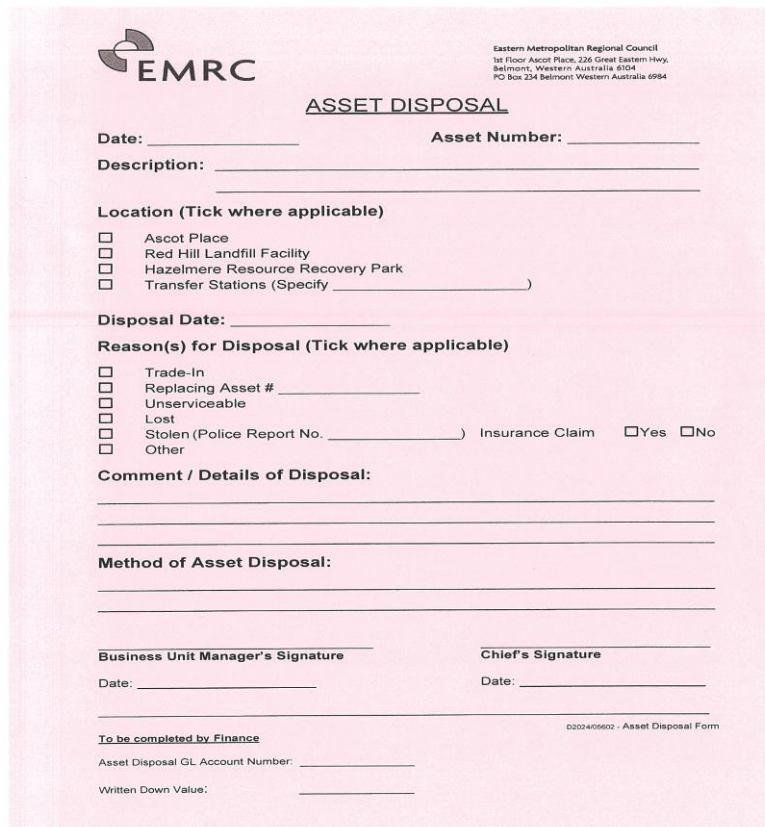
We conducted sample testing against acquisition process against selected new assets and noted that all selected six (6) assets have been supported by authorised tax invoices and have been included within the Asset Register.

Asset Disposals

Per the BMS for Processing Assets and Depreciation in Synergy Software Procedure, it is specified that the EMRC has in place internal controls over asset disposals, comprising:

- The asset that is due for disposal must be inspected by the relevant team before the disposal form can be completed
- Once the disposal form has been completed, it must be authorised by the Chief
- Finance Team to complete the reconciliation of the asset and have it authorised by the appropriate manager and chiefs
- The final documents of disposal include the disposal form and asset reconciliation must be authorised by CEO before the asset can be written off.

An Asset Disposal Form is required to be completed by the relevant division and approved by Business Unit Manager and Chief, as presented in the extract below. Once the completed Asset Disposal Form is provided to the Finance Team, the Accounts / Payroll Officer is required to seek approval from the Manager Financial Services, the Chief Financial Officer, and the Chief Executive Officer respectively, before updating within the Synergy software, as well as the Asset Register and the Asset Disposal List.



EMRC
Eastern Metropolitan Regional Council
1st Floor Ascot Place, 226 Great Eastern Hwy,
Belmont, Western Australia 6104
PO Box 234 Belmont Western Australia 6984

ASSET DISPOSAL

Date: _____ Asset Number: _____

Description: _____

Location (Tick where applicable)

☐ Ascot Place
☐ Red Hill Landfill Facility
☐ Hazelmere Resource Recovery Park
☐ Transfer Stations (Specify _____)

Disposal Date: _____

Reason(s) for Disposal (Tick where applicable)

☐ Trade-In
☐ Replacing Asset # _____
☐ Unserviceable
☐ Lost
☐ Stolen (Police Report No. _____) Insurance Claim ☐ Yes ☐ No
☐ Other

Comment / Details of Disposal:

Method of Asset Disposal:

Business Unit Manager's Signature _____ **Chief's Signature** _____
Date: _____ Date: _____

To be completed by Finance

Asset Disposal GL Account Number: _____
Written Down Value: _____

02024/05002 - Asset Disposal Form

Audit obtained and reviewed the Asset Disposal Report by Asset Group for Year 23/24 and noted that there is a total of fifty-two (52) assets disposed during the period 01/07/2023 – 30/06/2024. We randomly selected four (4) disposed assets as sample, comprising:

- #1621 – Monitor – Samsung 943B 19 LCD Monitor – Ascot Place
- #2452 – Solar Panels – Hazelmere
- #3843 – Ford Everest – SUV Spot 3.2 L – 1HLQ097 – Hazelmere
- #3476 – Ford Ranger – 3.2L – White – 1GTF964 – Hazelmere.

We conducted sample testing against the asset disposal process and noted that the Asset Disposal Form has been completed and authorised for each selected asset, and the disposal has been approved with the relevant authorisation.

Asset Transfer

The EMRC has implemented an Asset Transfer Form to ensure that asset has been correctly transferred from one site to another, as presented in the extract below.



Eastern Metropolitan Regional Council
 1st Floor Ascot Place, 226 Great Eastern Hwy,
 Belmont, Western Australia 6104
 PO Box 234 Belmont Western Australia 6984

TRANSFER OF ASSET

Date: _____ **Asset No:** _____

Description: _____

Current Location (Please circle)	New Location (Please Circle)
A Governance/Corporate Services	A Governance/Corporate Services
B Engineering/Waste Management	B Engineering/Waste Management
C Risk Management	C Risk Management
D Environmental Services	D Environmental Services
E Regional Development	E Regional Development
F Red Hill Landfill Facility	F Red Hill Landfill Facility
G Hazelmere	G Hazelmere

Reason for Transfer: _____

 Business Unit Manager's Signature

 Date

Through enquiry with the Finance Team, it was noted that there were minimal asset transfers occurring at EMRC. We were provided with a completed Transfer of Asset Form as example and noted that the asset transfer has been authorised by the Business Unit Manager from current location to new location with asset information updated within the Synergy Software.

Depreciation

Per the Council Policy 3.1 Annual Financial Reporting Policy, section 4 specifies that fixed assets excluding freehold land and art works are to be depreciated on a straight-line basis against estimated useful life, as presented in the extract below.

Asset Class	Useful life
➤ Buildings	7.50 to 100 years (based on components)
➤ Structures	
⇒ General	15 to 105 years
⇒ Class III & IV Waste Cells	Based on actual usage
➤ Plant	3 to 24 years
➤ Furniture and fittings	3 to 25 years
➤ Equipment	3 to 25 years
➤ Post closure assets	Based on actual usage
➤ Landfill cells	Based on actual usage

Audit randomly selected six (6) new assets from the Register of Asset Additions by Group for the year 23/24, as presented below. We conducted sample testing and verified that all the new assets have been depreciated at correct rates based upon asset class within the depreciation rate threshold:

- #4086 – Puma SUV – Petrol – 1HXT994 – Ascot Place- \$31,340.18
- #4123 – Ford Ranger – 1IAJ257 – Ascot Place - \$47,368.18
- #4159 – Gates – Automatic Front Gates – Solar Powered Cantilever Gates - Hazelmere - \$65,586.95
- #4146 – Fuel System – Hazelmere - \$815.00
- #2405 – Volvo A30F Articulated Hauler – Red Hill - \$135,208.29
- #3490 – GPS Base Station – iCON GNSS Smart Ant – Ascot Place - \$356.34.

Revaluation

Per the Council Policy 3.1 Annual Financial Reporting Policy, section 7 specifies that revaluation was conducted by the EMRC against Land, Buildings, and Infrastructure during the Financial Year 2020/21 and are to be revaluated every four (4) years thereafter in accordance with regulation 17A(4) of the *Local Government (Financial Management) Regulations 1996*. The extract picture below illustrates revaluation thresholds regarding each asset class.

➤ Land	No limit
➤ Buildings	\$5,000
➤ Road Infrastructure	\$5,000
➤ Other Infrastructures	\$5,000

Review of the EMRC Fair Value Valuation for Land, Buildings and Structures noted that the EMRC has conducted revaluation against specified assets on the basis of Fair Value exclusive of GST as at 30 June 2021, as presented in the extract table below.

BUILDING DESCRIPTION	GROSS REPLACEMENT COST	FAIR VALUE
Land	N/A	\$47,850,000
Buildings	\$10,296,800	\$6,506,874
Structures	\$10,952,000	\$ 9,126,432
TOTAL	\$21,248,800	\$63,483,306

Stocktake

There is no documented policy / procedure / flowchart in relation to the stocktake of assets, and Audit has made a suggested Business Improvement during the Plant and Equipment Audit

in Financial Year 2022/23. The Accounts / Payroll Officer is responsible for conducting the stocktake every eighteen (18) months via physical sighting.

The Finance Team has conducted stocktakes against fixed assets at the Red Hill site and Hazelmere site respectively, as presented in the extract below, while the Ascot site is the administration office for the EMRC, where assets were maintained by relevant divisions (e.g., IT, Finance, etc), and easily tracked.

