# SECTION 15

D2026/24468

## Minutes of Committees

## Ordinary Meeting of Council

## 19 November 2026

## Item 15.1

## Audit, Risk and Improvement Committee Minutes

## 5 November 2026

# UNCONFIRMED

# MINUTES

D2026/24387 (ARIC) | D2026/24469

## Audit, Risk and Improvement Committee

## 5 November 2026

## Audit, Risk and Improvement Committee Members

| | | |
|---|---|---|
| Mr Frederic Ong | Presiding Member | Independent Member |
| Cr Paul Poliwka | Committee Member | Town of Bassendean |
| Cr Kathryn Hamilton | Committee Member | Town of Bassendean |
| Cr Filomena Piffaretti | Committee Member | City of Bayswater |
| Cr Steven Ostaszewskyj | Committee Member | City of Bayswater |

## Audit, Risk and Improvement Committee Deputies

| | | |
|---|---|---|
| Mr Mainuddin Bhuiyan | Deputy to the Presiding Member | Independent Deputy Member |
| Cr Jennie Carter | Deputy Committee Member | Town of Bassendean |
| Cr Michelle Sutherland | Deputy Committee Member | City of Bayswater |

# Audit, Risk and Improvement Committee

# 5 November 2026

The Audit, Risk and Improvement Committee meeting was held at the EMRC Administration Office, 1st Floor, 226 Great Eastern Highway, Ascot WA 6104 on Thursday, 5 November 2026. The meeting commenced at 6:00pm.

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# 1 DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

The Presiding Member opened the meeting at 6:00pm.

## 1.1 ACKNOWLEDGEMENT OF COUNTRY

We wish to acknowledge the traditional custodians of the land on which we meet, the Whadjuk people of the Noongar Nation, and to pay our respects to elders past, present and emerging.

## 1.2 ANNOUNCEMENT OF VISITORS

The Presiding Member welcomed Mr Aram Madnack - Director from the Office of the Auditor General, who joined the meeting online via TEAMS, Ms Iris Yap - Assistant Director from the Office of the Auditor General and Mr James Cottrill - Principal from Stantons to the meeting.

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

### Audit, Risk and Improvement Committee Members

| | | |
|---|---|---|
| Mr Frederic Ong | Presiding Member | Independent Member |
| Cr Kathryn Hamilton | Committee Member | Town of Bassendean |
| Cr Paul Poliwka | Committee Member | Town of Bassendean |
| Cr Steven Ostaszewskyj | Committee Member | City of Bayswater |

### Apologies

| | | |
|---|---|---|
| Cr Filomena Piffaretti | Committee Member | City of Bayswater |
| Cr Michelle Sutherland | Deputy Committee Member | City of Bayswater |

### EMRC Officers

| | |
|---|---|
| Mr Hua Jer Liew | Chief Executive Officer |
| Ms Kasa Nakhonthat | Acting Chief Financial Officer |
| Mr Stephen Conway | Chief Operating Officer |
| Mrs Le Truong | Acting Manager Financial Services |
| Mr David Schmidt | Manager Information Services |
| Miss Lacynthea Wiloepo | Management Accountant (Minutes) |

### Visitors

| | | |
|---|---|---|
| Mr Aram Madnack (via Teams at 6:01pm) | Director | Office of the Auditor General |
| Ms Iris Yap | Assistant Director | Office of the Auditor General |
| Mr James Cottrill | Principal | Stantons |

## 3 DISCLOSURE OF INTERESTS

### 3.1 MR HUA JER LIEW [CHIEF EXECUTIVE OFFICER] – FINANCIAL INTERESTS AND INTERESTS AFFECTING IMPARTIALITY

| | |
|---|---|
| Item: | 12.4 |
| Interest Type: | Financial and Impartiality |
| Subject: | Rostered Days Off (RDO) System Review |
| Nature of Interest: | Subject matter of the report has an impact on the officer and his accrued entitlements under his previous employment contract as CFO. |

### 3.2 MS KASA NAKHONTHAT [ACTING CHIEF FINANCIAL OFFICER/MANAGER FINANCIAL SERVICES] – FINANCIAL INTERESTS AND INTERESTS AFFECTING IMPARTIALITY

| | |
|---|---|
| Item: | 12.4 |
| Interest type: | Financial and Impartiality |
| Subject: | Rostered Days Off (RDO) System Review |
| Nature of Interest: | Subject matter of the report has an impact on the officer associated with her employment. |

## 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, RISK AND IMPROVEMENT COMMITTEE MEETING HELD ON 3 SEPTEMBER 2026 (D2026/20603)

That the minutes of the Audit, Risk and Improvement Committee meeting held on 3 September 2026 which have been distributed, be confirmed.

**AUDIT, RISK AND IMPROVEMENT COMMITTEE RESOLUTION**

MOVED CR OSTASZEWSKYJ SECONDED CR POLIWKA

THAT THE MINUTES OF THE AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING HELD ON 3 SEPTEMBER 2026 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 2026 (D2026/23934)

12.2 INTERNAL AUDIT REPORT 2025/2026 PROGRAM (D2026/23122)

12.3 DRAFT STRATEGIC INTERNAL AUDIT PLAN 2026/2027 – 2031/2032 (D2026/23294)

12.4 ROSTER DAY OFF (RDO) SYSTEM REVIEW (D2026/23384)

12.5 RISK MANAGEMENT UPDATE (D2026/23488)

## 12.1 ANNUAL FINANCIAL REPORT AND AUDIT REPORT FOR YEAR ENDED 30 JUNE 2026

## D2026/23934 (ARIC) | D2026/24470

### PURPOSE OF REPORT

The purpose of this report is to review and adopt Council's Annual Financial Report for the year ended 30 June 2026.

### KEY POINT(S)

- The Terms of Reference of the Audit, Risk and Improvement Committee (ARIC) 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) has completed the audit of the 2025/2026 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 2026 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 Exit Report to the Audit, Risk and Improvement Committee for the year ended 30 June 2026 forming attachment 2 of this report.

### SOURCE OF REPORT

| Employee Disclosure under s.5.70 of the *Local Government Act 1995* | | |
|---|---|---|
| **Author(s)** | Acting Chief Financial Officer | Nil |
| **Responsible Officer** | Chief Executive Officer | Nil |

### 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 ARIC includes a list of duties and responsibilities, among which (clauses 2.5 (a) and 2.6) 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 2025/2026 financial year was undertaken during June 2026 by 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 ARIC, 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. As there were no findings this year, there was no interim Audit Report issued by OAG.

8 The Annual Audit for the 2025/2026 financial year was undertaken during September and October 2026 by 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 2026, which is attached for Council adoption (refer attachment 1).

10 The following comments are provided on key elements of the financial results for 2025/2026:

### Statement of Comprehensive Income (page 3)

11 Total Revenue of $75,710,286 for the period ending 30 June 2026 is $3,726,928 above the 2024/2025 actual revenue and $12,289,660 above budget for 2025/2026.

12 Total Expenses of $62,923,612 is $19,868,960 below the 2024/2025 actual expenses and $2,402,626 above the budget for 2025/2026.

13 A profit of $153,457 was realised from the Disposal of Assets for the period ending 30 June 2026 compared to 2024/2025 actual loss on disposals of $281,258 and the budgeted profit for 2025/2026 of $61,217.

14 The changes in asset revaluation have resulted in an increase of $873,733 in 2025/2026 compared to an increase of $24,953,785 in 2024/2025. The significantly higher increase in 2024/2025 was primarily due to the asset revaluation undertaken during that financial year.

15 Total Comprehensive Income of $13,813,864 (surplus) for the period ending 30 June 2026 is $49,449 below the 2024/2025 result and $10,853,007 above the 2025/2026 budget.

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

16 Current assets as at 30 June 2026 of $99,309,883 have increased by $19,554,639 from the previous year's current assets of $79,755,244.

17 The overall impact on cash and cash equivalents and other financial assets at the close of the financial year of $92,663,693 is an increase of $18,856,476 compared to the previous year's cash and cash equivalents and other financial assets of $73,807,217.

18 Current liabilities as at 30 June 2026 of $37,677,015 have decreased by $7,884,845 compared to $45,561,860 as at 30 June 2025. The values for 2025/2026 include the provision for the City of Kalamunda payout of $26,500,000 recognised based on the best estimated entitlement and remained unpaid as at 30 June 2026.

19 Non-current liabilities have increased from $8,808,999 in 2024/2025 to $131,251,867 as at 30 June 2026. The increases include the provision for City of Swan payout of $99,265,759 and provision for Shire of Mundaring payout of $23,680,599. These provisions represent the discounted present value of its interest in the EMRC as at 30 June 2025 at the time of its withdrawal in accordance with the requirements of AASB 137 Provisions, Contingent Liabilities and Contingent Assets. Discounting has been applied to reflect the timing of the expected settlement under the Establishment Agreement which is as soon as practicable after 1 July 2027. These amounts will be adjusted once the final payment values have been finalised.

20 The balance in the Reserves has increased by $4,007,814 to $71,238,450 over the past 12 months.

21 Overall equity has decreased during the 2025/2026 financial year by $103,914,612 to $73,270,563.

**Cash Flow Statement (page 6)**

22 The overall impact on the cash position (cash + term deposit investments < 3 months) has increased from $11,307,217 in 2024/2025 to $30,663,693 at the end of the 2025/2026 financial year.

23 It should also be noted that other financial assets (term deposit investments > 3 months) have decreased by $500,000 to $62,000,000 from the total of $62,500,000 in 2024/2025.

24 Net Cash provided by Operating Activities of $23,127,155 in the 2025/2026 financial year reflects an increase of $5,851,812 from the cash generated in 2024/2025 of $17,275,343.

25 The cash flows utilised in investing activities for 2025/2026 financial year reflects capital expenditure totalling $4,514,680 compared to capital expenditure totalling $11,301,708 during 2024/2025.

26 Significant items of capital expenditure during the year included:

- Relocate Garden Organics Processing area - RHWMF - $1,359,378;
- Construct Class III Cell Stage 18 - RHWMF - $1,168,513;
- Construct Class III Cell Stage 19 - RHWMF - $761,716;
- Construct Access Road to Lots 8 9 10 - RHWMF - $248,466;
- Purchase / Replace Minor Plant and Equipment - RHWMF - $184,407;
- Purchase / Replace Miscellaneous Equipment - HRRP - $119,386;
- FOGO Picking Station - RHWMF - $105,438;
- Refurbish Plant - RHWMF - $101,305; and
- Gas Extraction System Wells - RHWMF - $75,035.

27 Significant capital items that were budgeted in 2025/2026 but not purchased, constructed below budget or construction not completed during the year included:

- FOGO Pad Cover & Associated Works - RHWMF - $1,795,606;
- Purchase / Replace Plant - RHWMF - $1,500,000 ($1,200,000 c/fwd);
- Construct Class III Cell Stage 18 - RHWMF - $1,419,860;
- Purchase / Replace Plant - HRRP - $550,000 ($500,000 c/fwd);
- Construct Waste Transfer Station - HRRP - $384,798;
- Construct Drainage Works to Lots 8 9 10 - RHWMF - $213,832;
- Purchase Information Technology & Communication Equipment - $176,000 ($138,000 c/wd);
- FOGO Pad Fence - RHWMF - $12,302;
- Project & Engineering Hazelmere - Construct Other - $117,540;
- Develop Lots 8 9 & 10 For Future Waste Activities - RHWMF - $100,000; and
- Construct Access Road to Lots 8 9 10 - RHWMF - $81,534.

28 The total funding for the majority of the capital items budgeted but not purchased or constructed in 2025/2026 has been carried forward into the future financial years totalling $6,566,721. Of this amount, $2,400,000 has been carried forwarded to 2026/2027 financial year. This amount has been included in the 2026/2027 Annual Budget adopted by the Council at its meeting on 25 June 2026.

**Reserves (page 43)**

29 At the end of the 2025/2026 financial year the amount held in Reserves (Note 28) increased by $4,007,814 to a balance of $71,238,450 compared to the 2024/2025 balance of $67,230,636 and higher than the 2023/2024 budget of $28,261,143 by $42,977,307.

30 In accordance with clause 6.5 of the ARIC Terms of Reference, an OAG representative will attend the ARIC meeting when the Committee reviews the Annual Financial Report.

## STRATEGIC/POLICY IMPLICATIONS

31 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

32 As outlined within the report and attachments.

## SUSTAINABILITY IMPLICATIONS

33 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.<br>➢ Internal Audit reviews to ensure compliance with Financial Regulations.<br>➢ External Audit confirms compliance. | | |

## MEMBER COUNCIL IMPLICATIONS

| Member Council | Implication Details |
|---|---|
| Town of Bassendean<br>City of Bayswater | Surplus in the EMRC will increase the value of the member Council's investment in the EMRC. |

## ATTACHMENT(S)

1. Annual Financial Report for the Year Ended 30 June 2026 (D2026/24471)
2. Audit Exit Report (D2026/24472)

## VOTING REQUIREMENT

Simple Majority

## RECOMMENDATION(S)

That:

1. Council adopts the audited Annual Financial Report for the year ended 30 June 2026 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 Exit Report to the Audit, Risk and Improvement Committee for the year ended 30 June 2026 forming attachment 2 of this report.

Mr Ong queried an apparent inconsistency within the Audit Exit Report, noting that the executive summary indicated there were no unadjusted audit differences, while a later section of the report identified an unadjusted difference of approximately of $1 million.

Mr Aram Matnack advised that the report contained an error and confirmed there was one unadjusted difference of approximately $1 million. He explained that this had been identified during a late amendment process and acknowledged the reporting inconsistency. A corrected copy will be sent.

Mr Ong also sought clarification regarding approximately $150 million in withdrawal liabilities and Council's capacity to meet those obligations given available cash reserves.

The CEO advised that provision had been made for the withdrawal liability relating to the City of Kalamunda. Consideration of withdrawal liabilities relating to the City of Swan and the Shire of Mundaring remained before Council. The EMRC held several strategic assets, including assets that may be considered for disposal. A confidential report will be presented to Council later this month in November 2026 regarding potential asset disposal options to assist in funding future obligations.

No further questions were raised.

## AUDIT, RISK AND IMPROVEMENT COMMITTEE RECOMMENDATION(S)

MOVED CR HAMILTON SECONDED CR OSTASZEWSKYJ

That:

1. Council adopts the audited Annual Financial Report for the year ended 30 June 2026 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 Exit Report to the Audit, Risk and Improvement Committee for the year ended 30 June 2026 forming attachment 2 of this report.

**CARRIED UNANIMOUSLY**

The Chairperson thanked Mr Aram Madnack - Director and Ms Iris Yap - Assistant Director from the Office of the Auditor General for their attendance and they departed the meeting at 6.07pm.

## COUNCIL RESOLUTION(S)

MOVED SECONDED

**EASTERN METROPOLITAN REGIONAL COUNCIL**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED 30 JUNE 2026**

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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 2026**

*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 2026 and the financial position as at 30 June 2026.

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

Signed on the 6 day of November 2026

**Chief Executive Officer**

**HUA JER LIEW**
**Name of Chief Executive Officer**

OAG AUDITED

**EASTERN METROPOLITAN REGIONAL COUNCIL**
**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 30 JUNE 2026**

| | NOTE | 2026 Actual | 2026 Budget | 2025 Actual |
|---|---|---|---|---|
| | | $ | $ | $ |
| **Revenue** | | | | |
| Fees and charges | 2(a) | 66,238,700 | 55,608,977 | 61,746,193 |
| Grants, subsidies and contributions | 2(a) | 2,529,636 | 3,986,038 | 2,455,983 |
| Interest revenue | 2(a) | 3,350,462 | 1,386,326 | 3,842,875 |
| Other revenue | 2(a) | 3,591,488 | 2,439,285 | 3,938,307 |
| | | 75,710,286 | 63,420,626 | 71,983,358 |
| **Expenses** | | | | |
| Employee costs | 2(b) | (12,897,445) | (15,855,118) | (15,013,193) |
| Materials and contracts | | (10,955,403) | (10,685,168) | (11,460,678) |
| Utility charges | | (515,299) | (542,444) | (476,627) |
| Depreciation | | (13,335,363) | (6,674,450) | (7,341,143) |
| Finance costs | 2(b) | (416,233) | 0 | (280,254) |
| Insurance | | (647,002) | (918,074) | (826,407) |
| Other expenditure | 2(b) | (24,156,867) | (25,845,732) | (26,689,933) |
| Work in progress write off | 2(b) | 0 | 0 | (20,704,337) |
| | | (62,923,612) | (60,520,986) | (82,792,572) |
| | | 12,786,674 | 2,899,640 | (10,809,214) |
| Profit on asset disposals | | 153,457 | 61,217 | 0 |
| Loss on asset disposals | | 0 | 0 | (281,258) |
| | | 153,457 | 61,217 | (281,258) |
| **Net result for the period** | 26(b) | **12,940,131** | **2,960,857** | **(11,090,472)** |
| **Other comprehensive income for the period** | | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | | |
| Changes in asset revaluation surplus | 17 | 873,733 | 0 | 24,953,785 |
| **Total other comprehensive income for the period** | 17 | **873,733** | **0** | **24,953,785** |
| **Total comprehensive income for the period** | | **13,813,864** | **2,960,857** | **13,863,313** |

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



**EASTERN METROPOLITAN REGIONAL COUNCIL**
**STATEMENT OF FINANCIAL POSITION**
**AS AT 30 JUNE 2026**

| | NOTE | 2026 | 2025 |
|---|---|---|---|
| | | $ | $ |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 3 | 30,663,693 | 11,307,217 |
| Other financial assets | 4(a) | 62,000,000 | 62,500,000 |
| Trade and other receivables | 5 | 6,497,891 | 5,795,731 |
| Inventories | 6 | 116,437 | 112,987 |
| Other assets | 7 | 31,862 | 39,309 |
| **TOTAL CURRENT ASSETS** | | 99,309,883 | 79,755,244 |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 8(a) | 105,219,310 | 111,377,495 |
| Infrastructure | 9(a) | 37,670,252 | 40,423,295 |
| **TOTAL NON-CURRENT ASSETS** | | 142,889,562 | 151,800,790 |
| **TOTAL ASSETS** | 26(c) | 242,199,445 | 231,556,034 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 12 | 7,602,127 | 9,434,712 |
| Other liabilities | 13 | 741,934 | 1,717,513 |
| Employee related provisions | 15 | 2,389,241 | 2,602,186 |
| Other provisions | 16 | 26,943,713 | 31,807,449 |
| **TOTAL CURRENT LIABILITIES** | | 37,677,015 | 45,561,860 |
| **NON-CURRENT LIABILITIES** | | | |
| Employee related provisions | 15 | 156,050 | 202,039 |
| Other provisions | 16 | 131,095,817 | 8,606,960 |
| **TOTAL NON-CURRENT LIABILITIES** | | 131,251,867 | 8,808,999 |
| **TOTAL LIABILITIES** | | 168,928,882 | 54,370,859 |
| **NET ASSETS** | | 73,270,563 | 177,185,175 |
| **EQUITY** | | | |
| Retained surplus | | (56,795,548) | 47,656,865 |
| Reserve accounts | 28 | 71,238,450 | 67,230,636 |
| Revaluation surplus | 17 | 58,827,661 | 62,297,674 |
| **TOTAL EQUITY** | | 73,270,563 | 177,185,175 |