Asset Co	Asset Name	Free Format Description	Memo Text	Serial Number	Date Acquired	Unit Cost	Audited
2242	Security System - CCTV DVR, UPS & Cabinet - Red Hill	SECURE SOLUTIONS 1116 251209 22/12/2022 PO 22985 LOCATION: Red Hill Admin Building. Note: This asset has been moved to the Admin Office. Additional cost has also been incu Asset Type: Security Camera-Security	EMRC-137221	Administration Office	2242	21/04/2011	7075 17/02/2023 - in process of being replaced
2494	Security Lighting (new Admin Office) - Red Hill	SHUGGS INV 1610 4/4/12 \$1994.00 (INSTALL WIRING AND SECURITY LIGHTS) & ALL DAT CONTRACTING INV 25 25/9/2011(INSTALL POLES AND CONDUITS) Location: Admin Office Red Hill Asset Type: Security Lighting-Security Equipment		Administration Office	2494	4/04/2012	8857.16 17/02/2023
2811	Sea Container - 20' with Lock for Archive Storage - Red Hill	SCF Group Invoice Number SCF036295Q dated 05/12/2013 for \$ 6402.00 P.O. 34619 S N SCF02129998 Asset Type: 251 Red Hill Administration Buildings Location - Admin Office		Administration Office	2811	9/12/2013	5820 17/02/2023
2873	Server - HP-DL380p - Red Hill	Stothore Invoice Number 0000110844 dated 29/05/2014 for \$ 11644.00. P.O. 35641 Replaces Asset # 2074 Asset Type: Server Serial/Model No: 5/N SAUD2412KSS Location: Red Hill - EMRC/944 - Admin Office	Fans began operating at maximum capacity. Applied firmware updates to solve issue. 1 fan is showing as degraded in iLO.	Administration office	2873	1/06/2014	10586 17/02/2023
3094	Car Park - Asphalt - New Admin Building - Red Hill	Industrial Roadpavers Invoice Number 00002911 dated 01/01/2015 for \$ 29568.00. P.O. 37364 Asset Type: Car Park		Administration Office	3094	1/02/2015	26880 17/02/2023
3337	Container - 20ft A Grade Sea Container - Archive Storage # 2 - Red Hill	SCF Invoice Number SCF063177Q dated 14/03/2017 for \$ 8794.50. PO 44068 Location - Red Hill Asset Type: Sea Container		Administration Office	3337	1/04/2017	7995 17/02/2023

Minor Works and Maintenance

Through enquiry with the Finance Team, it was noted that the Procurement Team is responsible for building maintenance processes at Ascot Place by assessing any repairs and maintenance identified and engaging contractors for necessary repair and maintenance work. A Building Maintenance Log is maintained for assessment and recording of any building issues identified.

In terms of Plant and Equipment at Red Hill and Hazelmere, servicing and maintenance are conducted in accordance with the terms agreed in the Service Contract. Where there is no Service Contract signed, major plant refurbishments or repairs are to be identified in the plant replacement program which is reviewed and updated throughout the year as part of the Annual Budget process, whereas smaller plant is to be maintained internally by the Maintenance Team via monitoring usage hours.

Insurance

Review of the LGIS Insurance Report that the EMRC has insurance coverage over different types of classes, e.g., property, crime & cyber, motor vehicle, etc, as presented in the extract table below.

Cover	GL	2022/2023 (inc GST)	2023/2024 (inc GST)
Public Liability	05051/04.OC	67,158.36	77,194.79
Worker Compensation	05051/04.IB	223,157.04	261,910.90
Property	05051/04.OB	244,120.86	269,521.97
Crime & Cyber	05051/04.OB	13,784.70	14,353.78
Personal Accident/ Voluntary Workers	05051/04.OB	516.68	558.88
Management Liability	05051/04.OB	31,131.10	32,628.26
Motor Vehicle	05051/04.OB	37,538.66	34,853.50
Travel	05051/04.OB	877.80	934.51
Total (pay in 2 instalments)		618,285.20	691,956.59
		(full year premium)	(full year premium)
Marine Cargo			2,461.08
Environmental Impairment Liability			47,687.00
Total (pay in full)			50,148.08

8.2 BANKING.

Overall Outcomes	The EMRC has in place adequate controls over banking.
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The EMRC has in place the Standard Operating Procedure – Mandalay – Cash Sales Reconciliation, detailing step-by-step process regarding daily cash sales reconciliation and weekly cash sales reconciliation at the Red Hill Waste Management Facility.

Through enquiry with the Finance Team, it was noted that there were five (5) sites able to receive cash during the period 01/07/2023 – 30/06/2024, one (1) of which will no longer accept cash for the Financial Year 2024/25, as well as one (1) site receiving cheques only, comprising:

- Red Hill Waste Management Facility
- Bayswater Transfer Station (on behalf of City of Bayswater)
- Copping Road Transfer Station (on behalf of Shire of Mundaring)
- Mathieson Road Transfer Station (on behalf of Shire of Mundaring)
- Hazelmere Resource Recovery Park (no longer accepting cash)
- Ascot Place (cheques only).

Audit obtained and reviewed the Deposit List during the period 01/07/2023 – 30/06/2024 and noted there was a total of one hundred and forty-six (146) cash/cheque deposits during the period 01/07/2023 – 30/06/2024, comprising:

- Red Hill Waste Management Facility – fifty-four (54) deposits
- Bayswater Transfer Station – forty-seven (47) deposits
- Copping Road Transfer Station – twelve (12) deposits
- Mathieson Road Transfer Station – thirteen (13) deposits
- Hazelmere Resource Recovery Park – four (4) deposits
- Ascot Place – sixteen (16) deposits.

We randomly selected fifteen (15) deposits to sample, comprising:

- 28/07/2023 – Ascot Place - \$4,431.06
- 04/08/2023 – Bayswater Transfer Station - \$481.90
- 11/08/2023 – Red Hill Waste Management Facility - \$2,279.50
- 08/09/2023 – Copping Road Transfer Station - \$265.00
- 15/09/2023 – Red Hill Waste Management Facility - \$2,888.70
- 06/10/2023 – Bayswater Transfer Station - \$1,915.10
- 08/12/2023 – Mathieson Road Transfer Station - \$140.00
- 09/02/2024 – Mathieson Road Transfer Station - \$145.00
- 16/02/2024 – Red Hill Waste Management Facility - \$3,957.30
- 01/03/2024 – Bayswater Transfer Station - \$957.80
- 15/03/2024 – Hazelmere Resource Recovery Park - \$32.15
- 17/05/2024 – Red Hill Waste Management Facility - \$3,998.65
- 14/06/2024 – Bayswater Transfer Station - \$1,955.65
- 27/06/2024 – Ascot Place - \$6,335.22
- 05/07/2024 – Copping Road Transfer Station - \$820.00.

However, due to the Responsible Officer at the Bayswater Transfer Station on Long Service Leave, there was difficulty in collection of dockets for selected deposits. As a result, we reselected four (4) deposits, as presented below.

- 28/07/2023 – Ascot Place - \$4,431.06
- 11/08/2023 – Red Hill Waste Management Facility - \$2,279.50
- 08/09/2023 – Copping Road Transfer Station - \$265.00

- 15/09/2023 – Red Hill Waste Management Facility - \$2,888.70
- 29/09/2023 – Ascot Place - \$241.67 **(New)**
- 08/12/2023 – Mathieson Road Transfer Station - \$140.00
- 15/12/2023 – Red Hill Waste Management Facility - \$1,979.20 **(New)**
- 09/02/2024 – Mathieson Road Transfer Station - \$145.00
- 16/02/2024 – Red Hill Waste Management Facility - \$3,957.30
- 29/02/2024 – Ascot Place - \$2,853.15 **(New)**
- 15/03/2024 – Hazelmere Resource Recovery Park - \$32.15
- 17/05/2024 – Red Hill Waste Management Facility - \$3,998.65
- 07/06/2024 – Red Hill Waste Management Facility - \$809.60 **(New)**
- 27/06/2024 – Ascot Place - \$6,335.22
- 05/07/2024 – Copping Road Transfer Station - \$820.00.

We conducted sample testing against the reconciliation process for each selected deposit and verified that a reconciliation has been conducted against all selected deposits with no discrepancies noted among the bank statement, reconciliation report, and sales dockets.

In addition, a Reconciliation Report is to be generated monthly by the Accounts / Payroll Officer against the General Ledger and Bank Account, which is to be reviewed by the Financial Team Leader to ensure there is no discrepancy between these, prior to authorisation by the Manager Financial Services.

8.3 CREDIT CARDS.

Overall Outcome	The EMRC has in place adequate controls over credit cards.
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Audit obtained and reviewed the Management Guideline Corporate Credit Card Guidelines and noted that the Guideline was endorsed by the Executive Leadership Team in September 2007 and last reviewed in April 2024 and will be next reviewed in April 2025. The Guideline specifies that all Corporate Credit Cards are required to be used in accordance with approved budget provisions, including:

- Costs relating to conferences e.g., accommodation, meals
- Registration costs relating to seminars and presentations
- EMRC staff functions e.g., meetings, staff farewell lunches (where approved by the CEO), staff recognition particularly if the function is offsite
- Purchase or renewal of corporate membership fees for professional associations and publications
- Expenditure of a general purchasing nature by the Procurement Team, e.g., office supplies, conferences and seminars
- Expenditure relating to the prepayment of air travel and accommodation
- Member Council events i.e., lunch with Member Council Councillors and/or team members from Member Councils or any other form of event or function that a senior officer may be attending or holding with member Councils
- Meetings with Secondary Stakeholders that are being attended on behalf of EMRC
- Tips to be paid overseas on a reasonable basis where tips are regarded as part of the service transaction.