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

OAG AUDITED

**EASTERN METROPOLITAN REGIONAL COUNCIL**
**STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 30 JUNE 2026**

| | NOTE | RETAINED SURPLUS | RESERVE ACCOUNTS | REVALUATION SURPLUS | TOTAL EQUITY |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| **Balance as at 1 July 2024** | | **75,389,318** | **45,552,164** | **37,597,986** | **158,539,468** |
| Comprehensive income for the period | | | | | |
| Net result for the period | | (11,090,472) | 0 | 0 | (11,090,472) |
| Other comprehensive income for the period | | | | | |
| Movement in site rehabilitation and environmental monitoring provisions | 17 | 0 | 0 | (1,147,560) | (1,147,560) |
| Total comprehensive income for the period | | (11,090,472) | 0 | (1,147,560) | (12,238,032) |
| Transfers from reserve accounts | 28 | 50,071,442 | (50,071,442) | 0 | 0 |
| Transfers to reserve accounts | 28 | (71,749,914) | 71,749,914 | 0 | 0 |
| Revaluation surplus reversal | 17 | 254,097 | 0 | (254,097) | 0 |
| Movement in revaluation surplus | 17 | 0 | 0 | 26,101,345 | 26,101,345 |
| Provision for City of Kalamunda payout | 16, 22 | (999,667) | 0 | 0 | (999,667) |
| Discount on Provision for City of Belmont payout | 16, 22 | 5,782,061 | 0 | 0 | 5,782,061 |
| **Balance as at 30 June 2025** | | **47,656,865** | **67,230,636** | **62,297,674** | **177,185,175** |
| Comprehensive income for the period | | | | | |
| Net result for the period | | 12,940,131 | 0 | 0 | 12,940,131 |
| Other comprehensive income for the period | | | | | |
| Movement in site rehabilitation and environmental monitoring provisions | 17 | 0 | 0 | 873,733 | 873,733 |
| Total comprehensive income for the period | | 12,940,131 | 0 | 873,733 | 13,813,864 |
| Transfers from reserve accounts | 28 | 11,039,200 | (11,039,200) | 0 | 0 |
| Transfers to reserve accounts | 28 | (15,047,014) | 15,047,014 | 0 | 0 |
| Revaluation surplus reversal | 17 | 2,163 | 0 | (2,163) | 0 |
| Movement in revaluation surplus | 17 | 4,341,583 | 0 | (4,341,583) | 0 |
| Discount on provision for City of Kalamunda payout | 16, 22 | 5,217,882 | 0 | 0 | 5,217,882 |
| Provision for City of Swan payout | 16, 22 | (99,265,759) | 0 | 0 | (99,265,759) |
| Provision for Shire of Mundaring payout | 16, 22 | (23,680,599) | 0 | 0 | (23,680,599) |
| **Balance as at 30 June 2026** | | **(56,795,548)** | **71,238,450** | **58,827,661** | **73,270,563** |

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

OAG AUDITED

**EASTERN METROPOLITAN REGIONAL COUNCIL**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 30 JUNE 2026**

| | NOTE | 2026 Actual | 2025 Actual |
|---|---|---|---|
| | | $ | $ |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Receipts** | | | |
| Fees and charges | | 65,548,052 | 62,136,682 |
| Grants, subsidies and contributions | | 2,529,636 | 2,455,983 |
| Interest revenue | | 3,338,948 | 3,906,066 |
| Goods and services tax received | | 7,241,749 | 6,730,175 |
| Other revenue | | 3,591,488 | 3,938,307 |
| | | 82,249,873 | 79,167,213 |
| **Payments** | | | |
| Employee costs | | (12,995,054) | (14,303,751) |
| Materials and contracts | | (15,929,199) | (15,429,690) |
| Utility charges | | (515,299) | (476,627) |
| Insurance paid | | (647,002) | (826,407) |
| Goods and services tax paid | | (4,879,297) | (4,165,462) |
| Other expenditure | | (24,156,867) | (26,689,933) |
| | | (59,122,718) | (61,891,870) |
| **Net cash provided by/(used in) operating activities** | 18(b) | 23,127,155 | 17,275,343 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for purchase of property, plant & equipment | 8(a) | (573,904) | (6,269,197) |
| Payments for construction of infrastructure | 9(a) | (3,940,776) | (5,032,511) |
| Proceeds from sale of property, plant & equipment | | 244,000 | 201,500 |
| Net proceeds/(payments) for financial assets at amortised cost | | 500,000 | (2,000,000) |
| **Net cash provided by/(used in) investing activities** | | (3,770,680) | (13,100,208) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Dividend distribution to Member Councils | | 0 | (5,000,000) |
| City of Belmont's equity payout | | 0 | (15,218,456) |
| **Net cash provided by/(used In) financing activities** | | 0 | (20,218,456) |
| **Net increase/(decrease) in cash held** | | 19,356,476 | (16,043,321) |
| Cash at beginning of year | | 11,307,217 | 27,350,538 |
| **Cash and cash equivalents at the end of the year** | 18(a) | 30,663,693 | 11,307,217 |

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 2026**

| | NOTE | 2026 Actual | 2026 Budget | 2025 Actual |
|---|---|---|---|---|
| | | $ | $ | $ |
| **OPERATING ACTIVITIES** | | | | |
| **Revenue from operating activities** | | | | |
| Fees and charges | | 66,238,700 | 55,608,977 | 61,746,193 |
| Grants, subsidies and contributions | | 2,529,636 | 3,986,038 | 2,455,983 |
| Interest revenue | | 3,350,462 | 1,386,326 | 3,842,875 |
| Other revenue | | 3,591,488 | 2,439,285 | 3,938,307 |
| Profit on asset disposals | | 153,457 | 61,217 | 0 |
| | | 75,863,743 | 63,481,843 | 71,983,358 |
| **Expenditure from operating activities** | | | | |
| Employee costs | | (12,897,445) | (15,855,118) | (15,013,193) |
| Materials and contracts | | (10,955,403) | (10,685,168) | (11,460,678) |
| Utility charges | | (515,299) | (542,444) | (476,627) |
| Depreciation | | (13,335,363) | (6,674,450) | (7,341,143) |
| Finance costs | | (416,233) | 0 | (280,254) |
| Insurance | | (647,002) | (918,074) | (826,407) |
| Other expenditure | | (24,156,867) | (25,845,732) | (26,689,933) |
| Loss on asset disposals | | 0 | 0 | (281,258) |
| Work in progress write off | | 0 | 0 | (20,704,337) |
| | | (62,923,612) | (60,520,986) | (83,073,830) |
| Non-cash amounts excluded from operating activities | 27(a) | 13,552,151 | 8,631,722 | 28,623,276 |
| **Amount attributable to operating activities** | | 26,492,282 | 11,592,579 | 17,532,804 |
| **INVESTING ACTIVITIES** | | | | |
| **Inflows from investing activities** | | | | |
| Proceeds from disposal of assets | | 244,000 | 160,000 | 201,500 |
| | | 244,000 | 160,000 | 201,500 |
| **Outflows from investing activities** | | | | |
| Purchase of property, plant and equipment | 8(a) | (573,904) | (3,910,450) | (6,269,197) |
| Purchase and construction of infrastructure | 9(a) | (3,940,776) | (7,170,950) | (5,032,511) |
| | | (4,514,680) | (11,081,400) | (11,301,708) |
| **Amount attributable to investing activities** | | (4,270,680) | (10,921,400) | (11,100,208) |
| **FINANCING ACTIVITIES** | | | | |
| **Inflows from financing activities** | | | | |
| Transfers from reserve accounts | 28 | 11,039,200 | 18,427,499 | 50,071,442 |
| | | 11,039,200 | 18,427,499 | 50,071,442 |
| **Outflows from financing activities** | | | | |
| Transfers to reserve accounts | 28 | (15,047,014) | (3,519,176) | (71,749,914) |
| Dividend distribution to Member Councils | | 0 | 0 | (5,000,000) |
| Provision for City of Belmont payout | | 0 | 0 | (15,218,456) |
| | | (15,047,014) | (3,519,176) | (91,968,370) |
| Non-cash amounts excluded from financing activities | 27(b) | 5,217,882 | 0 | (5,708,672) |
| **Amount attributable to financing activities** | | 1,210,068 | 14,908,323 | (47,605,600) |
| **MOVEMENT IN SURPLUS OR DEFICIT** | | | | |
| **Surplus or deficit at the start of the financial year** | 27(c) | (33,037,252) | (16,243,070) | 8,135,752 |
| Amount attributable to operating activities | | 26,492,282 | 11,592,579 | 17,532,804 |
| Amount attributable to investing activities | | (4,270,680) | (10,921,400) | (11,100,208) |
| Amount attributable to financing activities | | 1,210,068 | 14,908,323 | (47,605,600) |
| **Total surplus or deficit at the end of the financial year** | 27(c) | **(9,605,582)** | **(663,568)** | **(33,037,252)** |

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

## EASTERN METROPOLITAN REGIONAL COUNCIL
## FOR THE YEAR ENDED 30 JUNE 2026
## INDEX OF NOTES TO THE FINANCIAL REPORT


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## 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.

The *Local Government (Financial Management) Regulations 1996* provide that:
- land and buildings classified as property, plant and equipment;or
- infrastructure; or
- vested improvements that the local government controls;

and measured at reportable value, are only required to be revalued every five years. Revaluing these non-financial assets every five years is a departure from *AASB 116 Property, Plant and Equipment*, which would have required the council to assess at each reporting date whether the carrying amount of the above mentioned non-financial assets materially differs from their fair value and, if so, revalue the class of non-financial assets.

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

**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, no new or revised Australian Accounting Standards and Interpretations were applied for the first time.

**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 2024-4b Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 [deferred AASB 10 and AASB 128 amendments in AASB 2014-10 apply]*
- *AASB 2022-9 Amendments to Australian Accounting Standards - Insurance Contracts in the Public Sector*
- *AASB 2024-2 Amendments to Australian Accounting Standards - Classification and Measurement of Financial Instruments*
- *AASB 2024-3 Amendments to Australian Accounting Standards – Annual Improvements Volume 11*

These amendments are not expected to have any material impact on the financial report on initial application.
- *AASB 18 (NFP/super) Presentation and Disclosure in Financial Statements - (Appendix D) [for not-for-profit and superannuation entities]*

This standard is expected to have a material impact on the disclosures required to be made in the annual financial report for the year ended 30 June 2029 onwards.

**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 25

## 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 | Single point in time | 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 set by funding body | Unexpended grants based on grant conditions | Recognised upon fulfilment of grant conditions |
| | Contributions | Over time | Set by mutual agreement with the funding body | Not applicable | Recognised upon fulfilment of contribution conditions |
| Interest Earnings | Interest Earnings | Over time | Upon maturity of investment | Not applicable | Upon maturity of investment |
| Other Revenue | Reimbursements | Single point in time | 14 days from invoice date or settlement of insurance claims | Not applicable | Recognised when the monthly expenditure incurred at the Transfer Stations managed by the EMRC or upon settlement of insurance claims |
| | Sales of Products | Single point in time | 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 | Single point in time | Quarterly for electricity 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 | Single point in time | 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 2026**

| Nature | Contracts with customers | Capital grant/contributions | Statutory Requirements | Other | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Fees and charges | 66,238,700 | 0 | 0 | 0 | 66,238,700 |
| Grants, subsidies and contributions | 293,500 | 0 | 0 | 2,236,136 | 2,529,636 |
| Interest revenue | 0 | 0 | 0 | 3,350,462 | 3,350,462 |
| Other revenue | 1,448,833 | 0 | 0 | 2,142,655 | 3,591,488 |
| **Total** | 67,981,033 | 0 | 0 | 7,729,253 | 75,710,286 |

**FOR THE YEAR ENDED 30 JUNE 2025**

| Nature | Contracts with customers | Capital grant/contributions | Statutory Requirements | Other | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Fees and charges | 61,746,193 | 0 | 0 | 0 | 61,746,193 |
| Grants, subsidies and contributions | 137,300 | 0 | 0 | 2,318,683 | 2,455,983 |
| Interest revenue | 0 | 0 | 0 | 3,842,875 | 3,842,875 |
| Other revenue | 1,535,400 | 0 | 0 | 2,402,907 | 3,938,307 |
| **Total** | 63,418,893 | 0 | 0 | 8,564,465 | 71,983,358 |

## 2. REVENUE AND EXPENSES (Continued)

| (a) Revenue (continued) | Note | 2026 Actual | 2025 Actual |
|---|---|---|---|
| | | $ | $ |
| **Interest revenue** | | | |
| Interest on reserve account funds | | 2,598,255 | 2,237,213 |
| Interest on municipal cash and investments | | 751,106 | 1,574,667 |
| Interest from other sources | | 1,101 | 30,995 |
| | | 3,350,462 | 3,842,875 |
| **Other revenue** | | | |
| Sale of products | | 2,121,767 | 2,168,226 |
| Gas royalty income | | 1,054,585 | 1,089,289 |
| Rebate income | | 394,247 | 446,111 |
| Miscellaneous income | | 20,889 | 234,681 |
| | | 3,591,488 | 3,938,307 |
| **(b) Expenses** | | | |
| **Auditors remuneration** | | | |
| - Audit of the annual financial report | | 58,600 | 56,898 |
| | | 58,600 | 56,898 |
| **Employee costs** | | | |
| Employee benefit costs | | 12,750,892 | 14,002,248 |
| Other employee costs | | 146,553 | 1,010,945 |
| | | 12,897,445 | 15,013,193 |
| **Finance costs** | | | |
| Other provisions: Unwinding of discount | | 416,233 | 280,254 |
| | | 416,233 | 280,254 |
| **Other expenditure** | | | |
| State waste levy | | 21,645,883 | 23,552,150 |
| Other expenses | | 755,598 | 1,536,650 |
| Fuel expenses | | 1,755,386 | 1,601,133 |
| | | 24,156,867 | 26,689,933 |
| **Work in progress write off** | | | |
| Capital projects - buildings | 8(a) | 0 | 16,577,812 |
| Capital projects - infrastructures | 9(a) | 0 | 4,126,525 |
| | | 0 | 20,704,337 |

## 3. CASH AND CASH EQUIVALENTS

| | Note | 2026 | 2025 |
|---|---|---|---|
| | | $ | $ |
| Cash at bank and on hand | | 2,663,693 | 2,307,217 |
| Term deposits | | 28,000,000 | 9,000,000 |
| **Total cash and cash equivalents** | 18(a) | 30,663,693 | 11,307,217 |
| Held as | | | |
| - Unrestricted cash and cash equivalents | | 8,250,620 | 2,644,619 |
| - Restricted cash and cash equivalents | 18(a) | 22,413,073 | 8,662,598 |
| | | 30,663,693 | 11,307,217 |

**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.

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest.

**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

| | 2026 | 2025 |
|---|---|---|
| | $ | $ |
| **(a) Current assets** | | |
| Financial assets at amortised cost | 62,000,000 | 62,500,000 |
| | 62,000,000 | 62,500,000 |
| **Other financial assets at amortised cost** | | |
| Term deposits | 62,000,000 | 62,500,000 |
| | 62,000,000 | 62,500,000 |
| Held as | | |
| - Unrestricted other financial assets at amortised cost | 12,924,623 | 3,731,962 |
| - Restricted other financial assets at amortised cost 18(a) | 49,075,377 | 58,768,038 |
| | 62,000,000 | 62,500,000 |

**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.

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.

**Impairment and risk**

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

## 5. TRADE AND OTHER RECEIVABLES

| | Note | 2026 | 2025 |
|---|---|---|---|
| | | $ | $ |
| **Current** | | | |
| Trade receivables | | 5,255,871 | 3,643,779 |
| Trade receivables - Regional Waste Collection Project** | | 225,609 | 314,511 |
| Other receivables | | 27,761 | 262,119 |
| Accrued interest | | 894,112 | 882,597 |
| Loan receivables* | | 0 | 1,277,983 |
| Loan receivables - Regional Waste Collection Project** | | 94,538 | 692,725 |
| Allowance for credit losses of trade receivables* | 23(b) | 0 | (1,277,983) |
| | | 6,497,891 | 5,795,731 |

*The balance of the loan receivable from Anergy Australia Pty Ltd as at 30 June 2025 of $1,277,983 has been fully impaired as the Company is under voluntary liquidation. Subsequent to 30 June 2026, the Council received the final report from the liquidator of Anergy Australia Pty Ltd. The report confirmed that there will be no dividend distribution to the Council. As a result, the outstanding loan receivable from Anergy Australia Pty Ltd of $1,277,983, which was fully impaired has been formally written off following approval by Council in August 2026 Council Meeting.

As the loan had already been fully impaired in prior reporting periods, the write-off is not expected to have any impact on the Council's financial position or operating result for the year ended 30 June 2026.

**The EMRC and the Shire of Mundaring entered into the participants agreement and commercial loan on 8 June 2023 to provide waste collection services to the Shire of Mundaring that ended on 30 June 2026.

**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 2026 Actual | 30 June 2025 Actual | 1 July 2024 Actual |
|---|---|---|---|---|
| | | $ | $ | $ |
| Trade and other receivables from contracts with customers | | 6,497,891 | 7,073,714 | 7,536,082 |
| Allowance for credit losses of trade receivables | 5 | 0 | (1,277,983) | (1,286,676) |
| Total trade and other receivables from contracts with customers | | 6,497,891 | 5,795,731 | 6,249,406 |

**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 are classified as 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.