The use of the Corporate Credit Card are prohibited for the following:

- For personal, non-work-related expenditure
- To purchase fuel and/or oils
- To make cash advances
- Where another method of payment is the cheaper option
- To split purchases in order to negate transaction purchasing limits
- In Australian for gratuity or the payment of tips.

The Manager Financial Services is to take responsibility in management and monitoring of the Corporate Credit Cards, in terms of:

- Issuing Corporate Credit Cards following authorisation from the CEO
- Cancelling Corporate Credit Cards in accordance with the requirements of the guideline
- Assisting in resolving disputed transactions between Cardholders and suppliers
- Being the point of contact for lost or stolen cards
- Ensuring that the Cardholder's use of the Corporate Credit Card is monitored by the user's immediate supervisor
- Ensuring that a register is maintained of all current cardholders which includes the card number, the expiry date of the Corporate Credit Card, the credit limit and the signed cardholder agreement
- Updating management guideline(s) for the use of the Corporate Credit Card
- Providing guidelines and policies to each cardholder
- Monitoring and ensuring that each monthly corporate Credit Card statement is authorised by the user's immediate supervisor
- Undertaking an annual review focusing on dormant and low usage cards for cancellation as All Corporate Credit Cards attract an administration fee
- Monitoring all high value transactions.

The EMRC has in place the following controls over the Corporate Credit Cards:

- For expenditure in excess of \$25.00 inclusive of GST, cardholders are required to request a tax invoice from the supplier when using a Corporate Credit Card
- A statutory declaration outlining the details and value of the expenditure is to be completed by the cardholder and submitted to the Finance Team where a tax invoice or receipt is not able to be obtained or is lost
- Where entertainment and general expenditure exceeds \$165.00 inclusive of GST, the cardholder is to ensure that an EMRC purchase order has been raised for the purchase of goods or services via the credit card
- The monthly payment of Corporate Credit Card accounts is to be certified by both the cardholder and line manager or supervisor
- The line manager or supervisor is to sign off in recognition that the supporting documentation is attached, and the expenditure is for authorised business purposes.

Only permanent employees involved in purchasing goods and services or business travel frequently are able to be issued with a Corporate Credit Card, where the credit card limit can be varied from time to time with the approval from the CEO. Each new cardholder is required to acknowledge and sign the EMRC Corporate Credit Card Cardholder's Agreement Form, as presented below.



EMRC Corporate Credit Card Cardholder's Agreement Form

I, _____
Name and Title

Team

1. I acknowledge that I have received an EMRC Corporate Credit Card for use in accordance with the EMRC Management Guideline - Corporate Credit Card Guidelines
2. I acknowledge that if I misuse the Corporate Credit Card, the card may be withdrawn and appropriate disciplinary action may be instigated.
3. If I leave the employment of EMRC, I will return the Corporate Credit Card to the Manager, Financial Services prior to leaving.
4. I acknowledge that I have read and fully understand the conditions set out in the EMRC Management Guideline - Corporate Credit Card Guidelines, which govern the issue and use of the Corporate Credit Card, I am aware of the Westpac Purchasing Card Conditions of Use and the EMRC Management Guideline - Authorisation of Expenditure. I understand that expenditure incurred on the Corporate Credit Card is the liability of the EMRC.

Card Holder's Signature

Date

All credit card expenditure is to be authorised by a line manager or supervisor with supporting documentation provided. The extract table below illustrates relevant approving officer for each cardholder as at December 2023.

Cardholder (as at December 2023)	Approving Officer
Chief Executive Officer	EMRC Chairperson
Chief Financial Officer	Chief Executive Officer
Chief Operating Officer	Chief Executive Officer
Chief Sustainability Officer	Chief Executive Officer
Executive Assistant to the CEO	Chief Executive Officer
Manager Financial Services	Chief Financial Officer
Manager Information Services	Chief Financial Officer
Manager Procurement & Governance	Chief Financial Officer
Procurement Co-ordinator	Manager Procurement & Governance
Procurement Team Leader	Manager Procurement & Governance
Procurement Officer	Manager Procurement & Governance
Administration Officer (Sustainability)	Chief Sustainability Officer
Manager Operations	Chief Operating Officer
Site Manager, RHWMF	Chief Operating Officer
Manager Wood Waste to Energy	Chief Operating Officer
Personal Assistant to the COO	Chief Operating Officer
Co-ordinator Sales and Marketing	Chief Operating Officer
Co-ordinator Administration	Chief Operating Officer
Waste & Resource Recovery Specialist	Chief Operating Officer
Administration Supervisor, RHWMF	Site Manager, Red Hill Waste Management Facility

Audit obtained and reviewed the EMRC Corporate Credit Card Register and noted that there is a total of seventeen (17) active cardholders as at 21 August 2024, seven (7) of which were issued during the period 01/07/2023 – 30/06/2024. We randomly selected four (4) new cardholders as sample, comprising:

- Manager Wood Waste to Energy - \$3,000
- Manager Operations - \$3,000
- Administration Office (Sustainability Team) - \$1,500
- PA to COO - \$2,500.

We conducted sample testing against the credit card application process for each selected cardholder and noted that the Finance Team Leader generated a list of cardholders with associated card limit for the Manager Financial Services and the CFO to review and approve prior to authorisation from the CEO. Upon approval, the Finance Team Leader is to contact the Westpac Bank in issuing new credit cards and to ensure the EMRC Corporate Credit Cardholder's Agreement Form to be acknowledged and signed by new cardholders.

A total of six (6) credit cards were cancelled during the period 01/07/2023 – 30/06/2024, one (1) of which was issued during the same period. We randomly selected three (3) cardholders as sample, comprising:

- Manager Financial Services - \$4,000
- Manager Procurement & Governance - \$4,500
- Procurement Officer - \$5,000.

Audit conducted sample testing against the credit card cancellation process for each selected cardholder and noted that there is no specific process in place by the EMRC regarding credit card cancellation. Instead, the EMRC uses the same process for both credit card cancellation and application where the CEO is to authorise the variation of card limits with a limit increase on application and a decrease for cancellations. Through enquiry with the Finance Team, it

was confirmed that lost, stolen and damaged credit cards can be cancelled without authorisation from the CEO.

In addition, Audit randomly selected eleven (11) credit card acquittals conducted during the period 01/07/2023 – 30/06/2024 from the Credit Card Transaction List, comprising:

- 17/07/2023 – Manager Information Services - \$3,768.63
- 16/10/2023 – Procurement Officer - \$4,555.14
- 16/10/2023 – Site Manager RHWMF - \$2,089.36
- 14/11/2023 – Executive Assistant to Chief Executive Officer - \$1,837.00
- 16/01/2024 – Chief Sustainability Officer - \$1,114.15
- 15/03/2024 – Procurement Team Leader - \$5,037.00
- 15/03/2024 – Chief Financial Officer - \$81.97
- 16/04/2024 – Manager Wood Waste to Energy - \$612.23
- 16/04/2024 – Administration Supervisor RHWMF - \$408.18
- 15/05/2024 – Manager Information Services - \$2,469.50
- 23/05/2024 – Chief Sustainability Officer - \$3,400.87.

We conducted sample testing against the acquittal process for each selected bank statement and noted that each cardholder is to provide a purchase order and tax invoice in support of each transaction, which is to be approved by the line manager or supervisor. The Finance Team is to ensure that the nature of the transaction is for business purposes and in accordance with the Management Guideline Corporate Credit Card Guidelines, prior to submitting it to the Manager Financial Services, the CFO, and the CEO for approval. However, the following was observed:

- Per the Management Guideline Corporate Credit Card Guidelines, an EMRC purchase order is required for entertainment and general expenditure above \$165.00 (GST inclusive). We noted that a purchase order was provided in support of nearly all the transactions including those of value under \$165.00, resulting in additional workload for the Finance Team in checking each monthly credit card transaction.
- Per the Management Guideline Corporate Credit Card Guidelines, the monthly payment of Corporate Credit Card accounts is to be certified by the Cardholder and the Cardholder's appropriate approving officer. Delays (over thirty (30) days) were noted regarding certification either by cardholder (i.e., 15/03/2024 – Chief Financial Officer - \$81.97) or by approving officer (i.e., 15/05/2024 – Manager Information Services - \$2,469.50).