## 6. INVENTORIES

| | Note | 2026 | 2025 |
|---|---|---|---|
| **Current** | | $ | $ |
| Fuel and materials | | 116,437 | 112,987 |
| | | 116,437 | 112,987 |
| The following movements in inventories occurred during the year: | | | |
| **Balance at beginning of year** | | 112,987 | 133,919 |
| Inventories expensed during the year | | (1,707,490) | (1,556,178) |
| Additions to inventory | | 1,710,940 | 1,535,246 |
| **Balance at end of year** | | 116,437 | 112,987 |

**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.

## 7. OTHER ASSETS

| | 2026 | 2025 |
|---|---|---|
| | $ | $ |
| **Other assets - current** | | |
| Prepayments | 31,862 | 39,309 |
| | 31,862 | 39,309 |

**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.

## 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 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 |
| Additions | 0 | 96,728 | 96,728 | 0 | 3,918,848 | 0 | 0 | 2,253,621 | 6,269,197 |
| Disposals | 0 | (12,555) | (12,555) | 0 | (382,450) | (30,822) | 0 | 0 | (425,827) |
| Work in progress write off | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (16,577,812) | (16,577,812) |
| Revaluation increments / (decrements) transferred to revaluation surplus | 25,489,743 | 19,974 | 25,509,717 | 0 | 0 | | 0 | 0 | 25,509,717 |
| Depreciation | 0 | (808,419) | (808,419) | (23,446) | (3,881,578) | (214,737) | 0 | 0 | (4,928,180) |
| Transfers | 0 | 1,603,049 | 1,603,049 | 0 | 814,006 | 0 | 0 | (2,417,055) | 0 |
| **Balance at 30 June 2025** | 73,340,000 | 21,391,458 | 94,731,458 | 43,659 | 15,518,456 | 660,811 | 83,800 | 339,311 | 111,377,495 |
| **Comprises:** | | | | | | | | | |
| Gross balance amount at 30 June 2025 | 73,340,000 | 21,391,458 | 94,731,458 | 134,805 | 28,480,702 | 1,008,837 | 83,800 | 339,311 | 124,778,913 |
| Accumulated depreciation at 30 June 2025 | 0 | 0 | 0 | (91,146) | (12,962,246) | (348,026) | 0 | 0 | (13,401,418) |
| **Balance at 30 June 2025** | 73,340,000 | 21,391,458 | 94,731,458 | 43,659 | 15,518,456 | 660,811 | 83,800 | 339,311 | 111,377,495 |
| Additions | 0 | 56,626 | 56,626 | 0 | 517,278 | 0 | 0 | 0 | 573,904 |
| Disposals | 0 | 0 | 0 | 0 | (90,543) | 0 | 0 | 0 | (90,543) |
| Depreciation | 0 | (794,702) | (794,702) | (17,391) | (5,771,354) | (58,099) | 0 | 0 | (6,641,546) |
| Transfers | 0 | 0 | 0 | 0 | 79,403 | 0 | 0 | (79,403) | 0 |
| **Balance at 30 June 2026** | 73,340,000 | 20,653,382 | 93,993,382 | 26,268 | 10,253,240 | 602,712 | 83,800 | 259,908 | 105,219,310 |
| **Comprises:** | | | | | | | | | |
| Gross balance amount at 30 June 2026 | 73,340,000 | 21,448,083 | 94,788,083 | 134,805 | 28,604,062 | 1,008,837 | 83,800 | 259,908 | 124,879,495 |
| Accumulated depreciation at 30 June 2026 | 0 | (794,701) | (794,701) | (108,537) | (18,350,822) | (406,125) | 0 | 0 | (19,660,185) |
| **Balance at 30 June 2026** | 73,340,000 | 20,653,382 | 93,993,382 | 26,268 | 10,253,240 | 602,712 | 83,800 | 259,908 | 105,219,310 |

*Plant and equipment acquired for Regional Waste Collection Project are recognised in accordance with the participants agreement terms between the EMRC and the Shire of Mundaring. Refer to Note 5 for further details.

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

### (b) Carrying Value Measurements

| Asset Class | Note | Carrying amount 2026 | Carrying amount 2025 | Fair Value Hierarchy | Valuation Technique | Basis of Valuation | Date of Last Valuation | Inputs Used |
|---|---|---|---|---|---|---|---|---|
| **(i) Fair Value** | | | | | | | | |
| **Land and buildings** | | | | | | | | |
| Land | 8(a) | 73,340,000 | 73,340,000 | 2 | Market approach | Independent valuation by Marsh Valuation Services | June 2025 | Price per square metre |
| Buildings | 8(a) | 20,653,382 | 21,391,458 | 3 | Cost Approach using current gross replacement cost | Independent valuation by Marsh Valuation Services | June 2025 | 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 | N/A | N/A | N/A |
| Plant and equipment | | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Artworks | | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

## 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 2024** | 4,366,154 | 9,115,607 | 4,987,199 | 21,787,416 | 40,256,376 |
| Additions | 1,650,404 | 460,367 | 0 | 2,921,740 | 5,032,511 |
| Disposals | 0 | (56,931) | 0 | 0 | (56,931) |
| Work in progress write off | 0 | 0 | 0 | (4,126,525) | (4,126,525) |
| Revaluation increments / (decrements) transferred to revaluation surplus | (277,882) | 591,628 | 1,417,081 | 0 | 1,730,827 |
| Depreciation | (1,882,344) | (283,153) | (247,466) | 0 | (2,412,963) |
| Transfer | 5,264,890 | 7,488,021 | 0 | (12,752,911) | 0 |
| **Balance at 30 June 2025** | 9,121,222 | 17,315,539 | 6,156,814 | 7,829,720 | 40,423,295 |
| **Comprises:** | | | | | |
| Gross balance at 30 June 2025 | 9,121,222 | 17,315,539 | 6,156,814 | 7,829,720 | 40,423,295 |
| Accumulated depreciation at 30 June 2025 | 0 | 0 | 0 | 0 | 0 |
| **Balance at 30 June 2025** | 9,121,222 | 17,315,539 | 6,156,814 | 7,829,720 | 40,423,295 |
| Additions | 1,211,543 | 943,659 | 0 | 1,785,574 | 3,940,776 |
| Depreciation | (4,640,647) | (1,763,222) | (289,950) | 0 | (6,693,819) |
| Transfer | 3,062,842 | 3,853,419 | 0 | (6,916,261) | 0 |
| **Balance at 30 June 2026** | 8,754,960 | 20,349,395 | 5,866,864 | 2,699,033 | 37,670,252 |
| **Comprises:** | | | | | |
| Gross balance at 30 June 2026 | 13,395,607 | 22,112,617 | 6,156,814 | 2,699,033 | 44,364,071 |
| Accumulated depreciation at 30 June 2026 | (4,640,647) | (1,763,222) | (289,950) | 0 | (6,693,819) |
| **Balance at 30 June 2026** | 8,754,960 | 20,349,395 | 5,866,864 | 2,699,033 | 37,670,252 |

## 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 2025 | Construction costs and current condition, residual values and remaining useful life assessments inputs |
| **Other structures** | 3 | Cost approach using current replacement cost | Independent valuation by Marsh Valuation Services | June 2025 | 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 2025 | 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.

## 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, development costs and cell liner costs are capitalised and depreciated over the useful life of the cell based on the volumetric usage of the landfill cell air space during the year. Cell capping costs are expensed as they occur as part of ongoing site rehabilitation.

### (b) Temporarily Idle or retired from use assets

| | 2026 $ | 2025 $ |
|---|---|---|
| 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 | 0 | 150,000 |
| | 0 | 150,000 |

### (c) Fully Depreciated Assets in Use

| | 2026 $ | 2025 $ |
|---|---|---|
| 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 | 6,932,164 | 3,517,458 |
| | 6,932,164 | 3,517,458 |

## 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 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 is the reportable value.

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. As a matter of policy, the Council performs a revaluation every four years.

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.

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 and the accumulated depreciation is the balancing figure; or
(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.

## 11. LEASES

The Council does not currently have any right of use assets.

## 12. TRADE AND OTHER PAYABLES

| | 2026 | 2025 |
|---|---|---|
| | $ | $ |
| **Current** | | |
| Sundry creditors | 6,417,311 | 6,782,478 |
| Sundry accruals/ accrued expenses | 88,707 | 1,148,691 |
| Bond and deposits held | 328,529 | 646,977 |
| Funding to Regional Waste Collection Project* | 0 | 22,656 |
| Accrued payroll liabilities | 206,462 | 45,136 |
| Statutory liabilities | 466,580 | 96,049 |
| Sundry creditors - Regional Waste Collection Project* | 94,538 | 692,725 |
| | 7,602,127 | 9,434,712 |

*Sundry creditors - Funding to Regional Waste Collection Project are recognised in accordance with the participants agreement terms between the EMRC and the Shire of Mundaring. Refer to Note 5 for further details.

**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.

**Statutory liabilities**
Statutory liabilities, are amounts owed to regulatory authorities due to statutory obligations such as FBT and PAYG. GST payable is offset against GST receivable and any net GST payable is included as a statutory liability.

**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.

## 13. OTHER LIABILITIES

| | 2026 | 2025 |
|---|---|---|
| **Current** | | |
| | $ | $ |
| Contract liabilities - Amounts Received in Advance* | 491,934 | 1,517,513 |
| Capital grant/contribution liabilities | 250,000 | 200,000 |
| | 741,934 | 1,717,513 |
| **Reconciliation of changes in contract liabilities** | | |
| Opening balance | 1,517,513 | 853,410 |
| Additions | 11,730,577 | 8,447,931 |
| Revenue recognised from contracts with customers | (12,756,156) | (7,783,828) |
| | 491,934 | 1,517,513 |

* Amounts Received in Advance from contracts with customers of $491,934 forms part of unrestricted financial assets.

| | | |
|---|---|---|
| The Council expects to satisfy the performance obligations, from contracts with customers unsatisfied at the end of the reporting period, within the next 12 months. | | |
| **Reconciliation of changes in capital grant/contribution liabilities** | | |
| Opening balance | 200,000 | 200,000 |
| Additions | 250,000 | 0 |
| Revenue from capital grant/contributions held as a liability at the start of the period | (200,000) | 0 |
| | 250,000 | 200,000 |
| **Expected satisfaction of capital grant/contribution liabilities** | | |
| Less than 1 year | 250,000 | 200,000 |
| 1 to 2 years | 0 | 0 |
| 2 to 3 years | 0 | 0 |
| 3 to 4 years | 0 | 0 |
| 4 to 5 years | 0 | 0 |
| > 5 years | 0 | 0 |
| | 250,000 | 200,000 |

**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 upon the completion of assets construction.

## 14. BORROWINGS

The Council does not have any loans or borrowings.

There were no new borrowings during the 2025/2026 financial year.

There were no unspent loans during the 2025/2026 financial year.

## 15. EMPLOYEE RELATED PROVISIONS

**Employee Related Provisions**

| | 2026 | 2025 |
|---|---|---|
| **Current provisions** | $ | $ |
| **Employee benefit provisions** | | |
| Annual Leave | 986,491 | 1,133,815 |
| Annual Leave - Regional Waste Collection Project* | 0 | 36,332 |
| Long Service Leave | 1,048,987 | 1,064,234 |
| Other Employee Leave Provision | 39,095 | 40,964 |
| | 2,074,573 | 2,275,345 |
| **Other provisions** | | |
| Employment on-costs | 314,668 | 326,841 |
| | 314,668 | 326,841 |
| **Total current employee related provisions** | 2,389,241 | 2,602,186 |
| **Non-current provisions** | | |
| **Employee benefit provisions** | | |
| Long Service Leave | 131,658 | 171,098 |
| Long Service Leave - Regional Waste Collection Project* | 0 | 2,159 |
| | 131,658 | 173,257 |
| **Other provisions** | | |
| Employment on-costs | 24,392 | 28,782 |
| | 24,392 | 28,782 |
| **Total non-current employee related provisions** | 156,050 | 202,039 |
| **Total employee related provisions** | 2,545,291 | 2,804,225 |

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 | 2026 | 2025 |
|---|---|---|---|
| **Amounts are expected to be settled on the following basis:** | | $ | $ |
| Less than 12 months after the reporting date | | 1,903,380 | 2,093,931 |
| More than 12 months from reporting date | | 641,911 | 710,294 |
| | | 2,545,291 | 2,804,225 |

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

## 16. OTHER PROVISIONS

| | Site Rehabilitation Provision | Environmental Monitoring Provision | City of Kalamunda Payout Provision | City of Swan Payout Provision | Shire of Mundaring Payout Provision | Other Provision | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| **Opening balance at 1 July 2025** | | | | | | | |
| Current provisions | 0 | 0 | 31,717,882 | 0 | 0 | 89,567 | 31,807,449 |
| Non-current provisions | 4,202,685 | 4,404,275 | 0 | 0 | 0 | 0 | 8,606,960 |
| | 4,202,685 | 4,404,275 | 31,717,882 | 0 | 0 | 89,567 | 40,414,409 |
| Increase/ (decrease) in provision | (376,125) | (497,609) | 0 | 99,265,759 | 23,680,599 | 443,713 | 122,516,338 |
| Amounts used | 0 | 0 | 0 | 0 | 0 | (89,567) | (89,567) |
| Write back of discount | 0 | 0 | (5,217,882) | 0 | 0 | 0 | (5,217,882) |
| Charged to profit or loss - unwinding of discount | 203,242 | 212,991 | 0 | 0 | 0 | 0 | 416,233 |
| **Balance at 30 June 2026** | 4,029,802 | 4,119,657 | 26,500,000 | 99,265,759 | 23,680,599 | 443,713 | 158,039,530 |
| **Comprises** | | | | | | | |
| Current | 0 | 0 | 26,500,000 | 0 | 0 | 443,713 | 26,943,713 |
| Non-current | 4,029,802 | 4,119,657 | 0 | 99,265,759 | 23,680,599 | 0 | 131,095,817 |
| | 4,029,802 | 4,119,657 | 26,500,000 | 99,265,759 | 23,680,599 | 443,713 | 158,039,530 |

**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 the 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 at the reporting date based on the change in the net present value of the future cash outflows of costs for site rehabilitation. These movements are recognised under revaluation surplus. 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 December 2024, the value as at the reporting date for the rehabilitation of the site has been calculated to be $8,917,142 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 at the reporting date 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 the 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 at the reporting date based on the change in the net present value of the future cash outflows of costs for environmental monitoring. These movements are recognised under revaluation surplus. 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 December 2024, the value as at the reporting date for the environmental monitoring of the site has been calculated to be $10,885,352 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 at the reporting date with an independent review being undertaken on a five yearly cycle.

**City of Kalamunda Payout Provision**
A provision of $31,717,882 as at 30 June 2025 including the original provision of $30,718,215 recognised following its effective withdrawal from the EMRC on 1 July 2023 and an adjustment of $999,667.

The original provision represents the amount of its interest in the EMRC as at 30 June 2023 at the time of its withdrawal.

The additional adjustment of $999,667 was subsequently made following the finalisation of the City of Belmont's equity payout which was settled at a discount in accordance with the methodology prescribed in the EMRC Establishment Agreement on 28 February 2025. This adjustment increased the provision to $31,717,882 as at 30 June 2025.

The value of the City of Kalamunda's entitlement has been determined using a different valuation methodology based on the theoretical winding up of EMRC as at the effective date of withdrawal as prescribed under Clause 12 of the EMRC Establishment Agreement. Refer to Note 22 for further details.

The provision has been reduced to $26,500,000 based on the best estimated entitlement to the City of Kalamunda as of 28 October 2026.

Both parties are in the final stages of negotiation and settlement will take place once agreement has been formalised.

**City of Swan Payout Provision**
A provision of $99,265,759 was recognised as at 30 June 2026 following its effective withdrawal from the EMRC on 1 July 2025. The provision represents the discounted present value of its interest in the EMRC as at 30 June 2025 at the time of its withdrawal and includes its proportionate share of the reduction in the provision of the estimated City of Kalamunda's payout. Discounting has also been applied to reflect the present value of the expected settlement under the Establishment Agreement which is as soon as practicable after 1 July 2027.

The value of the City of Swan's entitlement will be determined using a different valuation methodology based on the theoretical winding up of EMRC as at the effective date of withdrawal as prescribed under Clause 12 of the EMRC Establishment Agreement. Refer to Note 22 for further details.

**Shire of Mundaring Payout Provision**
A provision of $23,680,599 was recognised as at 30 June 2026 following its effective withdrawal from the EMRC on 1 July 2025. The provision represents the discounted present value of its interest in the EMRC as at 30 June 2025 at the time of its withdrawal and includes its proportionate share of the reduction in the provision of the estimated City of Kalamunda's payout. Discounting has been applied to reflect the timing of the expected settlement under the Establishment Agreement which is as soon as practicable after 1 July 2027.

The value of the Shire of Mundaring's entitlement will be determined using a different valuation methodology based on the theoretical winding up of EMRC as at the effective date of withdrawal as prescribed under Clause 12 of the EMRC Establishment Agreement. 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.

## 17. REVALUATION SURPLUS

| | 2026 Opening Balance | Revaluation Increment/ (decrement) | Transfer to Retained Surplus | 2026 Closing Balance | 2025 Opening Balance | Revaluation Increment/ (decrement) | Revaluation Writeback on disposals* | 2025 Closing Balance |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | | $ | $ | $ | | $ |
| Revaluation surplus - Land - freehold land | 52,294,532 | 0 | 0 | 52,294,532 | 26,804,789 | 25,489,743 | 0 | 52,294,532 |
| Revaluation surplus - Buildings | 1,140,569 | 0 | 0 | 1,140,569 | 974,972 | 19,974 | 145,623 | 1,140,569 |
| Revaluation surplus - Furniture and fittings | 23,400 | 0 | (23,400) | 0 | 23,400 | 0 | 0 | 23,400 |
| Revaluation surplus - Plant and equipment | 4,304,019 | 0 | (4,304,019) | 0 | 4,619,341 | 0 | (315,322) | 4,304,019 |
| Revaluation surplus - Artworks | 14,164 | 0 | (14,164) | 0 | 14,164 | 0 | 0 | 14,164 |
| Revaluation surplus - Other structures | 2,896,942 | 0 | (2,163) * | 2,894,779 | 2,389,712 | 591,628 | (84,398) | 2,896,942 |
| Revaluation surplus - Landfill cells and post closure asset | 1,624,048 | 873,733 | 0 | 2,497,781 | 2,771,608 | (1,147,560) | 0 | 1,624,048 |
| | 62,297,674 | 873,733 | (4,343,746) | 58,827,661 | 37,597,986 | 24,953,785 | (254,097) | 62,297,674 |

* 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.

## 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 | 2026 Actual | 2025 Actual |
|---|---|---|---|
| | | $ | $ |
| Cash and cash equivalents | 3 | 30,663,693 | 11,307,217 |
| **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 | 22,413,073 | 8,662,598 |
| - Financial assets at amortised cost | 4 | 49,075,377 | 58,768,038 |
| | | 71,488,450 | 67,430,636 |
| The restricted financial assets are a result of the following specific purposes to which the assets may be used: | | | |
| Restricted reserve accounts | 28 | 71,238,450 | 67,230,636 |
| Capital grant/contribution liabilities | 13 | 250,000 | 200,000 |
| **Total restricted financial assets** | | 71,488,450 | 67,430,636 |

### (b) Reconciliation of Net Result to Net Cash Provided By Operating Activities

| | | | |
|---|---|---|---|
| Net result | | 12,940,131 | (11,090,472) |
| Non-cash items: | | | |
| Depreciation/amortisation | | 13,335,363 | 7,341,143 |
| (Profit)/loss on sale of asset | | (153,457) | 281,258 |
| Receivables written off during the year as uncollectible | | (1,277,983) | (8,693) |
| Finance costs: unwinding of discount | | 416,233 | 280,254 |
| Work in progress write off | | 0 | 20,704,337 |
| Changes in assets and liabilities: | | | |
| (Increase)/decrease in trade and other receivables | | 587,338 | 399,177 |
| (Increase)/decrease in accrued interest earnings | | (11,515) | 63,191 |
| (Increase)/decrease in other assets | | 7,446 | (1,816) |
| (Increase)/decrease in inventories | | (3,450) | 20,932 |
| Increase/(decrease) in trade and other payables | | (1,832,585) | (2,087,513) |
| Increase/(decrease) in employee related provisions | | (258,934) | 709,442 |
| Increase/(decrease) in other liabilities and provisions | | (621,432) | 664,103 |
| Net cash provided by/(used in) operating activities | | 23,127,155 | 17,275,343 |

### (c) Undrawn Borrowing Facilities

| | | | |
|---|---|---|---|
| **Credit Standby Arrangements** | | | |
| Credit card limit | | 80,000 | 80,000 |
| Credit card balance at balance date | | (9,602) | (19,552) |
| **Total amount of credit unused** | | 70,398 | 60,448 |

## 19. CONTINGENT LIABILITIES

**Removal of the high voltage underground interconnect cable**
At 30 June 2026, the Council is subject to a potential obligation relating to the removal of the high voltage underground interconnect cable between Perth Airport and EMRC premises following the termination of the electricity supply agreement on 8 September 2025 and a letter from Perth Airport dated 28 May 2026 requesting the removal of all equipment including the underground interconnect cable.

The underground cable runs through two areas, Perth Airport (PAPL) section and Easement section.

It is the opinion of EMRC's legal advisor that the removal of the cable located within the PAPL section is the responsibility of EMRC and provision has been recognised in the financial statements. However, the legal advice also indicates that removal of the cable located within the Easement section may not be required.

The estimated cable removal cost for Easement section is $650,000.

**Red Hill Waste Management Facility**
Red Hill Waste Management Facility is classified as "Contaminated – Remediation Required" under the Contaminated Sites Act 2003 (WA) due to its use as a landfill facility. Existing known remediation obligations have been recognised in the financial statements where required and EMRC continues to monitor and assess any future additional obligations that may arise.

The Council had no other contingent liabilities at the end of the reporting period.

## 20. CAPITAL COMMITMENTS

| | 2026 | 2025 |
|---|---|---|
| | $ | $ |
| Contracted for: | | |
| - capital expenditure projects | 2,776,886 | 3,023,189 |
| - plant & equipment purchases | 1,062,600 | 122,660 |
| | 3,839,486 | 3,145,849 |
| Payable: | | |
| - not later than one year | 3,839,486 | 3,145,849 |

Note: Capital commitments are GST inclusive where relevant. The capital commitments are related to cell construction, FOGO project and relocation of GO at Red Hill.

## 21. RELATED PARTY TRANSACTIONS (continued)

### (a) Elected Member Remuneration

| Fees, expenses and allowances to be paid or reimbursed to council members and the Chairman. | Note | 2026 Actual | 2026 Budget | 2025 Actual |
|---|---|---|---|---|
| | | $ | $ | $ |
| Councillors' meeting fees | | 23,660 | 47,320 | 68,580 |
| Chairman's meeting fees | | 17,740 | 17,740 | 17,139 |
| Deputy Councillors' meeting fees | | 405 | 7,052 | 5,720 |
| Deputy Chairman's meeting fees | | 11,830 | 0 | 11,430 |
| Chairman's Local Government fee | | 22,470 | 22,470 | 21,710 |
| Deputy Chairman's Local Government fee | | 5,618 | 5,618 | 5,428 |
| Superannuation | | 8,880 | 0 | 2,491 |
| Travel and accommodation expenses | | 0 | 0 | 477 |
| | 21(b) | 90,603 | 100,200 | 132,975 |

### (b) Key Management Personnel (KMP) Compensation

| The total of compensation paid to KMP of the Council during the year are as follows: | Note | 2026 Actual | 2025 Actual |
|---|---|---|---|
| | | $ | $ |
| Short-term employee benefits | | 777,124 | 923,255 |
| Post-employment benefits | | 130,946 | 160,038 |
| Employee - other long-term benefits | | 55,091 | 85,806 |
| Employee - termination benefits | | 0 | 115,727 |
| Council member costs | 21(a) | 90,603 | 132,975 |
| | | 1,053,764 | 1,417,801 |

*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.

## 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: | 2026 Actual | 2025 Actual |
|---|---|---|
| | $ | $ |
| **Member Councils** | | |
| Sale of goods and services | 8,204,930 | 25,012,020 |
| Purchase of goods and services | 36,377 | 288,741 |
| **Amounts outstanding from related parties:** | | |
| Trade and other receivables | 539,192 | 2,306,066 |
| **Amounts payable to related parties:** | | |
| Trade and other payables | 17,855 | 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.

*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.

## 22. INTEREST IN THE EMRC

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

| Member Council | 2026 | | 2025 | |
|---|---|---|---|---|
| | % | $ | % | $ |
| Town of Bassendean | 18.37 | 13,459,010 | 5.44 | 9,641,362 |
| City of Bayswater | 81.63 | 59,811,553 | 24.11 | 42,727,343 |
| Shire of Mundaring | 0.00 | 0 | 13.57 | 24,040,764 |
| City of Swan | 0.00 | 0 | 56.88 | 100,775,706 |
| **Total Equity** | **100.00** | **73,270,563** | **100.00** | **177,185,175** |

The EMRC participating Member Councils' interest distributions have been calculated in accordance with Clause 9.4 of the EMRC Establishment Agreement. This clause stipulates that each participant's share is determined based on the proportion of its population relative to the total population of all participating Member Councils.

The City of Swan and the Shire of the Mundaring issued their Notices of Withdrawal from the EMRC on 1 December 2024 and 11 December 2024 respectively. Their withdrawals took effect from 1 July 2025 in accordance with Clause 12 of the EMRC Establishment Agreement. This clause allows a participant to give notice between 1 July and 31 December in any year, with the withdrawal effective at the end of the financial year following the giving of the notice of withdrawal.

Under Clause 12 of the EMRC Establishment Agreement, the entitlement or liability of a withdrawing participant is payable as soon as practicable following the end of the second financial year after the withdrawal takes effect. The amount payable is based on the valuation methodology as prescribed under Clause 12 of the EMRC Establishment Agreement.

As at 30 June 2026, provisions for equity payouts of $99,265,759 and $23,680,599 were made for the City of Swan and the Shire of Mundaring. The provisions represent the discounted present value of the withdrawing participants' interest in the EMRC and includes its proportionate share of the reduction in the provision of the estimated City of Kalamunda's payout. These values will be adjusted once the final payment value to the City of Kalamunda has been finalised (Refer to Note 16).

The value of the equity of the City of Swan and the Shire of Mundaring are indicative only and not necessary equal to the value they are entitled to upon withdrawal. Their equity entitlements are subject to the valuation methodology as prescribed in Clause 12 of the EMRC Establishment Agreement for withdrawing participants. At present, a separate process is in progress and the values are not finalised.

## 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** | Term deposits subject to variable interest rates | Sensitivity analysis | Diversify investment maturities and monitor interest rates to manage exposure and optimise returns. |
| **Credit risk** | Cash and cash equivalents, trade receivables, financial assets and debt investments | Aging analysis<br>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 |
|---|---|---|---|---|---|
| | % | $ | $ | $ | $ |
| **2026** | | | | | |
| Cash and cash equivalents | 4.44% | 30,663,693 | 28,000,000 | 2,659,843 | 3,850 |
| Financial assets at amortised cost - term deposits | 4.89% | 62,000,000 | 62,000,000 | 0 | 0 |
| **2025** | | | | | |
| Cash and cash equivalents | 4.14% | 11,307,217 | 9,000,000 | 2,303,367 | 3,850 |
| Financial assets at amortised cost - term deposits | 4.92% | 62,500,000 | 62,500,000 | 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.

| | 2026 | 2025 |
|---|---|---|
| | $ | $ |
| Impact of a 1% movement in interest rates on profit or loss and equity* | 26,598 | 23,034 |

* 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.

## 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 2025 or 1 July 2026 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 2026 and 30 June 2025 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 2026** | | | | | |
| **Trade and loan receivables** | | | | | |
| Expected credit loss | 0.00% | 0.00% | 0.00% | 0.00% | |
| Gross carrying amount | 5,366,931 | 114,183 | 376 | 0 | 5,481,490 |
| Loss allowance | 0 | 0 | 0 | 0 | 0 |
| **Other receivables** | | | | | |
| Expected credit loss | 0.00% | 0.00% | 0.00% | 0.00% | |
| Gross carrying amount | 27,761 | 0 | 0 | 0 | 27,761 |
| Loss allowance | 0 | 0 | 0 | 0 | 0 |
| **30 June 2025** | | | | | |
| **Trade and loan receivables** | | | | | |
| Expected credit loss | 0.00% | 0.00% | 0.00% | 99.99% | |
| Gross carrying amount | 3,537,987 | 420,134 | 0 | 1,278,152 | 5,236,273 |
| Loss allowance | 0 | 0 | 0 | 1,277,983 | 1,277,983 |
| **Other receivables** | | | | | |
| Expected credit loss | 0.00% | 0.00% | 0.00% | 0.00% | |
| Gross carrying amount | 262,119 | 0 | 0 | 0 | 262,119 |
| Loss allowance | 0 | 0 | 0 | 0 | 0 |

## 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 | |
|---|---|---|---|---|
| | 2026 Actual | 2025 Actual | 2026 Actual | 2025 Actual |
| | $ | $ | $ | $ |
| **Opening loss allowance as at 1 July** | 1,277,983 | 1,286,676 | 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 | (1,277,983) | (8,693) | 0 | 0 |
| **Closing loss allowance at 30 June** | 0 | 1,277,983 | 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.

## 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 |
|---|---|---|---|---|---|
| **2026** | $ | $ | $ | $ | $ |
| Trade and other payables | 7,602,127 | 0 | 0 | 7,602,127 | 7,602,127 |
| | 7,602,127 | 0 | 0 | 7,602,127 | 7,602,127 |
| **2025** | | | | | |
| Trade and other payables | 9,434,712 | 0 | 0 | 9,434,712 | 9,434,712 |
| | 9,434,712 | 0 | 0 | 9,434,712 | 9,434,712 |

## 24. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

**Anergy Australia Pty Ltd**

Subsequent to 30 June 2026, the Council received the final report from the liquidator of Anergy Australia Pty Ltd. The report confirmed that there will be no dividend distribution to the Council. As a result, the outstanding loan receivable from Anergy Australia Pty Ltd of $1,277,983, which was fully impaired has been formally written off following approval by Council in August 2026 Council Meeting.

As the loan had already been fully impaired in prior reporting periods, the write-off is not expected to have any impact on the Council's financial position or operating result for the year ended 30 June 2026.

**Provision for City of Kalamunda payout**

Subsequent to 30 June 2026, the City of Kalamunda resolved to accept the without prejudice settlement offer from the EMRC at its meeting held on 27 October 2026. As a result, the provision for City of Kalamunda payout has been reduced to the best estimated entitlement to the City of Kalamunda. Refer to Note 16 for further details.

## 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.

## 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. |

## 26. FUNCTION AND ACTIVITY (Continued)

| (b) Income and expenses | 2026 Actual | 2025 Actual |
|---|---|---|
| | $ | $ |
| **Income excluding grants, subsidies and contributions** | | |
| Governance | 19 | 18,346 |
| General purpose funding | 3,365,631 | 3,858,691 |
| Community amenities | 69,542,763 | 65,353,169 |
| Other property and services | 272,237 | 297,169 |
| | 73,180,650 | 69,527,375 |
| **Grants, subsidies and contributions** | | |
| Governance | 25,503 | 47,974 |
| Community amenities | 2,403,938 | 2,146,263 |
| Other property and services | 100,195 | 261,746 |
| | 2,529,636 | 2,455,983 |
| **Total Income** | 75,710,286 | 71,983,358 |
| **Expenses** | | |
| Governance | (1,843,382) | (43,223) |
| Community amenities | (56,599,602) | (79,450,307) |
| Other property and services | (4,480,628) | (3,299,042) |
| **Total expenses** | (62,923,612) | (82,792,572) |
| **Increase/ (Decrease)** | 12,786,674 | (10,809,214) |
| **Disposal of assets** | | |
| Profit on Sale | 153,457 | 0 |
| Loss on Sale | 0 | (281,258) |
| **Profit/ (Loss) on disposals** | 153,457 | (281,258) |
| **Net result for the period** | 12,940,131 | (11,090,472) |
| **(c) Total Assets** | | |
| Governance | 11,500,402 | 11,955,791 |
| General purpose funding | 28,071,429 | 12,524,604 |
| Community amenities | 199,668,673 | 198,906,607 |
| Unallocated - Work In Progress | 2,958,941 | 8,169,032 |
| | 242,199,445 | 231,556,034 |

## 27. DETERMINATION OF SURPLUS OR DEFICIT

| | Note | 2025/26 (30 June 2026 Carried Forward) | 2025/26 Budget (30 June 2026 Carried Forward) | 2024/25 (30 June 2025 Carried Forward |
|---|---|---|---|---|
| | | $ | | $ |
| **(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 *Financial Management Regulation 32.* | | | | |
| **Adjustments to operating activities** | | | | |
| Less: Profit on asset disposals | | (153,457) | (61,217) | 0 |
| Less: Receivables written off during the year as uncollectible | | 0 | 0 | (8,693) |
| Add: Loss on disposal of assets | | 0 | 0 | 281,258 |
| Add: Depreciation | | 13,335,363 | 6,674,450 | 7,341,143 |
| Add: Finance costs: unwinding of discount | | 416,233 | 0 | 280,254 |
| Add: Work in progress write off | | 0 | 0 | 20,704,337 |
| Non-cash movements in non-current assets and liabilities: | | | | |
| Employee benefit provisions | | (45,988) | 0 | 24,977 |
| Other provisions | | 0 | 2,018,489 | 0 |
| **Non-cash amounts excluded from operating activities** | | 13,552,151 | 8,631,722 | 28,623,276 |
| **(b) Amounts excluded from financing activities** | | | | |
| Non-cash amounts excluded from financing activities | | 5,217,882 | 0 | (5,708,672) |
| **Amounts excluded from financing activities** | | 5,217,882 | 0 | (5,708,672) |
| **(c) Surplus or deficit** | | | | |
| The following current assets and liabilities have been excluded from the net current assets used in the Statement of Financial Activity in accordance with *Financial Management Regulation 32* to agree to the surplus/(deficit) | | | | |
| **Adjustments to net current assets** | | | | |
| Less: Reserve accounts | 28 | (71,238,450) | (28,261,143) | (67,230,636) |
| **Total adjustments to net current assets** | | (71,238,450) | (28,261,143) | (67,230,636) |
| **Net current assets used in the Statement of Financial Activity** | | | | |
| Total current assets | | 99,309,883 | 37,789,048 | 79,755,244 |
| Less: Total current liabilities | | (37,677,015) | (10,191,473) | (45,561,860) |
| Less: Total adjustments to net current assets | | (71,238,450) | (28,261,143) | (67,230,636) |
| **Total Surplus/ (deficit)** | | (9,605,582) | (663,568) | (33,037,252) |

## 28. RESERVE ACCOUNTS

| | | 2026 Actual Opening Balance | 2026 Actual Transfer to | 2026 Actual Transfer (from) | 2026 Actual Closing Balance | 2026 Budget Opening Balance | 2026 Budget Transfer to | 2026 Budget Transfer (from) | 2026 Budget Closing Balance | 2025 Actual Opening Balance | 2025 Actual Transfer to | 2025 Actual Transfer (from) | 2025 Actual Closing Balance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| | **Restricted by council** | | | | | | | | | | | | |
| (a) | Plant and Equipment Reserve | 1,479,731 | 1,072,402 | (1,423,200) | 1,128,933 | 1,131,661 | 893,593 | (550,000) | 1,475,254 | 1,288,995 | 1,449,904 | (1,259,168) | 1,479,731 |
| (b) | Site Rehabilitation Reserve - Post Closure | 4,853,325 | 401,298 | 0 | 5,254,623 | 3,923,282 | 221,871 | (750,000) | 3,395,153 | 4,462,212 | 391,113 | 0 | 4,853,325 |
| (c) | Future Development Reserve | 6,991,417 | 453,672 | (2,275,999) | 5,169,090 | 6,690,534 | 319,614 | (500,000) | 6,510,148 | 6,682,929 | 6,896,168 | (6,587,680) | 6,991,417 |
| (d) | Environmental Monitoring Reserve | 4,404,275 | 364,169 | 0 | 4,768,444 | 1,814,864 | 102,680 | (1,000,000) | 917,544 | 2,065,084 | 2,339,191 | 0 | 4,404,275 |
| (e) | Class IV Reserve | 5,669,768 | 940,246 | (50,000) | 6,560,014 | 4,976,203 | 1,025,431 | (1,100,000) | 4,901,634 | 4,573,220 | 1,096,548 | 0 | 5,669,768 |
| (f) | Secondary Waste Reserve | 0 | 0 | 0 | 0 | 3,527,499 | 0 | (3,527,499) | 0 | 10,312,670 | 743,085 | (11,055,755) | 0 |
| (g) | Class III Reserve | 1,595,150 | 6,274,089 | (2,187,474) | 5,681,765 | 6,651 | 704,751 | 0 | 711,402 | 1,208,713 | 1,470,824 | (1,084,387) | 1,595,150 |
| (h) | EastLink Relocation Reserve | 6,268,110 | 518,280 | 0 | 6,786,390 | 1,223,139 | 193,633 | 0 | 1,416,772 | 5,762,984 | 505,126 | 0 | 6,268,110 |
| (i) | Committed Capital Expenditure Reserve | 6,162,728 | 4,918,672 | (5,102,527) | 5,978,873 | 17,823,043 | 0 | (11,000,000) | 6,823,043 | 8,036,861 | 12,991,863 | (14,865,996) | 6,162,728 |
| (j) | Long Service Leave Reserve | 1,260,038 | 104,186 | 0 | 1,364,224 | 1,270,529 | 57,603 | 0 | 1,328,132 | 1,158,496 | 101,542 | 0 | 1,260,038 |
| (k) | Equity Reserve | 28,546,094 | 0 | 0 | 28,546,094 | 782,061 | 0 | 0 | 782,061 | 0 | 43,764,550 | (15,218,456) | 28,546,094 |
| | | 67,230,636 | 15,047,014 | (11,039,200) | 71,238,450 | 43,169,466 | 3,519,176 | (18,427,499) | 28,261,143 | 45,552,164 | 71,749,914 | (50,071,442) | 67,230,636 |

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. |
| (k) | Equity Reserve | to finance the payment of the equity interest of member Councils which have withdrawn from the EMRC in accordance with the Establishment Agreement. |

## 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:

| | 01 July 2025 | Amounts Received | Amounts Paid | 30 June 2026 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Green Deal Alliance | 238,825 | 0 | (238,825) | 0 |
| | 238,825 | 0 | (238,825) | 0 |

Auditor General

# INDEPENDENT AUDITOR'S REPORT

## 2026

## 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 (Regional Council) which comprises:

- the statement of financial position as at 30 June 2026, 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 Regional Council for the year ended 30 June 2026 and its financial position at the end of that period
- is 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 Regional Council's annual report for the year ended 30 June 2026, 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.



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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 Regional 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 Regional 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 Regional Council.