In terms of personal use of corporate credit card, we noted that despite no specific register in place, the Finance Team still maintained records regarding the personal use of credit card. There was a total of four (4) transactions identified for personal use during the period 01/07/2023 – 30/06/2024, comprising:

- 08/12/2023 – Executive Assistant to Chief Executive Officer - \$16.91
- 02/01/2024 – Executive Assistant to Chief Executive Officer - \$19.55
- 24/09/2023 – Chief Executive Officer - \$12.23
- 28/02/2024 – Manager Operations - \$47.99

We conducted testing against reimbursement process for each transaction and noted that all the expenditure has been paid back by the cardholders with Statutory Declaration Form signed by the cardholder.

Suggested Improvement 1	Business	Given no requirement for a purchase order is needed for purchases valued at \$165 (GST inclusive) or less, EMRC considers ensuring purchase orders are only provided for goods and services expenditure over \$165 to ease the workload on the Finance Team.
Suggested Improvement 2	Business	Given the monthly payment of Corporate Credit Card accounts is to be certified by the Cardholder and the Cardholder's appropriate approving officer, the EMRC considers reminding all Cardholders and approving officers to perform the certification in a timely manner.
Suggested Improvement 3	Business	EMRC considers developing a formal register for credit card personal use in order to enhance management and record keeping of unauthorised/accidental credit card use.



PO Box 1908
West Perth WA 6872
Australia

Level 2, 40 Kings Park Road
West Perth WA 6005
Australia

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

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



**Eastern Metropolitan Regional Council
Review of Risk Management, Internal Control and
Legislative Compliance**

Internal Audit

September 2024

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1. EXECUTIVE SUMMARY

Introduction

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

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

As part of the Strategic Internal Audit Plan 2020/2021 – 2025/26 a review of Risk Management Internal Controls, and Legislative Compliance is conducted every three years. The audit will cover the period 1 July 2023 to 30 June 2024. As part of *the Local Government (Audit) Regulations 1996 r.17*, EMRC has appointed Stantons to undertake a review of the appropriateness and effectiveness of the Council's Risk Management, Legislative Compliance, and Internal Controls.

Audit Objective:

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

Stantons will be focusing on the following areas to assess the appropriateness and effectiveness of the Council's systems and procedures.

- Risk Management – To determine if the Council has effective risk management systems that allows the identification, assessment and management of risks and reporting of risks to an appropriate level.
- Legislative Compliance – To determine if compliance program allows the meeting of legislative compliance and that suitable monitoring and reporting systems are in place. We will rely on our Corporate Governance audit relating to the review of the Compliance Audit Returns (CAR) and our work on reviewing the Corporate Governance Framework.
- Internal Control – To determine if an effective internal control system is in place that safeguards assets, ensures accurate and reliable financial reporting and promotes compliance with legislation and effective and efficient operation. We will use the work conducted from the Review of the Financial Management Systems and Procedures Audit to inform this area. Please refer to the separate internal audit report covering this area.

Scope of works

The audit period will be 1 July 2023 to 30 June 2024.

2. OVERALL AUDIT OUTCOMES AGAINST AUDIT SCOPE OF WORKS

Overall Risk Rating

Scope Report Reference	Audit Scope	Outcomes	Risk Rating
8.1	Risk Management	Achieved	N/A
8.2	Legislative Compliance	Achieved	N/A
8.3	Internal Control	Achieved	N/A

Overall Outcome

Based on the financial management related internal audits already performed during 2022/23 to 2023/24 plus the three additional areas for the Regulation 5 audit, and our assessment of risk management and legislative compliance, we can conclude that EMRC have appropriate and effective controls relating to risk management, legislative compliance, and internal controls as required to be assessed under the Local Government Local Government (Audit) Regulations 1996 r.17.

3. SUMMARY OF FINDINGS

1. No findings were made.

4. RECOMMENDATIONS

1. No recommendations were made.

5. BUSINESS IMPROVEMENTS

1. It is suggested that EMRC conducts regular checks and provides reminders to ensure actions to be undertaken against all strategic risks are done before the review due date

6. OVERALL COMMENTS

Eastern Metropolitan Regional Council - Management Comments

We thank the Audit team for their review of risk management, internal control and legislative compliance.

While the CAMMs system emails out automated prompt reminders to review and update the risk treatments, we acknowledge that timely and friendly personal follow-ups will be required to ensure adherence to the timely review and reporting process.

Stantons - Audit Management Comments

We note that EMC have acknowledged that timely and friendly personal follow-ups will be required to ensure adherence to the timely review and reporting process for strategic risks. Stantons would like to thank all the team at EMRC, especially the Chief Financial Officer for his invaluable assistance with the audit.

7. RISK RATING AND DEFINITIONS

Risk Ratings and Interpretations

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

DISCLAIMER, BASIS OF AUDIT AND LIMITATIONS

DISCLAIMER

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

BASIS OF AUDIT

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

INHERENT LIMITATIONS

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation.

Report Release

Released by (Name): James Cottrill

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

Signature:



Date: 19 September 2024

8. DETAILED AUDIT ASSESSMENT

8.1 RISK MANAGEMENT.

Overall Outcome	A robust risk management framework and processes are in place at the EMRC ensuring a strong risk management regime.
------------------------	---

Audit obtained and reviewed the Council Policy 7.1 Risk Management and noted that the Policy was adopted on 8 December 2020 and last reviewed on 22 August 2024 and will be next reviewed as four-year cycle in 2028 or earlier as required.

The Policy specifies that the EMRC is to identify potential risks prior to occurrence so that impacts can be minimised, or opportunities realised, ensuring that the EMRC achieves Strategic and Corporate objectives efficiently, effectively, and within good corporate governance principles, and in accordance with the AS/NZS ISO 31000:2018 Risk Management – Guidelines, in terms of:

- Optimising the achievement of the EMRC's values, strategies, goals, and objectives
- Aligning with and assisting the implementation of EMRC policies
- Providing transparent and formal oversight of the risk and control environment enabling effective decision-making
- Reflecting risk versus return considerations within the EMRC's risk appetite
- Embedding appropriate and effective controls to mitigate risks
- Achieving effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations
- Enhancing organisational resilience
- Identifying and providing for the continuity of critical operations.

The EMRC has quantified its broad risk appetite through the EMRC's Risk Assessment and Acceptance Criteria, as presented below.

Measures of Consequences

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

Measures of Likelihood

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

Risk Matrix

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

Risk Acceptance Criteria

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

Existing Control Ratings

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

Review of the EMRC Risk Management Framework noted that the EMRC has adopted a Three Lines of Defence model for the management of risk, ensuring roles, responsibilities and accountabilities for decision-making are structured to demonstrate effective governance and assurance, comprising:

- First Line of Defence – All operational areas of the EMRC with responsibility for ensuring that risks within their scope of operations are identified, assessed, managed, monitored, and reported
- Second Line of Defence – the Manager Procurement & Governance to draft and implement to governance procedures and provide the necessary tools and training to support the first line process
- Third Line of Defence – Internal and External Audit to provide independent assurance to the Council, Audit Committee and EMRC Management on the effectiveness of business operations and oversight frameworks.

The extract chart below illustrates the current operating structure for risk management within EMRC.