The Council is responsible for overseeing the Regional 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 Regional Council for the year ended 30 June 2026 included in the annual report on the Regional Council's website. The Regional Council's management is responsible for the integrity of the Regional Council's website. This audit does not provide assurance on the integrity of the Regional 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 Regional 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
10 November 2026

Office of the Auditor General
Serving the Public Interest

# Annual Financial Audit Exit Report

## Eastern Metropolitan Regional Council

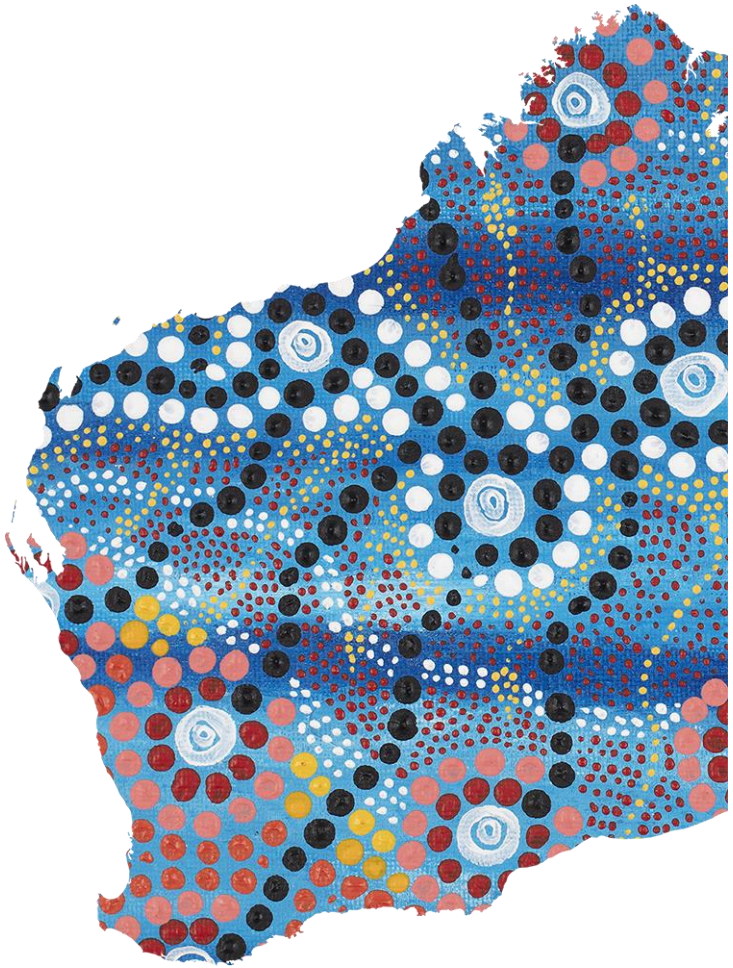
Year ended 30 June 2026



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# 1. Executive summary

To the Council of Eastern Metropolitan Regional Council.

We look forward to the exit meeting we have scheduled for 5 November 2026 to discuss the outcomes and key findings from the audit of your Regional Council for the year ended 30 June 2026.

Our audit team have completed our audit work and, subject to the resolution of the outstanding matters listed below, we intend to recommend to the Auditor General to issue an unqualified audit opinion on the financial report.

We received draft financial statements which were considered to be of audit-ready quality on 16 September 2026. The draft financial report was reviewed by the CEO.

We would like to extend our thanks to your Regional Council's staff for their assistance with the audit process. If you have any questions prior to or following our exit meeting please contact your Engagement Leader, Aram Madnack on 08 6557 7674.

Yours faithfully

**Mark Ambrose**
Signing Officer

**Aram Madnack**
Engagement Leader

| | | | | |
|---|---|---|---|---|
| **AUDIT OPINION:**<br>• **Financial report**<br>Unqualified | | | | **Number of audit focus areas**<br>9<br>*(PY: 8)* |
| **Management letter issues** | **SIGNIFICANT**<br>1<br>*(PY: 0)* | **MODERATE**<br>2<br>*(PY: 0)* | **MINOR**<br>1<br>*(PY: 0)* | |
| **Adjusted differences**<br>4<br>*(PY: 1)* | | | | **Unadjusted differences**<br>1<br>*(PY: 0)* |
| **Number of outstanding items**<br>4 | | | | **Audit-ready date**<br>**16/09/2026** |

## 1.1 Outstanding items

| OUTSTANDING ITEMS | EASTERN METROPOLITAN REGIONAL COUNCIL | OAG | DATE |
|---|---|---|---|
| Receipt of signed financial report | ✓ | - | 5 November 2026 |
| Receipt of signed management representation letter | ✓ | - | 5 November 2026 |
| Confirmation of subsequent events | ✓ | - | 5 November 2026 |
| Issuance of audit opinion | - | ✓ | 12 November 2026 |

## 1.2 Purpose of report

We are providing this report before the exit meeting so you can consider the results of our audit work. Please read this report in conjunction with the audit plan we presented to you on 24 March 2026.

This report is not an audit report and is not intended to provide any additional assurance to the audit opinion.

The report is provided only for the information and use of your Regional Council's Council, and it is not to be quoted, referenced or circulated to others without the OAG's prior written consent. The report should also not be made publicly available on your Regional Council's website or as part of any publicly available minutes or published reports.

We look forward to any feedback you have on the audit process. We encourage you and your management to reach out to your OAG engagement leader to discuss any ways we can continuously improve our conduct and communications during the audit process. Following the completion of the audit, we will send your Regional Council a survey to complete.

# 2. Results of key audit focus areas

Our planning summary noted a number of key audit focus areas. The result of our audit of these areas is set out below.

## 2.1 Significant risks

### 2.1.1 Management override of controls

| BACKGROUND | OUR APPROACH | OUTCOME |
|---|---|---|
| **Reasons for area of significant risk**<br>• Key fraud risk (auditing standards require a response on this) | Management override of controls<br>• Evaluate and test any unusual and significant journal entries made during the year to determine if they are appropriately supported<br>• Review key estimates and judgements applied by management<br>• Consider if any misstatements found represent bias or intentional misstatement. | • We updated our understanding of the Regional Council's journal entry processes and non-standard transactions occurring during the year, including an evaluation of the business rationale, and a review of key estimates and judgements applied by management.<br>• We tested journal entry transactions including the use of computer aided audit techniques (CAATs) to identify journal entry transactions.<br>• We identified a significant management letter issue related to inadequate journal review and approval controls as set out in Appendix 1 below.<br>• Based on audit work performed, there is nothing further to report. |

### 2.1.2 Accuracy and valuation of the accounting for withdrawal of the former member councils

| BACKGROUND | OUR APPROACH | OUTCOME |
|---|---|---|
| **Reasons for area of significant risk**<br>• Significant judgement and estimates involved in payout provision<br><br>**Key estimates/judgements:**<br>• Valuer assumptions for payout provision<br><br>**Relevant accounting standards:**<br>• AASB 137: Provisions, contingent liabilities and contingent assets | • Review the updates made to the estimates and evaluate the appropriateness of any key judgements and inputs<br>• Ensure appropriate disclosure in the financial statements | **City of Kalamunda**<br>• Subsequent to 30 June 2026, the City resolved to accept the without prejudice settlement offer from the EMRC at its meeting held on 27 October 2026.<br>• As a result, a write back of discount was recognised as at 30 June 2026, based on the latest negotiated amount for the payout due to the City of Kalamunda.<br><br>**City of Swan and Shire of Mundaring**<br>• The provision for payouts due to the former councils are based on the participant's proportionate equity share at the date of withdrawal discounted to present value as at 30 June 2026.<br>  ○ City of Swan - $99,265,759<br>  ○ Shire of Mundaring - $23,680,599<br>• These provisions are subject to future remeasurement when the theoretical wind-up valuation is completed or the withdrawal is agreed between the parties.<br>• An adjusted audit difference of $5,387,443 was noted in respect of adjustment to discount provision payout to present value, as set out under Section 4 below.<br><br>Based on audit work performed and following the adjustment noted above, disclosure on the financial |

| BACKGROUND | OUR APPROACH | OUTCOME |
|---|---|---|
| | | statements is subject to the status of settlement negotiations with the City of Kalamunda. |

## 2.2 Audit key areas

### 2.2.1 Revenue recognition and recoverability of receivables

| BACKGROUND | OUR APPROACH | OUTCOME |
|---|---|---|
| **Reasons for area of key focus:**<br>• High volume of transactions<br>• Risk of revenue not being appropriately recognised under the requirements of accounting standards<br><br>**Key estimates/judgements:**<br>• Expected credit losses<br>• Revenue recognition<br><br>**Relevant accounting standards:**<br>• AASB 15: Revenue from contracts with customers<br>• AASB 1058: Income of Not-for-Profit Entities | Under ASA 240, the presumption that there are risks of fraud in revenue recognition may be rebutted. While we intend to rebut this risk, we will still perform audit procedures related to revenue.<br>• Review revenue accounting policies, as well as systems, processes and controls in place to ensure revenue transactions have occurred and are accurately disclosed<br>• Test the design and implementation of key controls<br>• Test a sample of revenue transactions to supporting documents and determine if they have been correctly recognised<br>• Perform substantive analytical procedures on rates revenue streams<br>• Assess the appropriateness of the allowance for expected credit losses<br>• Assessment of revenue recognition criteria (AASB 15/1058) | • We assessed the design and implementation of key controls and performed relevant substantive procedures for key revenue streams.<br>• We identified a management letter issue related to lack of independent review of fees and charges updates as set out in Appendix 1 below.<br>• Based on the absence of management incentives to manipulate revenue and the controls implemented, the risk of revenue fraud has been rebutted.<br>• Based on audit work performed, including the design and implementation of controls performed, there is nothing further to report. |

### 2.2.2 Existence and valuation of property, plant and equipment and infrastructure

| BACKGROUND | OUR APPROACH | OUTCOME |
|---|---|---|
| **Reasons for area of key focus:**<br>• High value of assets<br>• Significant judgement and estimates involved in valuations<br><br>**Key estimates/judgements:**<br>• Fair value of land and buildings/infrastructure<br>• Useful life of assets<br><br>**Relevant accounting standards:**<br>• AASB 116: Property, plant and equipment<br>• AASB 13: Fair value measurement<br>• AASB 136: Impairment of assets<br><br>Land, buildings and infrastructure assets were last revalued as at 30 June 2025. | • Test the design and implementation of key controls<br>• Perform substantive analytical procedures to determine appropriateness of depreciation expense<br>• Review the fair value estimates obtained from independent valuation report and reconciliations to the general ledger.<br>• Test a sample of additions and disposals to supporting documents<br>• Receive and review management's assessment of indicators of impairment | • We assessed the design and implementation of key controls and performed relevant substantive procedures for property, plant and equipment and infrastructure.<br>• A delay in capitalising hardstand assets from March 2021 resulted in an adjusted audit difference of $1,144,747 at 30 June 2026. Prior-year depreciation associated with these assets remains unadjusted as at 1 July 2025, as set out under Section 4 below.<br>• Based on audit work performed and following the adjustment noted above, there is nothing further to report. |

### 2.2.3 Occurrence and accuracy of employee costs and completeness, accuracy, valuation and allocation of employee liabilities

| BACKGROUND | OUR APPROACH | OUTCOME |
|---|---|---|
| **Reasons for area of key focus:**<br>• High value of employee expenses<br><br>**Key estimates/judgements:**<br>• Actuarial assumptions for employee liabilities | • Test the design and implementation of key controls<br>• Perform substantive analytical procedures on employee expenses for the year<br>• Test a sample of leave balances for accuracy and completeness | • We assessed the design and implementation of key controls and performed relevant substantive procedures for employee costs and employee liabilities.<br>• We identified a management letter issue related to employee termination process as set out in Appendix 1 below. |

| BACKGROUND | OUR APPROACH | OUTCOME |
|---|---|---|
| | • Consider the qualifications and expertise of actuarial experts and perform our own assessment of the appropriateness of any key judgements and inputs | • Based on audit work performed, there is nothing further to report. |

### 2.2.4 Accuracy and valuation of landfill site rehabilitation and environmental monitoring

| BACKGROUND | OUR APPROACH | OUTCOME |
|---|---|---|
| **Reasons for area of key focus:**<br>• Significant judgement and estimates involved in estimates<br><br>**Key estimates/judgements:**<br>• Management's assumptions for site rehabilitation and environmental monitoring provision<br><br>**Relevant accounting standards:**<br>• AASB 137: Provisions, contingent liabilities and contingent assets | • Consider the qualifications and expertise of key personnel and perform our own assessment of the appropriateness of any key judgements and inputs<br>• Ensure appropriate disclosure in the financial statements | • We reviewed and assessed the key judgements and inputs applied by management.<br>• Based on audit work performed, there is nothing further to report. |

## 2.3 Other matters

### 2.3.1 Going concern

| BACKGROUND | OUR APPROACH | OUTCOME |
|---|---|---|
| **Reasons for area of key focus:** | • Assess management's going concern assessment to determine whether a material uncertainty exists related to events or conditions | • We reviewed and assessed the key judgements and inputs included in the going concern position paper prepared by management. |

| BACKGROUND | OUR APPROACH | OUTCOME |
|---|---|---|
| • Management is responsible for assessing the entity's ability to continue as a going concern and for making appropriate disclosures where relevant | that may cast significant doubt on the entity's ability to continue as a going concern<br>• Consider financial performance, cash flows, and funding arrangements<br>• Evaluate the adequacy of disclosures related to going concern | • We have obtained written confirmations from the remaining member councils of their intention to remain committed to participation in the Council's operations.<br>• We will also obtain written representations from the Council to confirm that:<br>- No formal notice of withdrawals has been received from any member council and<br>- No decision has been made to wind up the Council.<br>• Based on audit work performed, there is nothing further to report. |

### 2.3.2 Legal matters

| BACKGROUND | OUR APPROACH | OUTCOME |
|---|---|---|
| **Reasons for area of key focus:**<br>• Potential financial impacts on legal proceedings<br><br>**Key estimates and judgements:**<br>• Management's assessment of the likelihood of any potential impacts<br>• Measurement of any provision or contingent liability<br><br>**Relevant accounting standards:**<br>• AASB 137: Provisions, contingent liabilities and contingent assets | • Obtain legal representation letter where applicable<br>• Consider the status and progress of the legal proceedings and any potential financial impacts or reputational impacts on the entity<br>• Assess the reasonableness of key judgements and assumptions applied by management<br>• Consider the impacts from subsequent events<br>• Evaluate the adequacy of related disclosures | • Based on audit work performed, there is nothing further to report. |

### 2.3.3 Information system

| BACKGROUND | OUR APPROACH | OUTCOME |
|---|---|---|
| **Reasons for area of key focus:**<br>• Information system review is required under ASA 315 | The information systems audit looks at your entity's information technology (IT) environment and information system (IS) related to key business processes and audit key information systems controls. We will consider the SynergySoft system. The key objectives of the IS audit are to provide a preliminary conclusion over the general IT controls. | • Based on audit work performed, there is nothing further to report. |

# 3. Management letter findings

The following is a summary of the key issues identified during the audit which have been discussed with your management. We may also provide the Parliamentary Standing Committee on Estimates and Financial Operations and/or the Public Accounts Committee with copies of the management letters issued for any or all audits during the year. See Appendix 1: for a more detailed summary of the findings.

| RATINGS | ● | ● | ● | TOTAL |
|---|---|---|---|---|
| Open at 1 July 2025 | 0 | 0 | 0 | 0 |
| Closed during FY2026 | 0 | 0 | 0 | 0 |
| Change of risk rating | 0 | 0 | 0 | 0 |
| New points raised in FY2026 | 1 | 2 | 1 | 4 |
| **Total open points at 30 June 2026** | **1** | **2** | **1** | **4** |

**Ratings**

● **Significant**

● **Moderate**

● **Minor**

See Appendix 1: for description of ratings.

Our annual reporting on the local government sector will include a financial management control risk rating (FMCR) to help stakeholders benchmark performance across the sector. A rating of zero to four, with four being the highest rating, is based on the number and severity of audit findings we report.

The Regional Council had a FMCR of 2 for the current year, based on the key shown below.

| WEIGHTED ISSUES | FINANCIAL MANAGEMENT CONTROL RATING |
|---|---|
| 0 | **No issues identified** |
| 1-10 | **Category 1** |
| 11-20 | **Category 2** |
| 21-30 | **Category 3** |
| >30 | **Category 4** |
| ! | **Not completed withing statutory deadline** |

*Financial management control rating (FMCR) key:*

The FMCR is calculated by weighting and adding all findings based on their level of severity as follows:

*(Number of Significant issues x 5)*

*(Number of Moderate issues x 3)*

*(Number of Minor issues x1)*

# 4. Adjusted and unadjusted audit differences

The following adjustments were identified by the audit team and adjusted by management during the audit.

## Adjusted financial statements misstatements identified during the audit

| | DESCRIPTION | Assets Dr / (Cr) | Liabilities Dr / (Cr) | Equity Dr / (Cr) | Income Dr / (Cr) | Expenses Dr / (Cr) |
|---|---|---|---|---|---|---|
| 1 | Reclassification of $4 million term deposit from Cash and cash equivalents to Other financial assets | 4,000,000<br>(4,000,000) | - | - | - | - |
| 2 | Adjustment to discount provision for payout to withdrawn member councils, the City of Swan and the Shire of Mundaring to present value as at 30 June 2026 | - | 5,387,443 | (5,387,443) | - | - |
| 3 | A delay capitalisation of hardstand assets since March 2021 resulted in the under depreciation of those assets. The associated depreciation expense was recognised in the current year. | (1,144,747) | | | | 1,144,747 |
| | **Total** | **(1,144,747)** | **5,387,443** | **(5,387,443)** | | **1,144,747** |

## Adjusted disclosures misstatements identified during the audit

| | DESCRIPTION | Reported figure Increase / (Decrease) | Actual figure Increase / (Decrease) | Variance Increase / (Decrease) |
|---|---|---|---|---|
| 4 | Note 21(b) Key management personnel (KMP) compensation<br>Employee termination benefits reported in error, no termination benefits were paid during the year | 115,727 | - | (115,727) |

## Unadjusted financial statements misstatements identified during the audit

| | DESCRIPTION | Assets Dr / (Cr) | Liabilities Dr / (Cr) | Equity Dr / (Cr) | Income Dr / (Cr) | Expenses Dr / (Cr) |
|---|---|---|---|---|---|---|
| 1 | The delayed capitalisation of hardstand assets since March 2021 resulted in an overstatement of Other Structure assets as at 1 July 2025 | (1,068,263) | - | 1,068,263 | - | - |
| | **Total** | **(1,068,263)** | **-** | **1,068,263** | **-** | **-** |

# 5. Other communications from the audit process

We additionally note the following mandatory communications to the Council in accordance with the requirements of Australian Auditing Standards:

| MATTERS TO COMMUNICATE | AUDIT PLAN | EXIT REPORT |
|---|---|---|
| Our responsibilities for the financial statement audit | ✓ | |
| Communication of process and timelines | ✓ | |
| Our views on significant qualitative aspects of your accounting practices. This includes accounting policies, accounting estimates and financial statement disclosures | ✓ | ✓ |
| Matters involving identified or suspected non-compliance with laws and regulations | No matters to report | No matters to report |
| Events or conditions that may cast significant doubt on the Regional Council's ability to continue as a going concern and related significant matters | ✓ | Refer to Item 2.3.1 for details |
| Significant matters discussed or subject to correspondence with management | ✓ | Refer to Item 2.3.1 for details |
| Other significant matters relevant to the oversight of the financial reporting process | No matters to report | No matters to report |
| Circumstances that may cause us to modify the audit opinion. This can include an emphasis of matter paragraph, other matter paragraph or misstatements in other information | No matters to report | No matters to report |
| Significant matters related to the Regional Council's related parties | | No matters to report |
| Actual or suspected fraud identified during the audit | | No matters to report |
| Significant difficulties we encountered in this audit | | No matters to report |
| Specific written representations we request from the Regional Council | | Refer to Item 2.3.1 for details |
| Uncorrected audit misstatements, including material disclosure omissions | | ✓ |
| Significant deficiencies in internal control | | No matters to report |
| Issues found in council minutes | | No matters to report |
| Our independence:<br>• a statement that we have complied with relevant ethical requirements regarding independence<br>• relationships and other matters which may affect independence<br>• safeguards that we apply to eliminate or reduce to an acceptable level of threat to independence | ✓ | ✓ |

# 6. Variations to the indicative audit fee

During the conduct of the audit we have incurred additional time that was not known when we issued the indicative fee to your Regional Council on 30 March 2026. This time related to:

- Additional time spent on going concern assessment,
- Identification of audit findings and audit adjustments
- The settlement negotiations with the City of Kalamunda that is reported under Note 24, events occurring after the end of reporting period

Management have been made aware of this additional time at the time of it arising during the audit process, however we are currently in the process of quantifying this additional time and will update the Council of the status of this at the exit meeting, if practical.