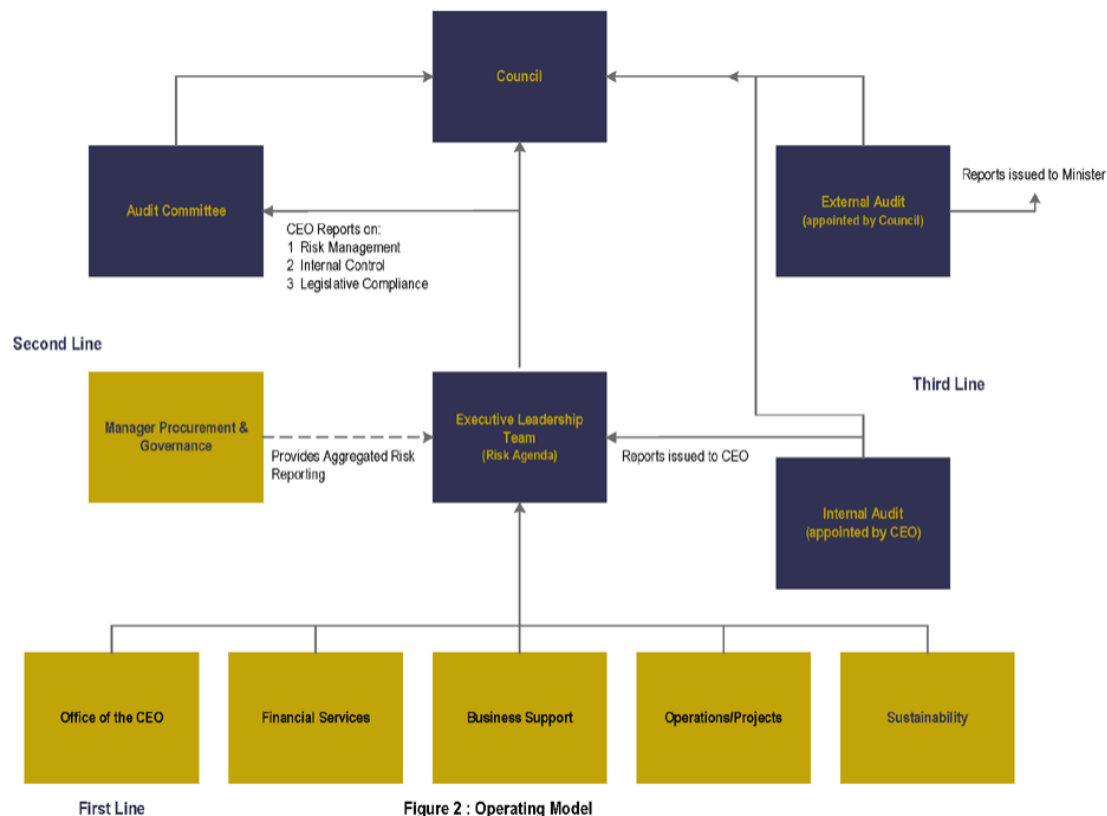


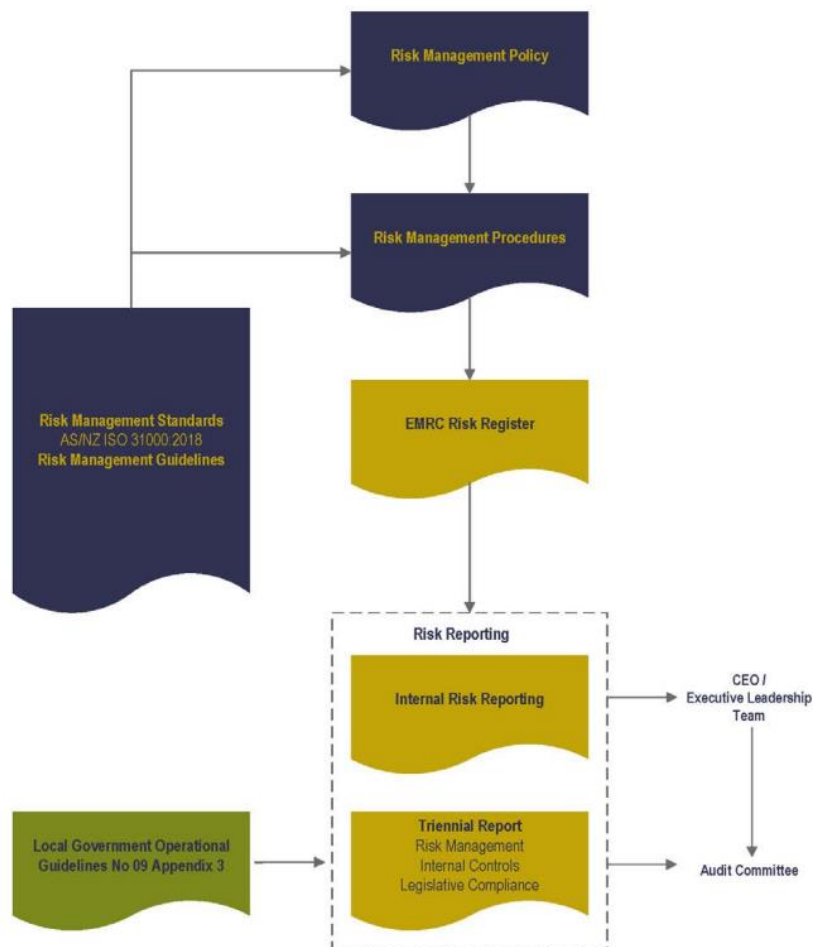
Figure 2 : Operating Model

Roles and responsibilities in risk management have been set up as follows.

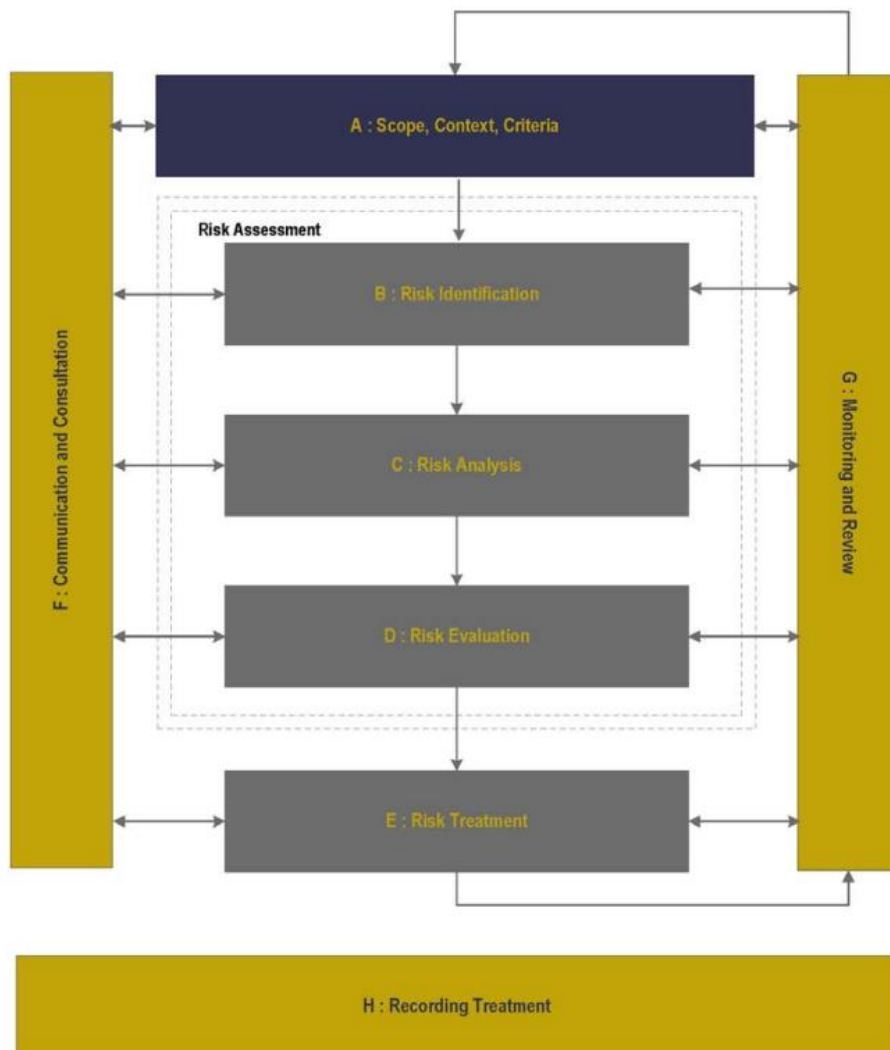
- Council:
 - ❖ Review and approve the EMRC's Risk Management Policy and Risk Assessment & Acceptance Criteria
 - ❖ Appoint / engage external Auditors to report on financial statements annually
 - ❖ Establish and maintain an Audit Committee in terms of the *Local Government Act 1995*
- Audit Committee:
 - ❖ Regular review of the appropriateness and effectiveness of the Framework
 - ❖ Support Council to provide effective corporate governance
 - ❖ Oversight of all matters that relate to the conduct of External Audits
 - ❖ Independent, objective and autonomous in deliberations

- CEO/Senior Management Team:
 - ❖ Appoint Internal Auditors as required under the *Local Government (Audit) Regulations 1996*
 - ❖ Liaise with Council in relation to risk acceptance requirements
 - ❖ Approve and review the appropriateness and effectiveness of the Risk Management Framework
 - ❖ Drive consistent embedding of a risk management culture
 - ❖ Analyse and discuss emerging risks, issues and trends
 - ❖ Document decisions and actions arising from risk-related matters
 - ❖ Own and manage the Risk Framework
- Manager Procedure and Governance:
 - ❖ Oversee and facilitate the Risk Management Framework
 - ❖ Support reporting requirements for risk-related matters
- Work Areas
 - ❖ Drive risk management culture within work areas
 - ❖ Own, manage and report on specific risk issues as required
 - ❖ Assist in the risk & controls management process as required
 - ❖ Highlight any emerging risks and issues accordingly
 - ❖ Incorporate risk management into meetings.

The following extract chart illustrates the relationship between the Risk Management Policy, Procedures and supporting documentation and reports.



All work areas of the EMRC are required to assess and manage risk on an ongoing basis and the risk management process is standardised across all areas of the EMRC, as presented in the extract chart below.



There are twenty-eight (28) strategic risks identified by the ERMRC, comprising:

- SR-1 Excessive Employee Benefits Leave Liability
- SR-2 Inadequate succession planning
- SR-3 Ineffective Operational Reporting (timely and relevant)
- SR-4 Over-use of single-source suppliers
- SR-5 Legacy issues restricting innovation and performance
- SR-6 Under/poor performance
- SR-7 Reduced Grant Funding
- SR-8 Inadequate leachate control
- SR-9 Odour, noise, dust and traffic complaints
- SR-10 WWTE (Pyrolysis) Project underperformance
- SR-11 Fire in Operational sites
- SR-12 By-passing established Tender or Procurement procedures
- SR-13 Cyber attack
- SR-14 Poor Stakeholder Engagement
- SR-15 By-passing established administrative (non-financial) procedures
- SR-16 Injury to Operational Field Officers

- SR-17 COVID-19 Infection
- SR-18 Capex project objectives/targets not achieved
- SR-19 Licencing conditions breach
- SR-20 Lack of interests from Member Councils regarding Sustainability Programs
- SR-21 Employment related litigation
- SR-22 Sub-surface landfill fires
- SR-23 Methane gas explosion
- SR-24 Light vehicle or pedestrian interaction with heavy equipment
- SR-25 Fraudster changing a Creditor's bank account details
- SR-26 No schedule maintenance program for all buildings
- SR-27 Intentional activities in excess of delegated authority (PID officer)
- SR-28 Large numbers of Ibis and Pelicans scavenging on open lip face.