# 7. Actions and other considerations for next year's audit

The following items are key actions and considerations for next year's audit:

- Valuation of the accounting for withdrawal of the City of Swan and Shire of Mundaring
- Management's going concern assessment to determine whether a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern

We will be engaging early with your management on these items during next year's planning work.



# Appendix 1: Management letter findings

| FINDINGS | RATING | YEAR FINDING FIRST RAISED | TARGET COMPLETION DATE |
|---|---|---|---|
| **Inadequate journal review and approval controls** | **Significant** | 2026 | 31 July 2026 |
| **Employee termination process** | **Moderate** | 2026 | 31 July 2026 |
| **Lack of independent review of fees and charges updates** | **Moderate** | 2026 | 31 July 2026 |
| **Lack of evidence of investments approval** | **Minor** | 2026 | 31 July 2026 |

## RATINGS

● **SIGNIFICANT** – Findings where there is potentially a significant risk to the entity should the finding not be addressed by the Regional Council promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit opinion, it should be addressed promptly.

● **MODERATE** – Those findings which are of sufficient concern to warrant action being taken by the Regional Council as soon as practicable.

● **MINOR** – Those findings that are not of primary concern but still warrant action being taken by the Regional Council.

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## 12.2 INTERNAL AUDIT REPORT – 2025/2056 PROGRAMME

**D2026/23122 (ARIC) | D2026/24473**

### PURPOSE OF REPORT

The purpose of this report is to present the Audit, Risk and Improvement Committee (ARIC) with the final internal audit report of the 2025/2026 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 final year of the three-year (plus three-year) programme.
- The internal audit programme for this year commenced in May 2026 for the 9 auditable areas as set out in this report.
- 8 Auditable areas were finalised and the outcomes were presented at the 6 August 2026 ARIC meeting and the 27 August 2026 Council meeting.
- The remaining auditable area of the IT Vulnerability Assessment which was deferred due to an issue with the software vendor has now been completed.
- A summary of the findings, recommendations and business improvements is set out in the table contained within this report.

### RECOMMENDATION(S)

That:

1. Council notes the internal audit report included with this report.
2. The attachment remains confidential and be certified by the Chairperson and the CEO.

### SOURCE OF REPORT

| Employee Disclosure under s.5.70 of the *Local Government Act 1995* | | |
|---|---|---|
| **Author(s)** | Acting Chief Financial Officer | Nil |
| **Responsible Officer** | Chief Executive Officer | Nil |

## 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 2025/2026 financial year commenced in May 2026 covered the following audit areas:

- Accounts Payable (Transactional);
- Accounts Receivable;
- Investment Policies;
- IT General Controls;
- IT Vulnerability Assessment;
- Payroll (Transactional);
- Procurement;
- Taxation; and
- Waste Management Facility (Landfill Operations).

4 8 auditable areas except for the IT Vulnerability Assessment were finalised and the outcomes were presented at the 6 August 2026 ARIC meeting and the 27 August 2026 Council meeting.

5 The remaining auditable area of the IT Vulnerability Assessment which was deferred at the time due to an issue with software vendor has now been completed.

6 A summary of the findings on the IT Vulnerability Assessment is as follows:

| Auditable Area | Overall Risk Rating Outcomes | Summary of Findings | Recommendations | Business Improvements |
|---|---|---|---|---|
| IT Vulnerability Assessment | Achieved | None | None | None |

7 The details of the audit outcomes are covered in the attachment as part of this report.

8 On the recommendation of the Internal Auditor, the attachment is marked as confidential due to the content of the document containing security matters in accordance with s.5.23(2) of the *Local Government Act 1995*.

## STRATEGIC/POLICY IMPLICATIONS

9 Reporting on the EMRC Strategic Policy implications align with the revised 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 | Unlikely | Moderate |
| **Action/Strategy** | | |
| ➢ Council to note the internal audit reports. | | |

## MEMBER COUNCIL IMPLICATIONS

| Member Council | Implication Details |
|---|---|
| Town of Bassendean<br>City of Bayswater | Nil |

## ATTACHMENT

Confidential Internal Audit Report - IT Vulnerability Assessment (D2026/24474)

## VOTING REQUIREMENT

Simple Majority

## RECOMMENDATION(S)

That:

1. Council notes the internal audit report included with this report.
2. The attachment remains confidential and be certified by the Chairperson and the CEO.

The Chairperson noted that Mr James Cottrill of Stantons was in attendance for consideration of the item and advised that the report contained a confidential attachment.

## RECOMMENDATION (Closing Meeting to the Public)

That with the exception of ……., the meeting be closed to members of the public in accordance with Section 5.23(2) of the *Local Government Act 1995* for the purpose of dealing with matters of a confidential nature.

## AUDIT, RISK AND IMPROVEMENT COMMITTEE RESOLUTION

MOVED CR POLIWKA SECONDED CR OSTASZEWSKYJ

That with the exception of ……., the meeting be closed to members of the public in accordance with Section 5.23(2) of the *Local Government Act 1995* for the purpose of dealing with matters of a confidential nature.

THAT WITH THE EXCEPTION OF THE CHIEF EXECUTIVE OFFICER, ACTING CHIEF FINANCIAL OFFICER, CHIEF OPERATING OFFICER, ACTING MANAGER FINANCIAL SERVICES, MANAGER INFORMATION SERVICES, AND MANAGEMENT ACCOUNTANT, THE MEETING BE CLOSED TO MEMBERS OF THE PUBLIC IN ACCORDANCE WITH SECTION 5.23(2) OF THE *LOCAL GOVERNMENT ACT 1995* FOR THE PURPOSE OF DEALING WITH MATTERS OF A CONFIDENTIAL NATURE.

**CARRIED UNANIMOUSLY**

The doors of the meeting closed at 6:08 pm.

This attachment is recommended to be confidential because it contains matter of a security nature.

## RECOMMENDATION [Meeting re-opened to the Public]

That the meeting be re-opened, the members of the public be invited to return to the meeting and the recommendations passed behind closed doors be recorded.

## AUDIT, RISK AND IMPROVEMENT COMMITTEE RESOLUTION(S)

MOVED CR HAMILTON SECONDED CR POLIWKA

THAT THE MEETING BE RE-OPENED, THE MEMBERS OF THE PUBLIC BE INVITED TO RETURN TO THE MEETING AND THE RECOMMENDATIONS PASSED BEHIND CLOSED DOORS BE RECORDED.

**CARRIED UNANIMOUSLY**

The doors to the meeting were opened at 6:10pm.

Recording of the resolutions passed behind closed doors, namely:

**AUDIT, RISK AND IMPROVEMENT COMMITTEE RECOMMENDATION(S)**

MOVED CR HAMILTON SECONDED CR OSTASZEWSKYJ

That:

1. Council notes the internal audit report included with this report.
2. The attachment remains confidential and be certified by the Chairperson and the CEO.

**CARRIED UNANIMOUSLY**

**COUNCIL RESOLUTION(S)**

MOVED MOVED

## 12.3 DRAFT STRATEGIC INTERNAL AUDIT PLAN 2026/2027 – 2031/2032

D2026/23294 (ARIC) | D2026/24475

### PURPOSE OF REPORT

The purpose of this report is to present the Strategic Internal Audit Plan 2026/2027–2031/2032 (SIAP) to the Audit, Risk and Improvement Committee (ARIC) for endorsement.

### KEY POINT(S)

- The SIAP establishes EMRC's internal audit direction and priorities for the six financial years from 1 July 2026 to 30 June 2032.
- The SIAP adopts a "three plus three" approach, comprising a detailed internal audit program for 2026/2027 to 2028/2029 and an indicative forward program for 2029/2030 to 2031/2032.
- The internal audit program was developed having regard to EMRC's strategic objectives, corporate risks, operating environment, stakeholder feedback, previous audit results, statutory assurance requirements, planned changes and the need for balanced audit coverage.
- The SIAP provides recurring coverage of financial, governance, information technology, workforce, safety, operational and project-related risks, supported by annual review and adjustment where required.
- The SIAP incorporates the statutory review requirements under regulation 17 of the *Local Government (Audit) Regulations 1996* including reviews of the appropriateness and effectiveness of EMRC's systems and procedures in relation to financial management, legislative compliance and risk management. Regulation 17 requires each of these areas to be reviewed at least once every four financial years.

### RECOMMENDATION(S)

That Council notes the review of the internal audit plan by the Audit, Risk and Improvement Committee (ARIC) and endorses the draft Strategic Internal Audit Plan (SIAP) 2026/2027 – 2031/2032 forming the attachment to this report.

### SOURCE OF REPORT

| Employee Disclosure under s.5.70 of the *Local Government Act 1995* | | |
|---|---|---|
| **Author(s)** | Acting Chief Financial Officer | Nil |
| **Responsible Officer** | Chief Executive Officer | Nil |

## BACKGROUND

1 EMRC's previous Strategic Internal Audit Plan covered the period 2020/2021 to 2025/2026 and provided a cyclical internal audit program aligned with the legislative and governance framework applying at that time.

2 A new Strategic Internal Audit Plan 2026/2027–2031/2032 has been prepared to provide risk-based internal audit coverage across EMRC's operations and to support Council, ARIC, the CEO and management in evaluating governance, risk management and internal control processes.

3 Under the previous regulatory framework, regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* required the CEO to review the appropriateness and effectiveness of the local government's financial management systems and procedures regularly and at least once every three financial years.

4 Following amendments to the regulatory framework, the periodic review requirement under regulation 5(2)(c) has been deleted and the financial management is now incorporated within the review requirements under regulation 17 of the *Local Government (Audit) Regulations 1996* together with legislative compliance and risk management.

5 Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the CEO to review the appropriateness and effectiveness of the local government's systems and procedures in relation to financial management, legislative compliance and risk management. Each area must be reviewed at least once every four financial years with the results of each review reported to ARIC.

6 The SIAP reflects the current regulatory framework and incorporates the relevant statutory reviews within the proposed internal audit program.

## REPORT

7 The SIAP has been prepared by Stantons following a review of EMRC's internal audit requirements and provides a risk-based program of internal audit activities over the six-year period from 2026/2027 to 2031/2032.

8 The SIAP is intended to provide appropriate assurance over EMRC's key financial, governance, operational, information technology, workforce and compliance risks. It also allows the internal audit program to be reviewed and adjusted to ensure that audit priorities remain relevant to EMRC's operating environment and risk profile.

9 The SIAP incorporates the statutory review requirements under regulation 17 of *the Local Government (Audit) Regulations 1996*. These requirements cover financial management, legislative compliance and risk management with each area required to be reviewed at least once every four financial years.

10 The last review required under r.17 of the *Local Government (Audit) Regulations 1996* was at the Audit Committee meeting held 3 October 2024.

11 The SIAP provides a structured approach to obtaining independent assurance while allowing sufficient flexibility for the internal audit program to respond to changes in EMRC's risks, operations and regulatory requirements over the life of the SIAP.

12 Following adoption by Council, the SIAP will form the basis for the procurement process and delivery of EMRC's internal audit services.

13 Full details of the proposed internal audit program, timing, audit scope, risk-assessment methodology, governance arrangements and individual audit profiles are provided in the SIAP forming the attachment to this report.

## STRATEGIC/POLICY IMPLICATIONS

14 Reporting on the EMRC Strategic Policy implications align with the revised Strategic Plan 2017-2027 and the Sustainability Strategy 2022/2023 – 2026/2027.

## FINANCIAL IMPLICATIONS

15 The cost of delivering the internal audit program will be considered through EMRC's annual budget and procurement processes.

## SUSTAINABILITY IMPLICATIONS

16 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 | Unlikely | Moderate |
| **Action/Strategy** | | |
| ➢ Council to note the internal audit reports. | | |

## MEMBER COUNCIL IMPLICATIONS

| Member Council | Implication Details |
|---|---|
| Town of Bassendean<br>City of Bayswater | Nil |

## ATTACHMENT

The Strategic Internal Audit Plan 2026/2027 – 2031/2032 (D2026/24476)

## VOTING REQUIREMENT

Simple Majority

## RECOMMENDATION(S)

That Council notes the review of the internal audit plan by the Audit, Risk and Improvement Committee (ARIC) and endorses the draft Strategic Internal Audit Plan (SIAP) 2026/2027 – 2031/2032 forming the attachment to this report.

Cr Ostaszewskyj queried whether the proposed audit program had been specifically designed to address risks associated with the EMRC's changing financial position and membership structure, including member withdrawals. Mr Cottrill advised that the plan had been developed following extensive consultation with stakeholders and reflects the organisation's revised structure and operating environment. He noted that the proposed plan differs significantly from previous years and incorporates the changing risk profile of the organisation.

Mr Cottrill also confirmed that the audit plan is not a static document and may be reviewed periodically by the Audit, Risk and Improvement Committee, allowing for emerging risks, legislative changes, or new government directions to be incorporated as required.

## AUDIT, RISK AND IMPROVEMENT COMMITTEE RECOMMENDATION(S)

MOVED CR OSTASZEWSKYJ SECONDED CR HAMILTON

That Council notes the review of the internal audit plan by the Audit, Risk and Improvement Committee (ARIC) and endorses the draft Strategic Internal Audit Plan (SIAP) 2026/2027 – 2031/2032 forming the attachment to this report.

**CARRIED UNANIMOUSLY**

## COUNCIL RESOLUTION(S)

MOVED SECONDED

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# Strategic Internal Audit Plan

# 2026/2027 – 2031/2032

## 16 October 2026

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## 1. INTRODUCTION

The purpose of this Strategic Internal Audit Plan (SIAP) is to establish the direction and priorities for Eastern Metropolitan Regional Council's (EMRC's) internal audit activities for the six financial years from 1 July 2026 to 30 June 2032.

The SIAP adopts a "three plus three" approach comprising:

- a detailed three-year internal audit program for 2026/27 to 2028/29; and
- an indicative forward program for 2029/30 to 2031/32.

The proposed audit program has been developed having regard to:

- EMRC's strategic objectives, corporate risks and operating environment;
- feedback received from Directors and key stakeholders through the strategic internal audit planning surveys;
- the nature, timing and results of previous internal audits;
- outstanding or recurring audit findings;
- statutory and regulatory assurance requirements;
- significant operational, financial, information technology, workforce and project-related risks;
- planned organisational and system changes; and
- the need to provide balanced internal audit coverage across EMRC's operations.

Internal auditing provides independent and objective assurance and advisory services intended to strengthen EMRC's ability to create, protect and sustain value. It supports the Council, the Audit, Risk and Improvement Committee (ARIC), the Chief Executive Officer (CEO) and management by systematically evaluating and improving the effectiveness of governance, risk management and internal control processes.

The internal audit function will be delivered in a manner designed to conform with the Institute of Internal Auditors' International Professional Practices Framework, including the Global Internal Audit Standards and applicable Topical Requirements.

While governance, risk management and internal control are no longer presented as separate categories under the Global Internal Audit Standards, they remain central areas of internal audit consideration. Each engagement will therefore assess the relevant governance arrangements, risks and controls within the activity under review.

The SIAP should be reviewed at least annually to ensure that it remains current, risk-based and aligned with:

- EMRC's strategic priorities and risk profile;
- the expectations of the Council, ARIC and management;
- legislative and regulatory developments;
- significant incidents, projects and organisational changes;
- the results of other assurance activities; and
- available internal audit resources.

Audits scheduled for the first three years represent the current priority program. Audits identified for the following three years are indicative and may be brought forward, deferred, replaced or refined through the annual review process.

## 2. PROPOSED BUSINESS RULES

To support the efficient and effective delivery of internal audit services, the following business rules are recommended:

- The SIAP and any material amendments to it will be submitted to the ARIC for consideration and endorsement and to the Council or another authorised decision-maker where required under EMRC's governance arrangements.
- The approved SIAP will be circulated to the Chief Executive Officer, Chief Financial Officer, relevant Directors, Managers and other responsible officers.
- The SIAP will be formally reviewed at least annually. Material changes to audit priorities, scope or timing will be reported to the ARIC. Minor administrative or scheduling changes may be agreed between the Chief Financial Officer and the Internal Auditor, provided they do not materially reduce the approved audit coverage.
- Before commencing each internal audit, the Internal Auditor will prepare an engagement-level Internal Audit Plan setting out the objectives, scope, audit criteria, approach, timing, responsibilities and reporting arrangements. The plan will be agreed with the relevant stakeholders before fieldwork commences.
- The Chief Financial Officer, or nominated EMRC audit coordinator, will notify the relevant responsible officers of each impending internal audit at least two weeks before the planned commencement date, where practicable.
- An initial documentation request will ordinarily be issued at least two weeks before the commencement of fieldwork. EMRC will endeavour to provide the requested information at least one week before fieldwork commences to allow the Internal Auditor to undertake preliminary review and refine the audit approach.
- An entry meeting will be held where appropriate to confirm the audit objectives, scope, timing, key contacts, information requirements and operational context.
- Relevant EMRC employees will provide the Internal Auditor with timely access to records, systems, premises and personnel reasonably required to complete the engagement, subject to applicable confidentiality, privacy, security and legal requirements.
- The Internal Auditor will communicate significant or urgent matters to the relevant manager and the Chief Financial Officer as soon as practicable rather than waiting until the completion of fieldwork.
- An exit meeting will ordinarily be conducted following fieldwork. Potential findings, risk ratings, factual accuracy and proposed recommendations will be discussed with the relevant stakeholders before the draft report is issued.
- The Internal Auditor will endeavour to issue the draft Internal Audit Report within 10 business days after completing fieldwork, subject to the timely receipt of outstanding information and clarification of relevant matters.
- The relevant responsible officers will provide management comments, agreed actions, responsible action owners and target completion dates within 10 business days of receiving the draft report, unless another timeframe is agreed.
- The final Internal Audit Report will be provided to the Chief Executive Officer, Chief Financial Officer, relevant management stakeholders and the ARIC in accordance with EMRC's reporting arrangements.
- Management will maintain responsibility for determining and implementing appropriate corrective actions. The Internal Auditor may advise on proposed actions but will not assume management responsibility.
- The status of agreed internal audit actions will be monitored and reported periodically to management and the ARIC. Overdue actions and requests to revise agreed completion dates should be supported by an explanation, revised target date and appropriate management approval.