Through enquiry with the Chief Financial Officer, it was noted that there are no new risks identified in the past few financial years as the risk management framework has been reformatted on 3 December 2020 with focus on the current twenty-eight (28) strategic risks.

The CAMMS risk management software is in use at the EMRC for management and monitoring of strategic risks, in terms of initial rating, residual rating, future rating, and risk appetite. Upon walkthrough against the CAMMS risk software, we noted that each risk owner is able to set out an action plan with associated progress status to enhance internal controls and mitigate risk level against each identified strategic risk. However, review of SR-10 WWTE (Pyrolysis) Project underperformance appears not to have been conducted as required and is beyond the next review date (16 July 2024).

Four (4) committee members, four (4) deputy members and four (4) second deputy members have been appointed by the EMRC for a period of two (2) years to form the Audit Committee (AC) to assist with the effective conduct of its responsibilities for financial reporting, management of risk and maintaining a reliable system of controls, and the co-ordination of relevant activities of management, compliance, internal audit, external audit and facilitation of achieving overall organisation objectives in an efficient and effective manner. The main accountabilities of the AC include:

- reviewing the scope of the internal audit plan and programme and the effectiveness of the function
- critically analysing and following up any internal or external audit report that raises significant issues relating to risk management, internal control, financial reporting and other accountability or governance issues
- monitoring the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems
- monitoring ethical standards and related party transactions by determining whether the systems of control are adequate
- review Council's draft annual financial report
- recommending adoption of the annual financial report to Council
- discussing with the external auditor the scope of the audit and the planning of the audit
- discussing with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters
- identifying and referring specific projects or investigations deemed necessary through the Chief Executive Officer, the internal auditor and the Council if appropriate
- addressing issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of the Committee's Terms of Reference.

The EMRC has also in place a Business Continuity Plan and Disaster Recovery Planning in the event that the EMRC's Ascot Place building is destroyed or otherwise made uninhabitable (i.e., major fire) with a variety of action plans able to undertake, e.g., contacting State Utilities and Services, arranging for the recovery of intact assets, arranging alternative accommodation, etc.

In terms of controls over fraud risk, Audit obtained and reviewed the Management Guideline Misconduct, Corruption and Fraud Control and noted that the Guideline was adopted on 1 December 2020 and supposed to be reviewed in March 2024 but is still in progress. The Guideline specifies that the EMRC has zero-tolerance to Misconduct, Corruption and Fraud, and is committed to maintaining an organisational culture which will ensure that effective misconduct, corruption and fraud control is an integral part of all EMRC activities. The following principles are applied in misconduct, corruption and fraud control:

- The EMRC operates in an environment where ethical conduct is expected, encouraged and supported with zero tolerance for any aspect of misconduct, corruption and/or fraud
- EMRC employees are placed in a position of trust and are required to maintain and enhance public confidence and integrity of the EMRC in all aspects of their role
- The EMRC encourages all employees to report suspected misconduct, corruption, and/or fraud, allowing the EMRC to investigate thoroughly and take appropriate action to minimise and/or eliminate the misconduct, corruption, and/or fraud
- The EMRC is to investigate and manage all reported cases of misconduct, corruption and/or fraud in accordance with the EMRC's Management Guideline – Managing Disciplinary Issues and in line with applicable legislative requirements
- The EMRC is to ensure that it has effective operational controls and procedures/management practices in place to prevent, detect, and report and investigate incidents of misconduct, corruption and fraud in accordance with the Australian Standard 8001-2008.

In relation to management of work health and safety, review of the Council Policy 7.2 Work Health and Safety noted that the Policy was endorsed on 22 September 2005 and last reviewed on 22 June 2023 and will be next reviewed in June 2027. The Policy specifies that the EMRC is committed to the safety and health of its workers, contractors, volunteers and the general public who visit workplaces or have the potential to be affected by relevant activities, in accordance with the following legislation:

- *Work Health and Safety Act 2020*
- *Work Health and Safety Regulations 2022*
- Guidance Material (Codes or practice, guidance notes, Australian and International Standards)
- *Workers Compensation and Injury Management Act 1981*
- *Workers Compensation and Injury Management Regulations 1982*
- *Workers Compensation Code of Practice (Injury Management) 2005.*

Overall, there is a strong regime for risk management.

Suggested Improvement 1	Business It is suggested that EMRC conducts regular checks and provides reminders to ensure actions to be undertaken against all strategic risks are done before the review due date.
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8.2 LEGISLATIVE COMPLIANCE.

Overall Outcomes	There is good legislative compliance at EMRC as well as a robust process/structure in place to ensure keeping up-to-date legislative changes.
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Audit obtained and reviewed the Council Policy 2.1 Committees of Council and noted that the Policy was endorsed on 8 December 1994 and last reviewed on 22 February 2024 and will be next reviewed following the Local Government Elections in 2025. The Policy specifies that the Council is to maintain an Audit Committee, a Chief Executive Officer Performance Review Committee and a Legal Committee and determine a Terms of Reference for each of the established committees. The committees are designed to play an important part in the corporate decision-making process on a variety of matters and are designed to report on recommendations to Council of an advisory nature, in accordance with the *Local Government Act 1995* and the *Local Government (Administration) Regulations 1996*.

The Audit Committee (AC) comprises of four (4) committee members, four (4) deputy members and four (4) second deputy members from each member Council for a period of two (2) years following each ordinary Council election. The AC is to assist Council with the effective conduct its responsibilities for financial reporting, management of risk and maintaining a reliable system of controls and the co-ordination of relevant activities management, compliance, internal audit, external audit and the facilitation of achieving overall organisational objectives in an efficient and effective manner.

Review of the Unconfirmed Minutes Audit Committee 6 June 2024 noted that the AC recommends that Council by absolute majority adopts the Corporate Business Plan 2024/2025 to 2028/2029 in accordance with r.19DA(6) of the *Local Government (Administration) Regulations 1996* and adopts the EMRC 2024/2025 Annual Budget and supporting schedules in accordance with section 6.2(1) of the *Local Government Act 1995* and *Local Government (Financial Management) Regulations 1996* with a copy of the 2024/2025 Annual Budget being submitted to the Departmental CEO, Department of Local Government, Sport and Cultural Industries, within fourteen (14) days of its adoption by Council, in accordance with Regulation 33 of the *Local Government (Financial Management) Regulations 1996*.

The Chief Executive Officer Recruitment Committee (CEORC) comprises of four (4) Councillor members to exercise the powers and functions of Council in respect of the recruitment and selection of the Chief Executive Officer in accordance with the requirements of the *Local Government Act 1995* and *Local Government (Administration) Regulations 1996*.

In relation to keeping up to date with legislative changes, there are various update emails provided to EMRC chiefs and managers from the Department of Local Government, Sport and Cultural Industries, LG Professionals WA, and Western Australia Local Government Association (WALGA). Legislative updates are also able to be identified by the EMRC via Government Gazettes from State Law Publisher on a weekly basis as well as Chiefs and/or managers' attendance at relevant seminars and webinars.

EMRC staff are informed of their legislative responsibilities through Council Policies and Management Guidelines available on the EMRC intranet. The Council Policies and Management Guidelines are constantly reviewed and updated by the Executive Management Team and endorsed by the Council to reflect all legislative changes.

Through discussion with the Chief Financial Officer, it was confirmed that a EMRC Council Policy Review Timetable is maintained by the CFO with review and update of Council Policies on a four-year basis, where review is scheduled every three (3) years plus one (1) year buffer

period for unforeseen delays or necessary changes. There is a total of thirty-one (31) Council Policies to be reviewed and updated, covering seven (7) areas comprising:

- Management Policies (10)
- Council and Committee Policies (3)
- Financial Policies (7)
- Staff Policies (5)
- Waste Policy (1)
- Conference Policies (2)
- Risk Management Policies (3).

EMRC are also aware of their legislative obligations for all operational areas and relevant legislation relating to occupational health and safety, environmental obligations, handling of waste, etc., is referenced in the various policies and procedures.

In terms of the Compliance Audit Return (CAR), we have examined this previously as part of an internal audit over Corporate Governance. We noted that the returns are completed in a timely manner and the answers demonstrate compliance with legislative requirements.

No issues were noted.

8.3 INTERNAL CONTROL.

Overall Outcomes	Based on the financial management related internal audits already performed during 2022/23 to 2023/24 and the additional three areas assessed, we can conclude that EMRC have appropriate and effective controls in relation to financial management systems and procedures including internal controls as required to be assessed under the Local Government (Financial Management) Regulations 1996 r.5(2).
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During the 2022/23 and 2023/24 Financial Year, Stantons has already conducted several internal audits and we have placed reliance on this work for the financial management components as required per the *Local Government (Financial Management) Regulations 1996 r.5(2)*.

The financial management related internal audits already performed include:

- Contract Management (2022/23)
- Expenditure and Payments (2022/23 & 2023/24)
- Fringe Benefits Tax (FBT) (2022/23)
- Goods and Services Tax (GST) (2022/23)
- Human Resource Management (2022/23)
- IT General Controls (2023/24)
- Payroll (2022/23 & 2023/24)
- Revenue, Receipting and Accounts Receivable (2023/24).

Stantons then audited the following areas in 2024/2025 that either were yet to be assessed in full or have only partially assessed in relation to the appropriateness and effectiveness of the financial management systems and procedures including internal controls:

- Asset Management
- Banking
- Credit Cards.

The outcome of these audits revealed no issues. There were some business improvement suggestions made.

Please refer to the Review of Financial Management Systems and Procedures internal audit report for full details.

No issues were noted.

12.4 RISK MANAGEMENT UPDATE

D2024/24989 (AC) | D2024/27578

PURPOSE OF REPORT

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

KEY POINT(S)

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

RECOMMENDATION(S)

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

SOURCE OF REPORT

Chief Financial Officer

BACKGROUND

- 1 At the Ordinary Council meeting on 22 August 2024 it was resolved inter alia that (D2024/21002):
 2. *COUNCIL ADOPTS THE COUNCIL POLICY 7.1 - RISK MANAGEMENT AS REVIEWED AND AMENDED FORMING ATTACHMENT 5 TO THIS REPORT.*
- 2 The EMRC has quantified its broad risk appetite through the EMRC's risk assessment and acceptance criteria. The criteria are included within the EMRC's Risk Management Policy, Risk Management Framework and the Risk Appetite Statement.
- 3 The EMRC continues to monitor and review process and to report on the progress of its achievement of the risk management objectives, the management of individual risks and the ongoing identification of issues and trends.
- 4 The last risk performance objectives were reported to the Audit Committee and Council in June 2024 (D2024/10571).

REPORT

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

Risk Code	Risk Title	Risk Owner	Risk Status Update
SR-1	Excessive Employee Benefits leave liability	Chief Executive Officer	Introduced Competency Framework Management Guideline, monthly Executive Leadership Team reporting and included this into performance reviews.
SR-2	Inadequate succession planning	Chief Executive Officer	Internal promotions increasing.
SR-3	Ineffective Operational Reporting (timely and relevant)	Chief Operating Officer	All reports are effective with clear KPI's. The effectiveness of the reports is tested regularly.
SR-4	Over-use of single-source suppliers	Chief Financial Officer	On-going review by the EMRC officers particularly the Operations and Procurement Teams. Other suppliers have been utilised to reduce over-reliance on single-source suppliers and to ensure best value outcomes for the EMRC
SR-5	Legacy issues restricting innovation and performance	Chief Executive Officer	Business improvement is now an agenda item at monthly Executive Leadership Team meetings. New revenue and value add to member councils observing budget restraints are mainstream now.
SR-6	Under/poor performance	Chief Executive Officer	Performance management system is undertaken on ongoing basis and poor performance is dealt with on a case-by-case basis.
SR-7	Reduced Grant Funding	Chief Sustainability Officer	All opportunities are explored to secure external funding in order to deliver quality programs to member councils and to continue regional advocacy.

Risk Code	Risk Title	Risk Owner	Risk Status Update
SR-8	Inadequate leachate control	Chief Operating Officer	Leachate controls put in place are deemed adequate. The leachate ponds are monitored on a daily basis. All inspections and controls are in place. The deepening of the second main leachate pond provides additional storage capacity. Minor decrease in risk.
SR-9	Odour, noise, dust and traffic complaints	Chief Operating Officer	Internal processes that allow neighbours and others to report on any of these issues. All complaints are acted on within a timely manner and signed off by both the Site Manager and Chief Operating Officer and filed in accordance with EMRC's internal requirements. Some improvements to FOGO processing have reduced odour issues which has decreased the risk of these complaints.
SR-10	WWTE (Pyrolysis) Project underperformance	Chief Operating Officer	Project now managed by EMRC WWTE Project Manager. Stage 1 & 2 'Construction' is complete. Verification of instrumentation completed. Tender for commissioning of Stage 1 & 2 awarded and commenced September 2024.
SR-11	Fire in operational sites	Chief Operating Officer	All inductions and internal processes are adequate to manage all EMRC sites in the unlikely event of a fire on site. This includes all reporting requirements.
SR-12	By-passing established Tender or Procurement procedures	Chief Financial Officer	An online training for procurement procedures has been effective in ensure a minimum level of understanding and knowledge of statutory requirements. Audit reviews have also been undertaken to ensure compliance and that best practice principles are maintained.
SR-13	Cyber attack	Chief Financial Officer	Ongoing testing and system updates are undertaken to ensure a high level of security is maintained. Internal Audit on the IT general controls and IT vulnerability assessment have been completed in this past quarter.
SR-14	Poor Stakeholder Engagement	Chief Executive Officer	2023 Stakeholder Perception Review showed remarkable year on year improvement.
SR-15	By-passing established administrative (non-financial) procedures	Chief Financial Officer	An internal audit review was undertaken of the appropriateness and effectiveness of the financial management systems and procedures of the EMRC as well as a review on the appropriateness and effectiveness of the local government's systems in regard to risk management, internal control and legislative compliance were undertaken.
SR-16	Injury to Operational Field Officers	Chief Executive Officer	MYOSH being implemented to assist in recording hazards, incidents and risks.

Risk Code	Risk Title	Risk Owner	Risk Status Update
SR-17	COVID-19 Infection	Chief Executive Officer	COVID cases remain in the community and employees testing positive are requested to work from home if possible or for operational employees are requested to stay at home until they test negative. EMRC offers flu shots for all employees to assist them in dealing with other infectious diseases.
SR-18	Capex project objectives/targets not achieved	Chief Sustainability Officer	All Requests For Information (RFI) have been submitted and the Section 38 APCr plant Environmental Review Document (ERD) was updated by Talis and resubmitted in early October 2023. The Section 43A APCr Monocell has been accepted by EPA and will be considered simultaneously with the APCr plant application. The FOGO RRF Section 45C (changes in processing technology and expiry date) has been approved by EPA in November 2023. Section 38 Harmonisation application to be withdrawn and reassessed and updated to reflect recent changes. EMRC met with DWER to discuss the possibility of the next Class IV General Contaminated Waste cell being assessed under Part V of the EP Act. EPA has recommended application be made under Section 45C. Talis has been commissioned to complete the application which will be submitted September/October 2024.
SR-19	Licencing conditions breach	Chief Sustainability Officer	The Red Hill Licence has been reviewed and amended to include: all HHW categories, gas flare type and location, FOGO Interim Pad and increase acceptance of volumes and removal of dust conditions after successful dust monitoring regarding shredding of power poles. Site is now compliant with all current activities. The EMRC is in discussion with DWER on the possibility of changing Red Hill water monitoring requirements from being managed under Part IV to Part V to alleviate administrative burdens. Recent Hazelmere Licence amendment includes newly constructed transfer station. No notices of non-compliance were received in 2023.
SR-20	Lack of interest from Member Councils regarding Sustainability Programs	Chief Sustainability Officer	A focus on decarbonisation, circular economy, net zero, sustainability and resource recovery will help guide delivery of relevant programs and ensure alignment with the EMRC's endorsed Sustainability Strategy 2022/23 - 2026/2027.

Risk Code	Risk Title	Risk Owner	Risk Status Update
SR-21	Employment related litigation	Chief Executive Officer	Audits by LGIS and Internal auditors of management guidelines and procedures took place as well as training regarding employee relations, WHS and site procedures enforcement. Risk being reviewed/reclassified.
SR-22	Sub-surface landfill fires	Chief Operating Officer	There is a process in place in the unlikely event that there is a sub-surface fire. This process also includes the reporting of the actual incident, as well to the regulator as required under licence conditions. Re assessed risk rating and decreased both likelihood and consequence.
SR-23	Methane gas explosion	Chief Operating Officer	All areas are monitored on a daily basis by the EMRC site contractor (EDL) as well as EMRC site leaders. All inductions as well as EMRC's site emergency plan covers the requirements in the event of an incident. The EMRC conducts regular drills on evacuation procedures etc. This is to ensure that all personnel understand what is required in the unlikely event of a methane gas explosion. Emergency evacuation drills up to date.
SR-24	Light vehicle or pedestrian interaction with heavy equipment	Chief Operating Officer	All external visitors and contractors are inducted to ensure they are informed of all active operational areas. Suitable PPE must be worn if required and they are also issued with two-way radios and escorted safely by an EMRC site employee. No visitors and contractors are permitted to enter EMRC sites without being first inducted. Inductions cover off on all site requirements when it comes to light vehicles or pedestrian activity. There are set safety KPI's for all managers and leaders of the sites. This is to ensure that EMRC leaders auditing the process to ensure all processes are being adhered too. These results and mitigations are highlighted in regular operational reports. Consequence and risk were re assessed due to a potential rare likelihood of an incident with the treatment, however a high consequence outcome should an incident ever occur.
SR-25	Fraudster changing a Creditor's bank account details	Chief Financial Officer	The ongoing threats of phishing, scam emails remain a constant risk for the EMRC has demanded continued vigilance. Ongoing review of the approval processes for changing creditors bank account details and controls are in place.
SR-26	No scheduled maintenance program for all buildings	Chief Financial Officer	Funding in the 2024/2025 budget has factored in scheduled maintenance programs to improve asset conditions. This will reduce and minimise unscheduled repairs for all buildings.