**Recommendation Action Timeframes**
Unless a different timeframe is justified and formally agreed, management actions should be completed within the following periods:

| *Risk Rating* | *Timing of Required Action* |
|---|---|
| *Extreme* | *Immediate containment and remedial action, with prompt escalation to the Chief Executive Officer and ARIC* |
| *High* | *As soon as practicable and ordinarily within three months* |
| *Moderate* | *Ordinarily within six months* |
| *Low* | *Ordinarily within twelve months* |

The risk rating and agreed implementation timeframe should consider the nature of the exposure, the complexity of the required action, available interim controls and EMRC's approved risk management framework.

## 3. INTERNAL AUDIT FUNCTION

**Professional Framework**
EMRC's internal audit function will operate in accordance with an approved Internal Audit Charter and in a manner designed to conform with the Institute of Internal Auditors' International Professional Practices Framework.

The Global Internal Audit Standards are organised into the following five domains:

- **Purpose of Internal Auditing** – explains how internal audit strengthens an organisation's ability to create, protect and sustain value.
- **Ethics and Professionalism** – establishes expectations relating to integrity, objectivity, competency, due professional care and confidentiality.
- **Governing the Internal Audit Function** – addresses the authority, independence, positioning and oversight of the internal audit function.
- **Managing the Internal Audit Function** – covers strategic planning, resource management, stakeholder communication, performance management and quality.
- **Performing Internal Audit Services** – establishes requirements for planning engagements, conducting audit work, developing findings and conclusions, communicating results and monitoring agreed actions.

The internal audit function will also have regard to applicable legislation, regulations, government guidance, recognised professional practices and relevant standards, including ISO 31000:2018 Risk Management – Guidelines.

**Independence and Objectivity**
The internal audit function should have sufficient organisational independence to perform its responsibilities objectively and without inappropriate interference.

Functional oversight of internal audit will be provided by the ARIC, with administrative coordination undertaken through the Chief Executive Officer, Chief Financial Officer or another nominated EMRC officer.

The Internal Auditor will:

- remain free from undue influence when determining audit scope, performing procedures, evaluating evidence and communicating results;
- disclose any actual, potential or perceived impairment to independence or objectivity;
- have direct access to the ARIC where necessary;
- protect confidential and sensitive information obtained during an engagement; and
- not assume operational responsibility for activities subject to internal audit.

### ► Governance

Internal audit will assess whether EMRC's governance arrangements support the achievement of its objectives. This may include evaluating:

- strategic and operational decision-making processes;
- accountability, delegated authority and management oversight;
- organisational ethics, integrity and expected standards of conduct;
- oversight of risk management and internal control;
- organisational performance management and reporting;
- communication of risk, control and performance information;
- coordination between the Council, ARIC, management, internal audit, external audit and other assurance providers;
- management of conflicts of interest, fraud and misconduct risks; and

- whether information technology governance supports EMRC's strategic and operational objectives.

## ▶ Risk Management

Internal audit will evaluate the design and effectiveness of EMRC's risk management arrangements and contribute to their continued improvement.

This may include assessing risks relating to:

- achievement of strategic and operational objectives;
- reliability, integrity and timeliness of financial and operational information;
- effectiveness and efficiency of operations, services and programs;
- safeguarding and effective use of assets and resources;
- compliance with legislation, regulations, policies, procedures and contractual obligations;
- financial sustainability and project delivery;
- information technology, cybersecurity and business continuity;
- workforce capability, safety and organisational resilience; and
- fraud, corruption and misconduct.

Internal audit engagements will consider whether risks have been appropriately identified, assessed, treated, monitored and reported, having regard to EMRC's risk management framework and ISO 31000:2018.

## ▶ Internal Control

Internal audit will assist EMRC in maintaining effective internal controls by evaluating their design, implementation and operating effectiveness and by identifying opportunities for improvement.

This may include evaluating controls relating to:

- achievement of strategic and operational objectives;
- accuracy and integrity of financial and operational information;
- authorisation, segregation of duties and delegated decision-making;
- effectiveness and efficiency of operations;
- safeguarding of physical, financial and information assets;
- access to systems and protection of sensitive information;
- compliance with legislation, regulations, policies, procedures and contracts;
- prevention and detection of fraud, error and inappropriate activity;
- business continuity, incident response and organisational resilience; and
- implementation of recommendations arising from previous internal audits, external audits and other reviews.

**Nature of Internal Audit Services**

Internal audit services may comprise assurance services or advisory services:

- **Assurance services** involve an objective assessment of evidence to provide findings, conclusions or opinions regarding an activity, process, system, program or other subject matter.
- **Advisory services** are consultative in nature and are ordinarily performed at the request of the Council, ARIC, Chief Executive Officer or management. The nature and scope of an advisory engagement will be agreed with the relevant stakeholders.

In delivering advisory services, the Internal Auditor will maintain independence and objectivity and will not make management decisions, approve transactions, design controls on management's behalf or accept responsibility for implementing recommendations.

**Monitoring of Agreed Actions**

The nominated EMRC audit coordinator with input from the Internal Auditor (when required), will monitor the status of agreed management actions and periodically report the results to management and the ARIC.

Follow-up activities will assess whether:

- agreed actions have been implemented within the approved timeframe;
- implementation is supported by appropriate evidence;
- the action has addressed the underlying risk or control weakness;
- any alternative action taken provides an equivalent or improved control outcome; and
- management has formally accepted any residual risk arising from an overdue, superseded or unimplemented action.

## 4. PROPOSED STRATEGIC INTERNAL AUDIT PLAN

The proposed Strategic Internal Audit Plan is presented below. The first three years comprise the initial audit program, while the following three years represent an indicative forward program that should be reassessed before the commencement of 2029/30.

A filled cell indicates the proposed year for substantive internal audit coverage. The detailed scope, objectives, timing, resource requirements and audit approach for each engagement will remain subject to annual risk assessment and approval.

Related audit areas may be combined into a single engagement where this improves efficiency and enables end-to-end assessment of the relevant process. Annual programs, including operational assurance and information technology assurance, will incorporate a core control review together with a rotating deep-dive focus.

| Business Team | Auditable Area | 2026 / 2027 | 2027 / 2028 | 2028 / 2029 | 2029 / 2030 | 2030 / 2031 | 2031 / 2032 |
|---|---|---|---|---|---|---|---|
| **Office of the CEO** | Fraud Control | × | | | × | | |
| | Statutory Review – Risk Management, Internal Controls, and Legislative Compliance (Reg 17) | | | × | | | |
| **Corporate Services** | Account Payable (Masterfile) | × | | × | | × | |
| | Account Payable (Transactional) | | × | | × | | × |
| | Accounts Receivable and Debt Recovery | | × | | × | | × |
| | Corporate Governance | × | | | × | | |
| | Payroll (Masterfile and Compliance) | × | | × | | × | |
| | Payroll (Transactional) | | × | | × | | × |
| | Human Resource Management | × | | × | | × | |
| | Investment Policy | | | × | | | × |
| | Taxation | | | × | | | × |
| | Procurement and Tendering | | × | | × | | × |
| | Contract Management | × | | × | | × | |
| | IT General Controls | × | × | × | × | × | × |
| | Cybersecurity and Vulnerability Management | | × | | × | | × |
| | Records Management | | × | | | × | |
| | Work, Health and Safety Management System | × | | × | | × | |
| **Operations** | Waste Management (Red Hill Waste Management Facility and Recycling Centre) | | × | | × | | × |
| | Plant, Fleet and Mobile Equipment | | × | | | × | |
| | Capital Works and Project Management | × | | | × | | |

The proposed program should be reviewed annually to ensure that the selected engagements continue to reflect EMRC's current risks, operations and assurance priorities.

The annual review should consider:

- changes to EMRC's strategic and operational risks;
- legislative and regulatory developments;
- significant incidents or control failures;
- new facilities, systems, contracts and projects;
- results of previous internal and external audits;
- management and ARIC priorities;
- status of outstanding audit actions; and
- available internal audit resources.

The detailed scope of each engagement may be adjusted through the annual planning process. Any material change to the approved audit program should be reported to the ARIC for consideration.

## 5. RISK MANAGEMENT FRAMEWORK

Risks identified through internal audit engagements will be assessed and classified in accordance with the EMRC Risk Management Framework.

The risk rating will be determined by considering:

- the likelihood of the risk event occurring;
- the potential consequence if the event occurs;
- the design and operating effectiveness of existing controls; and
- the resulting residual risk exposure.

The risk score is calculated by multiplying the likelihood score by the consequence score. Where EMRC updates its Risk Management Framework, the version current at the time of the relevant internal audit will apply.

### Risk Likelihood

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

### Risk Matrix

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

## Risk Acceptance Criteria

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

Risk acceptance does not remove the requirement to address an internal audit finding. Where management accepts a High or Extreme residual risk instead of implementing the recommended action, the rationale and approval should be formally documented and reported to the ARIC.

## 6. PROPOSED STRATEGIC INTERNAL AUDIT PLAN

Each profile below is intended to support annual scoping. The stated scope components are indicative and may be narrowed or rotated to reflect emerging risks, previous findings and the approved hours.

### OFFICE OF THE CEO

### Fraud Control

| | |
|---|---|
| **Auditable Area** | Fraud Control |
| **Audit Year** | 2026/27 and 2029/30 |
| **Estimated Audit Hours** | 20 per audit year |

**Audit Objective**

- Assess whether EMRC has an effective framework to prevent, detect, report and respond to fraud, corruption and misconduct.
- Determine whether fraud risks and control responsibilities are understood, monitored and reported.

**Audit Scope**

- Fraud and corruption control framework, policy and risk assessment.
- Conflicts of interest, gifts, secondary employment and declaration processes.
- Protected disclosure, whistleblowing and other reporting channels.
- Investigation, escalation, disciplinary response and lessons learned.
- Fraud-awareness training and targeted data analytics over higher-risk transactions.

**Risks Assessed**

- Fraudulent or corrupt activity may not be prevented or detected promptly.
- Actual or perceived conflicts may not be declared and managed.
- Suspected misconduct may not be reported, investigated or escalated appropriately.
- Financial loss, regulatory action or reputational damage may result.

## Statutory Review – Risk Management, Internal Control and Legislative Compliance (Regulation 17)

| | |
|---|---|
| **Auditable Area** | Statutory Review – Risk Management, Internal Control and Legislative Compliance (Regulation 17) |
| **Audit Year** | 2028/29 |
| **Estimated Audit Hours** | 160 per audit year (every four years) |

### Audit Objective

- Assist the CEO to assess the appropriateness and effectiveness of the local government's systems in regard to risk management, internal control and legislative compliance. under regulation 17 of the *Local Government (Audit) Regulations 1996*.
- Identify material control gaps and opportunities to improve financial governance, risk management and legislative compliance.
- Assess the broader internal-control environment supporting financial governance, risk ownership, governance and legislative compliance.

### Audit Scope

- Financial governance, responsibilities, delegations and procedure framework.
- Budget development, long-term financial planning, forecasting and variance management.
- Revenue, receivables, purchasing, payables, payroll and cash-management systems.
- Bank reconciliations, general ledger controls, journals and month-end processes.
- Investments, reserves, liquidity and financial sustainability monitoring.
- Asset accounting, capital expenditure and financial reporting controls.
- Management reporting, fraud controls and progress against previous review actions.
- Use of recent internal and external assurance results to avoid unnecessary duplication.
- Risk-management framework, appetite, governance and assigned responsibilities.
- Strategic, operational and project risk registers, including ownership and review.
- Risk treatment plans, overdue actions, escalation and residual-risk acceptance.
- Identification and monitoring of emerging, operational and interdependent risks.
- Legislative obligations register, accountable officers and compliance evidence.
- Breach identification, notification, corrective action and regulatory change management.
- Risk and compliance reporting to management, the ARIC and Council.
- Status and effectiveness of actions from previous reviews.

*Note: This audit can place reliance on internal audits already conducted recently across corporate services areas and includes the now deleted Regulation 5 requirement for CEOs to assess the appropriateness and effectiveness of financial management systems and procedures which are now incorporated under Regulation 17.

## Risks Assessed

- EMRC may not meet its statutory financial-management review obligations.
- Weak systems may permit error, fraud, loss or unauthorised transactions.
- Financial reports may be inaccurate, incomplete or untimely.
- Budget, liquidity or sustainability risks may not be identified and addressed.
- Material or emerging risks may not be identified, assessed or treated.
- Legislative obligations may be incomplete, outdated or unsupported by evidence.
- Breaches and ineffective controls may not be reported or corrected promptly.
- Management, the ARIC and Council may lack reliable risk and compliance information.

## Corporate Services

## Accounts Payable (Masterfile)

| | |
|---|---|
| **Auditable Area** | Accounts Payable (Masterfile) |
| **Audit Year** | 2026/27, 2028/29 and 2030/31 |
| **Estimated Audit Hours** | 10 per audit year |

### Audit Objective

- Determine whether supplier records are created and changed only when properly supported and authorised.
- Assess controls intended to prevent fraudulent or erroneous changes to supplier payment details.

### Audit Scope

- Supplier onboarding, validation and duplicate-record checks.
- Approval and independent verification of bank-account changes.
- Access, segregation of duties and audit-trail monitoring.
- ABN, GST-registration and inactive-supplier controls.

### Risks Assessed

- Fictitious, duplicate or unauthorised suppliers may be created.
- Bank details may be fraudulently or incorrectly changed.
- Supplier records may be incomplete, inaccurate or not independently verified.

## Accounts Payable (Transactional Controls)

| | |
|---|---|
| **Auditable Area** | Accounts Payable (Transactional) |
| **Audit Year** | 2027/28, 2029/30 and 2031/32 |
| **Estimated Audit Hours** | 30 per audit year |

### Audit Objective

- Assess whether supplier payments are valid, accurate, properly authorised, supported and recorded in the correct period and account.
- Determine whether controls identify duplicate, unusual or non-compliant payments.

### Audit Scope

- Purchase orders, receipt confirmation, invoice matching and approval workflows.
- Delegations, segregation of duties and evidence supporting payment.
- GST treatment, coding, cut-off and accounts-payable reconciliations.
- Duplicate, split, unusual, high-value and manual payment analytics.
- Credit notes, payment runs, urgent payments and exception reporting.

### Risks Assessed

- Payments may be unauthorised, duplicated, inaccurate or unsupported.
- Goods or services may be paid for before satisfactory receipt.
- Expenditure may be incorrectly coded, taxed or reported.
- Fraudulent or unusual transactions may not be detected.

## Accounts Receivable and Debt Recovery

| | |
|---|---|
| **Auditable Area** | Accounts Receivable and Debt Recovery |
| **Audit Year** | 2027/28, 2029/30 and 2031/32 |
| **Estimated Audit Hours** | 40 per audit year |

### Audit Objective

- Assess whether revenue is billed, collected, reconciled and reported accurately and promptly.
- Determine whether customer credit, overdue debts, disputes and write-offs are managed consistently and within delegated authority.

### Audit Scope

- Customer setup, credit assessment, terms and account amendments.
- Billing, receipting, allocation, credit notes and reconciliations.
- Ageing, collection activity, disputes and payment arrangements.
- Bad-debt provisions, write-offs, delegations and supporting evidence.
- Exception reporting and management oversight of overdue balances.

### Risks Assessed

- Revenue may be incomplete, inaccurate or not billed promptly.
- Debts may become unrecoverable because collection action is delayed.
- Credits or write-offs may be unauthorised or unsupported.
- Receivables and cash records may not reconcile.

## Corporate Governance

| | |
|---|---|
| **Auditable Area** | Corporate Governance |
| **Audit Year** | 2026/27 and 2029/30 |
| **Estimated Audit Hours** | 20 per audit year |

### Audit Objective

- Assess whether EMRC's governance arrangements support authorised, transparent and accountable decision-making.
- Determine whether Council and committee information, statutory registers and resolution-monitoring processes are complete, accurate and timely.

### Audit Scope

- Council and committee agenda, report, minute and decision controls.
- Conflicts of interest, gifts, disclosures and statutory registers.
- Delegations, authorities and governance policy requirements.
- Recording, allocation, monitoring and closure of Council and committee resolutions.
- Governance reporting, member induction and access to relevant advice.

### Risks Assessed

- Decisions may be unauthorised, inadequately documented or insufficiently transparent.
- Council or the ARIC may receive incomplete, inaccurate or untimely information.
- Conflicts, disclosures or statutory registers may not be properly maintained.
- Approved resolutions may not be implemented or escalated when overdue.

## Payroll (Masterfile and Compliance)

| | |
|---|---|
| **Auditable Area** | Payroll (Masterfile and Compliance) |
| **Audit Year** | 2026/27, 2028/29 and 2030/31 |
| **Estimated Audit Hours** | 20 per audit year |

### Audit Objective

- Assess whether employee Masterfile changes are valid, authorised, complete and accurately reflected in payroll.
- Determine whether payroll settings comply with employment contracts, awards, enterprise agreements and statutory requirements.

### Audit Scope

- New employees, identity, employment terms and bank-account setup.
- Changes to classification, pay rates, allowances, deductions and bank details.
- System access, segregation of duties and change audit trails.
- Award, contract, superannuation, taxation and other compliance settings.
- Terminated, inactive and duplicate employee records.

### Risks Assessed

- Fictitious or unauthorised employees may be established.
- Pay rates, employment conditions or bank details may be incorrect.
- Master-file access may be excessive or incompatible.
- Employment and statutory obligations may not be met.

## Payroll (Transactional)

| | |
|---|---|
| **Auditable Area** | Payroll (Transactional) |
| **Audit Year** | 2027/28, 2029/30 and 2031/32 |
| **Estimated Audit Hours** | 20 per audit year |

### Audit Objective

- Assess whether payroll transactions are accurate, complete, authorised and processed within the correct pay period.
- Determine whether payroll reconciliations and exception monitoring identify errors and unusual payments.

### Audit Scope

- Timesheets, rosters, ordinary hours, overtime and allowances.
- Leave accruals, leave payments, higher duties and other adjustments.
- Terminations, final payments, deductions and recoveries.
- Payroll-to-general-ledger reconciliation and review of payroll reports.
- Duplicate, unusual, retrospective and out-of-cycle payment analytics.

### Risks Assessed

- Employees may be overpaid, underpaid or paid without approval.
- Overtime, allowances, leave or termination payments may be incorrect.
- Payroll errors may not be identified through reconciliation or review.
- Fraudulent or unusual payments may remain undetected.

## Human Resource Management

| | |
|---|---|
| **Auditable Area** | Human Resource Management |
| **Audit Year** | 2026/27, 2028/29 and 2030/31 |
| **Estimated Audit Hours** | 30 per audit year |

### Audit Objective

- Assess whether workforce planning and employment practices support service needs and comply with approved requirements.
- Determine whether recruitment, induction, performance, development and exit processes are consistent and supported by reliable records.