Risk Code	Risk Title	Risk Owner	Risk Status Update
SR-27	Intentional activities in excess of delegated authority (PID Officer)	Chief Executive Officer	No PID's have been disclosed to the Officer.
SR-28	Large numbers of Ibis and Pelicans scavenging on open tip face	Chief Sustainability Officer	There are internal procedures in place to ensure that this is managed in accordance with EMRC's requirements. The Operations team is also supported by the Environmental team. No changes. Bird numbers are stable and tip face is managed by compaction and daily cover.

STRATEGIC/POLICY IMPLICATIONS

- 2 Reporting on EMRC Strategic Policy implications align with the Revised 10 Year Strategic Plan 2017 - 2027 and the Sustainability Strategy 2022/2023 – 2026/2027.

FINANCIAL IMPLICATIONS

- 3 Nil

SUSTAINABILITY IMPLICATIONS

- 4 Nil

RISK MANAGEMENT

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

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

MEMBER COUNCIL IMPLICATIONS

Member Council

Town of Bassendean
City of Bayswater
Shire of Mundaring
City of Swan

Implication Details

Nil



ATTACHMENT(S)

Current Risk Management Profile (D2024/27580)

VOTING REQUIREMENT

Simple Majority

RECOMMENDATION(S)

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

Cr Bowman queried the lack of changes in the updates provided for the strategic risk when compared to the last update. He gave the example of Risk SR-14 – Poor Stakeholder engagement. He reiterated his opinion he shared during previous meetings that the risks identified are operational risks rather than strategic risks.

The Acting CEO advised the updates reflect the most current information available. With regards to Risk SR-14, the major task and treatment is the Stakeholder Perception Survey which is undertaken biennially with the last being actioned in 2023. He reassured Councillors that actions are continually being undertaken to improve stakeholder engagement and gave the example of the proposed revised policy for community grants. The proposal for the policy to expand from Red Hill to the community surrounding the Hazelmere vicinity will be presented to the October round of meetings.

The Acting CEO also reminded the committee of the previous advice that the current set of strategic risks was developed with the support of an external risk expert consultant and was adopted by Council. The Acting CEO thanked Cr Bowman for his feedback and that it will be considered for the next review expected in 2025 which is timely with the appointment of a new CEO.

AC RECOMMENDATION(S)

MOVED CR SUTHERLAND

SECONDED CR POLIWKA

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

MOTION CARRIED 3/1
For: Crs Jeans, Poliwka, Sutherland
Against: Cr Bowman

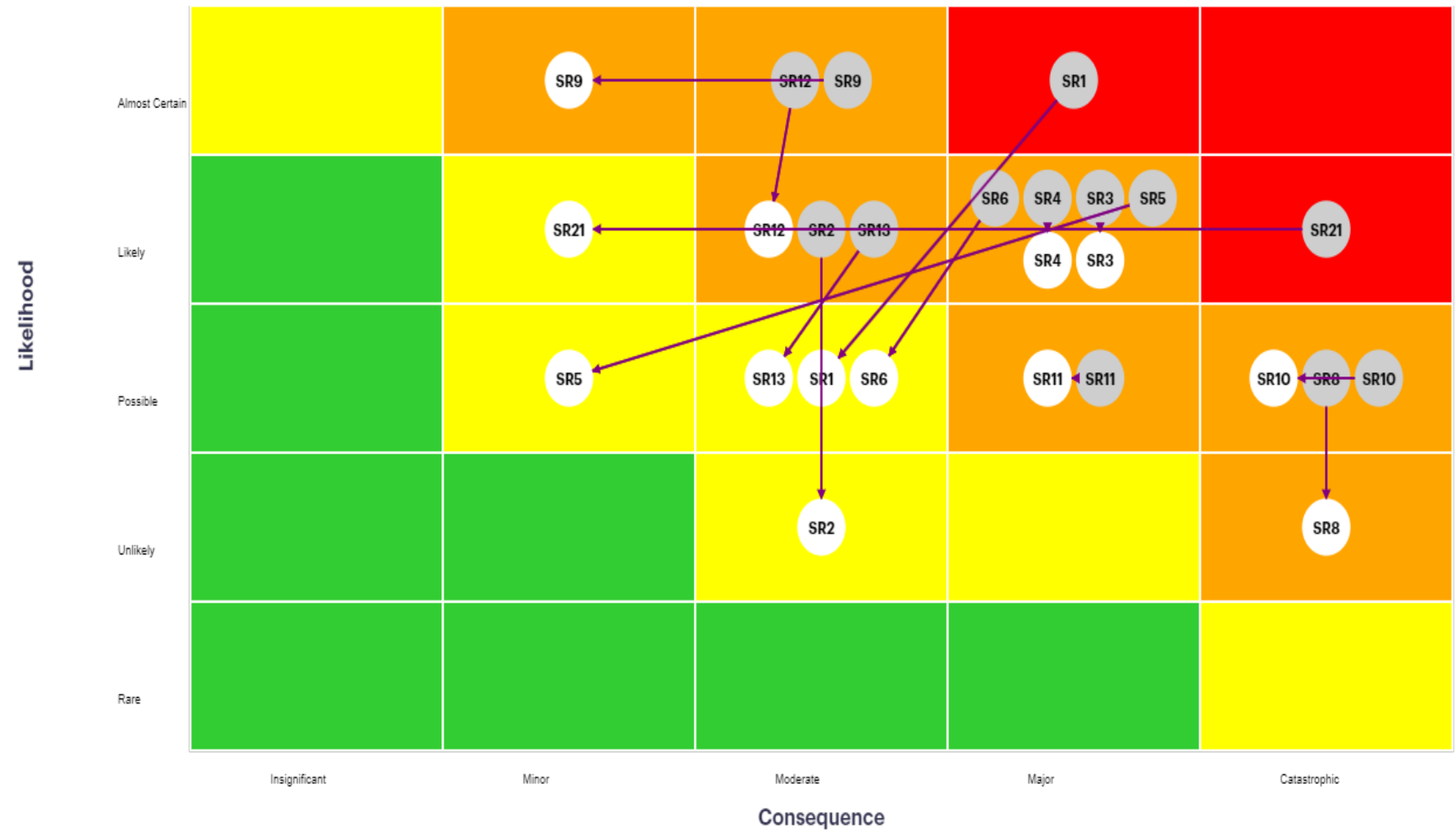
COUNCIL RESOLUTION(S)

MOVED CR JEANS

SECONDED CR BOWMAN

THAT COUNCIL NOTES THE UPDATE ON THE STATUS OF THE COUNCIL'S RISK MANAGEMENT PROFILE.

CARRIED UNANIMOUSLY



Risk Code	Risk Title
SR1	Excessive Employee Benefits leave liability
SR2	Inadequate succession planning
SR3	Ineffective Operational Reporting (timely and relevant)
SR4	Over-use of single-source suppliers
SR5	Legacy issues restricting innovation and performance
SR6	Under/poor performance
SR8	Inadequate leachate control
SR9	Odour, noise, dust and traffic complaints
SR10	WWTE (Pyrolysis) Project underperformance
SR11	Fire in operational sites
SR12	By-passing established Tender or Procurement procedures
SR13	Cyber attack
SR21	Employment related litigation



Risk Code	Risk Title
SR7	Reduced Grant Funding
SR14	Poor Stakeholder Engagement
SR15	By-passing established administrative (non-financial) procedures
SR16	Injury to Operational Field Officers
SR17	Covid-19 Infection
SR18	Capex project objectives/targets not achieved
SR19	Licencing conditions breach
SR20	Lack of interest from Member Councils regarding Sustainability Programs
SR22	Sub-surface landfill fires
SR23	Methane gas explosion
SR24	Light vehicle or pedestrian interaction with heavy equipment
SR25	Fraudster changing a Creditor's bank account details
SR26	No scheduled maintenance program for all buildings
SR27	Intentional activities in excess of delegated authority (PID Officer)
SR28	Large numbers of Ibis and Pelicans scavenging on open tip face

13 REPORTS OF DELEGATES

Nil

14 NEW BUSINESS OF AN URGENT NATURE

Nil

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

Nil

16 FUTURE MEETINGS OF THE AUDIT COMMITTEE

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

“4 Meetings

- 4.1 The Audit Committee will meet as required at the discretion of the chairperson of the committee and at least three times per year to coincide with:
- a. Approval of strategic and annual plans;
 - b. Approval of the annual budget; and
 - c. The auditor’s report on the annual financial report.”

Future Meetings 2024

Thursday 7 November (If Required) at EMRC Administration Office

17 DECLARATION OF CLOSURE OF MEETING

The Chair declared the meeting closed at 6:35pm.