### Audit Scope

- Workforce planning, critical roles, succession and capability gaps.
- Recruitment, screening, selection, approvals and employment contracts.
- Induction, probation, performance management and development.
- Mandatory and role-specific training records.
- Grievances, disciplinary matters, exits and HR-data integrity.

### Risks Assessed

- Workforce or capability gaps may disrupt service delivery.
- Employment decisions may be inconsistent, unsupported or non-compliant.
- Employees may not complete required induction or training.
- Sensitive or inaccurate HR information may be improperly managed.

## Investment Policy

| | |
|---|---|
| **Auditable Area** | Investment Policy |
| **Audit Year** | 2028/29 and 2031/32 |
| **Estimated Audit Hours** | 20 per audit year |

### Audit Objective

- Assess whether investments are made, recorded and reported in accordance with legislation, EMRC policy and delegated authority.
- Determine whether portfolio, counterparty and liquidity risks are appropriately controlled.

### Audit Scope

- Investment policy, delegations and authorised institutions.
- Counterparty, credit-rating, term and portfolio limits.
- Investment approvals, confirmations, reconciliations and valuations.
- Cash-flow forecasting, liquidity and maturity management.
- Performance, exception and compliance reporting.

### Risks Assessed

- Investments may breach legislation, policy or delegated limits.
- Funds may be exposed to counterparty loss or liquidity shortfalls.
- Investment records, valuations or interest income may be inaccurate.

## Taxation

| | |
|---|---|
| **Auditable Area** | Taxation |
| **Audit Year** | 2028/29 and 2031/32 |
| **Estimated Audit Hours** | 20 per audit year |

### Audit Objective

- Assess whether EMRC identifies, calculates, records and reports its taxation obligations accurately and on time.
- Determine whether tax positions, adjustments and reconciliations are supported and appropriately reviewed.

### Audit Scope

- GST coding, business activity statements and reconciliations.
- PAYG withholding, fringe benefits tax and payroll-tax obligations, where applicable.
- Tax treatment of material or unusual transactions.
- Lodgement calendars, review, payment and record retention.
- Management of tax advice, errors and voluntary disclosures.

### Risks Assessed

- Tax returns may be inaccurate, incomplete or lodged late.
- Incorrect tax treatment may cause penalties, interest or lost entitlements.
- Tax balances may not reconcile to the general ledger.

## Procurement and Tendering

| | |
|---|---|
| **Auditable Area** | Procurement and Tendering |
| **Audit Year** | 2027/28, 2029/30 and 2031/32 |
| **Estimated Audit Hours** | 30 per audit year |

### Audit Objective

- Assess whether procurement is planned, authorised and conducted fairly, transparently and in compliance with applicable requirements.
- Determine whether procurement decisions demonstrate value for money and are supported by complete records.

### Audit Scope

- Procurement planning, sourcing strategy and applicable thresholds.
- Quotations, tenders, exemptions, panels and sole-source decisions.
- Evaluation methodology, conflicts of interest and approvals.
- Purchase orders, award documentation and unsuccessful-bidder communication.
- Contract splitting, retrospective approvals, supplier concentration and spend analytics.

### Risks Assessed

- Purchases may not comply with legislation, policy or delegations.
- Competition, fairness or value for money may not be demonstrated.
- Conflicts of interest or supplier favouritism may not be identified.
- Purchases may be split or approved retrospectively to avoid thresholds.

## Contract Management

| | |
|---|---|
| **Auditable Area** | Contract Management |
| **Audit Year** | 2026/27, 2028/29 and 2030/31 |
| **Estimated Audit Hours** | 30 per audit year |

### Audit Objective

- Assess whether contracts are established, administered, varied and closed in accordance with approved terms and responsibilities.
- Determine whether supplier performance, expiry and contractual risks are actively monitored.

### Audit Scope

- Executed agreements, contract register, ownership and delegated approvals.
- Deliverables, KPIs, service levels and supplier-performance review.
- Variations, extensions, price changes and payment validation.
- Insurance, licences, securities, disputes and escalation.
- Expiry, renewal, close-out, records and handover arrangements.

### Risks Assessed

- Contracts may be incomplete, expired or managed without clear accountability.
- Supplier underperformance may not be identified or addressed.
- Variations and extensions may be unauthorised or represent poor value.
- EMRC may not enforce contractual rights or maintain required protections.

## IT General Controls

| | |
|---|---|
| **Auditable Area** | IT General Controls |
| **Audit Year** | 2026/27, 2028/29, 2030/31 (detailed work)<br>2027/28, 2029/30, 2031/32 (follow up review) |
| **Estimated Audit Hours** | 10 – 40 per audit year |

### Audit Objective

- Assess whether key IT general controls protect the availability, integrity and confidentiality of EMRC information and systems.
- Determine whether IT governance and operational controls support reliable and resilient services.

### Audit Scope

- IT governance, policies, risk management and third-party oversight.
- User access, privileged accounts and joiner-mover-leaver controls.
- System changes, patches, configurations and problem management.
- Backups, restoration testing, incident management and disaster recovery.
- Alignment with relevant ISO 27001 and Essential Eight control expectations.
- Annual scope rotation based on system changes and prior findings.

### Risks Assessed

- Unauthorised access may compromise systems or sensitive information.
- Weak change or patch controls may cause security or availability failures.
- Backups or recovery arrangements may not restore critical services.
- Third-party IT risks may not be adequately governed.

## Cybersecurity and Vulnerability Management

| | |
|---|---|
| **Auditable Area** | Cybersecurity and Vulnerability Management |
| **Audit Year** | 2027/28, 2029/30 and 2031/32 |
| **Estimated Audit Hours** | 30 per audit year |

### Audit Objective

- Assess whether EMRC identifies, prioritises, remediates and verifies cybersecurity vulnerabilities within risk-based timeframes.
- Determine whether technical exposure and remediation performance are reported to accountable management.

### Audit Scope

- Cybersecurity framework.
- IT asset protection.
- Conduct of external scanning across nominated IP addresses.
- Vulnerability identification, risk rating and remediation recommendations.

### Risks Assessed

- Vulnerabilities may remain exploitable beyond acceptable timeframes.
- Configuration changes may expose IT assets.
- Exceptions may be accepted without effective compensating controls.
- Cyber incidents may disrupt operations or compromise data.

## Records Management

| | |
|---|---|
| **Auditable Area** | Records Management |
| **Audit Year** | 2027/28 and 2030/31 |
| **Estimated Audit Hours** | 20 per audit year |

### Audit Objective

- Assess whether official records and sensitive information are captured, retained, protected and disposed of in accordance with requirements.
- Determine whether staff use approved systems and understand their information-management responsibilities.

### Audit Scope

- Record capture, classification, storage and retrieval.
- Retention, disposal authorities and legal-hold requirements.
- Access, privacy, security and sensitive-information handling.
- Email, cloud platforms, physical records and freedom-of-information support.
- Training, monitoring and reporting of non-compliance.

### Risks Assessed

- Official records may be incomplete, inaccessible or stored outside approved systems.
- Records may be destroyed, retained or disclosed inappropriately.
- Sensitive information may be accessed by unauthorised persons.

## Work Health and Safety Management System

| | |
|---|---|
| **Auditable Area** | Work Health and Safety Management System |
| **Audit Year** | 2026/27, 2028/29 and 2030/31 |
| **Estimated Audit Hours** | 30 per audit year |

### Audit Objective

- Assess whether EMRC's WHS management system identifies and controls material safety risks and supports compliance with legal duties.
- Determine whether incidents, inspections and corrective actions are reported and addressed promptly.

### Audit Scope

- WHS governance, responsibilities, consultation and due-diligence reporting.
- Hazard identification, risk assessment and critical-control verification.
- Training, competency, licences and high-risk work requirements.
- Contractor safety, workplace inspections and permit controls.
- Incident reporting, investigation, trend analysis and corrective actions.

### Risks Assessed

- Critical hazards may not be identified or effectively controlled.
- Workers or contractors may lack required competency or authorisation.
- Incidents may not be reported, investigated or corrected.
- Serious injury, prosecution or operational disruption may result.

## OPERATIONS

## Waste Management (Red Hill Waste Management Facility and Community Recycling)

| | |
|---|---|
| **Auditable Area** | Waste Management (Red Hill Waste Management Facility and Community Recycling) |
| **Audit Year** | Every two years from 2027/28, 2029/30 and 2031/32 |
| **Estimated Audit Hours** | 40 per audit year |

### Audit Objective

- Assess whether selected critical controls at Red Hill operate effectively and comply with relevant licence and operational requirements.
- Provide recurring assurance over high-risk landfill activities through a rotating annual scope.
- Assess whether Community Recycling Centres apply consistent controls over waste acceptance, safety, contractors and revenue.
- Determine whether site records and reporting provide evidence of compliant and effective operations.

### Audit Scope

- Annual selection from waste acceptance, classification and inspection controls.
- Licence conditions, inspections, monitoring evidence and required reporting.
- Cell operations, cover, stockpiles and operational records.
- Leachate, landfill gas, groundwater and other environmental controls.
- Incidents, complaints, corrective actions and previous audit findings.
- Approved fees and charges, customer categories, pricing tables and effective dates.
- Weighbridge calibration, interfaces, ticket sequence, overrides and data integrity.
- Completeness and accuracy of invoices generated from operational records.
- Waste acceptance, prohibited materials, and load-inspection controls.
- Hazardous materials, segregation, storage, security and site safety.
- Fees, cash, EFTPOS and reconciliation controls.
- Contractor responsibilities, monitoring and issue management.
- Consistency of procedures, records and reporting across locations.
- Approved fees and charges, customer categories, pricing tables and effective dates.
- Completeness and accuracy of invoices generated from operational records.

### Risks Assessed

- Landfill operations may breach licence or environmental requirements.
- Waste may be incorrectly accepted, classified, handled or recorded.
- Leachate, gas or groundwater controls may fail or lack reliable evidence.
- Incidents may cause environmental harm, injury or service disruption.
- Weighbridge overrides or manual adjustments may be misused.
- Revenue leakage, error or fraud may not be detected.
- Prohibited or hazardous waste may be accepted or handled unsafely.
- Site and contractor controls may be inconsistent.
- Fees or cash receipts may be lost, misstated or misappropriated.
- Environmental or safety incidents may not be reported and corrected.
- Revenue leakage, error or fraud may not be detected.

## Plant, Fleet and Mobile Equipment

| | |
|---|---|
| **Auditable Area** | Plant, Fleet and Mobile Equipment |
| **Audit Year** | 2027/28 and 2030/31 |
| **Estimated Audit Hours** | 30 per audit year |

### Audit Objective

- Assess whether plant, fleet and mobile equipment are acquired, allocated, operated, maintained and disposed of safely and economically.
- Determine whether utilisation, condition and cost information supports lifecycle decisions.

### Audit Scope

- Acquisition, allocation, registration, licensing and insurance.
- Operator authorisation, pre-start inspections and defect reporting.
- Utilisation, fuel, telematics and private-use controls.
- Servicing, maintenance, downtime and recurring defects.
- Security, replacement decisions, disposal and asset-record updates.
- Asset valuations, risk declarations and annual renewal process.
- Long-term capital, renewal and maintenance planning.

### Risks Assessed

- Unsafe or unlicensed equipment may be operated.
- Maintenance failures may cause injury, breakdown or service disruption.
- Assets may be underutilised, misused, lost or disposed of without authority.
- Lifecycle costs and replacement needs may not be understood.

## Capital Works and Project Management

| | |
|---|---|
| **Auditable Area** | Capital Works and Project Management |
| **Audit Year** | 2026/27 and 2029/30 |
| **Estimated Audit Hours** | 30 per audit year |

### Audit Objective

- Assess whether capital projects are justified, approved, governed and delivered within authorised scope, cost, time and quality requirements.
- Determine whether project risks, changes, commissioning and handover are effectively controlled.

### Audit Scope

- Business cases, options analysis, funding and project approvals.
- Governance, roles, procurement strategy and project risk management.
- Cost, schedule, quality, contingency and progress reporting.
- Scope changes, variations, claims and delegated approvals.
- Commissioning, defects, handover, asset records and project close-out.
- FOGO and organics-processing controls support compliant inputs, reliable processing and marketable outputs.

### Risks Assessed

- Projects may proceed without a supported need, budget or governance structure.
- Cost overruns, delays, scope creep or quality failures may occur.
- Variations and claims may be unauthorised or poorly controlled.
- Incomplete commissioning or handover may impair operations and asset records.

## 12.4 ROSTER DAYS OFF (RDO) SYSTEM REVIEW

**D2026/23384 (ARIC) | D2026/24478**

### PURPOSE OF REPORT

The purpose of this report is to present the outcomes of the independent internal audit review of the EMRC's Rostered Days Off (RDO) system and the proposed management actions in response to the audit findings and recommendations.

### KEY POINT(S)

- At the ARIC meeting held on 3 September 2026, the EMRC Chairperson Cr Piffaretti requested that an independent internal audit be undertaken of EMRC's RDO system.
- Stantons was engaged to review RDO payments and balances for the period from 1 July 2020 to 31 August 2026.
- The review considered RDO cash-outs and termination payments, supporting documentation, approval arrangements, applicable management guidelines and outstanding RDO liabilities.
- The audit identified two findings, both assessed as Moderate risk, relating primarily to historical RDO payment arrangements and the management of RDO balances above applicable limits.
- Management supports the recommendations and will implement actions to strengthen the approval, monitoring and management of RDO arrangements.

### RECOMMENDATION(S)

That Council receives the report for the independent internal audit review of the EMRC's Rostered Days Off (RDO) system and acknowledge the proposed management actions in response to the audit findings and recommendations.

### SOURCE OF REPORT

| Employee Disclosure under s.5.70 of the *Local Government Act 1995* | | |
|---|---|---|
| **Author(s)** | Acting Chief Financial Officer | Nil |
| **Responsible Officer** | Chief Executive Officer | Nil |

### BACKGROUND

1 At the Audit, Risk and Improvement Committee meeting held on 3 September 2026, Cr Piffaretti requested that an internal audit be undertaken of EMRC's RDO system covering the preceding five years.

2 The requested review was to consider RDO payouts, including cash-outs and termination payments, supporting documentation and approvals, compliance with applicable management guidelines, employment arrangements and legislative requirements, and outstanding RDO balances and associated liabilities.

3 The objective was to obtain an independent assessment of whether the RDO system had been appropriately managed and to identify any risks, liabilities or opportunities for improvement requiring management action.

4 Stantons was subsequently engaged to undertake the independent review. The final audit covered the period from 1 July 2020 to 31 August 2026.

## REPORT

5 The independent internal audit has now been completed and the audit concluded that the review of RDO payouts and identification of employees who received RDO payments were achieved. The areas relating to the application of the RDO management guidelines and management of outstanding RDO accrual balances were assessed as partially achieved, with both areas receiving a Moderate risk rating.

6 The key matters identified by the audit related to:

- Historical RDO cash-outs made before August 2026 that were outside the standard provisions of the applicable Management Guideline at the time;
- RDO balances that had accumulated above the applicable limits;
- The need for clearer approval processes and documentations requirements for exceptional RDO payments; and
- The need for stronger monitoring and management of accumulated RDO balances.

7 The audit made recommendations to strengthen the RDO framework including clearer approval and documentation requirements, clarification of leave application processes, improved management of the 38 hour accumulation limit, resolution of existing excess balances, improved workforce planning and ongoing monitoring and reporting of RDO balances.

8 Management supports the audit recommendations and will implement the required actions including reviewing and strengthening the approval procedures and documentation requirements for exceptional RDO payments.

9 The current Management Guidelines - Leave (All Types Except Long Service Leave TIL and Jury Duty) approved by the ELT in August 2026 addresses the management of RDO balances by:

- Limiting RDO accumulation to five days or 38 hours during a rolling 12 month period;
- Providing for the regular review a of accumulated RDO balances; and
- Requiring the payment of accumulated RDO balances during the first pay period in June and December where an employee has accumulated five or more RDO days.

10 These requirements are intended to maintain RDO balances within the applicable limit and reduce the risk of excessive balances accumulating.

11 As at the pay period ending 4 October 2026, seven employees had accumulated RDO balances exceeding five days. In accordance with the current Management Guideline, these balances are scheduled to be paid out in the first pay period in December 2026. The RDO balances and associated liability are summarised below:

| Number of Employees | RDO Balances (Hours) | RDO Liability ($) |
|---|---|---|
| 7 | 585.15 | $51,135.28 |

12 Detailed audit testing, observations, findings and recommendations are provided in the attachment.

## STRATEGIC/POLICY IMPLICATIONS

13 Reporting on the EMRC Strategic Policy implications align with the revised Strategic Plan 2017-2027 and the Sustainability Strategy 2022/2023 – 2026/2027.

## FINANCIAL IMPLICATIONS

14 Outstanding RDO balances represent future leave or payment obligations. Management will continue to monitor these balances and address excess balances in accordance with the applicable RDO arrangements and the recommendations of the internal audit.

## SUSTAINABILITY IMPLICATIONS

15 Nil

## RISK MANAGEMENT

| **Risk: RDO balances accumulating above the applicable limit may result in increased financial liabilities to the organisation and non-compliance with the Management Guideline.** | | |
|---|---|---|
| **Consequence** | **Likelihood** | **Rating** |
| Moderate | Possible | Moderate |
| **Action/Strategy** | | |
| ➢ Management will continue to monitor RDO balances and implement the audit recommendations to reduce the risk of balances exceeding the applicable limits and associated liabilities. | | |

## MEMBER COUNCIL IMPLICATIONS

| Member Council | Implication Details |
|---|---|
| Town of Bassendean<br>City of Bayswater | Nil |

## ATTACHMENT

Roster Days Off (RDO) System Review (D2026/24479)

## VOTING REQUIREMENT

Simple Majority

## RECOMMENDATION(S)

That Council receives the report for the independent internal audit review of the EMRC's Rostered Days Off (RDO) system and acknowledge the proposed management actions in response to the audit findings and recommendations.

The Presiding Member invited questions from Councillors.

Cr Hamilton sought clarification regarding historical RDO payments and arrangements identified in the audit report, including CEO-directed variations, deeds of compromise, and payroll transition arrangements. Mr Cottrill advised that the majority of these matters related to predecessor CEOs and represented historical practices rather than current arrangements.

Cr Hamilton also queried whether recent changes to the Leave Management Guideline had strengthened management controls. Mr Cottrill confirmed that the revised guideline, introduced in August 2026, was intended to improve management of accrued RDO entitlements and minimise excessive accruals.

In response to a question regarding the cost of the review, the Acting CFO advised that the audit had been undertaken at a cost of $16,260 excluding GST.

Cr Hamilton questioned the governance process by which the review had been commissioned. The CEO advised that, while matters of this nature would ideally proceed through a formal Council notice of motion and resolution, he had exercised his authority as CEO to commission the review using budgeted consultant funds in response to a request, noting his legislated responsibility to assess the appropriateness and effectiveness of the systems.

Cr Poliwka sought clarification from the auditor regarding arrangements supported by deeds of compromise. Mr Cottrill advised that such arrangements constituted authorised exceptions and were acceptable where appropriately documented and supported although the preference remained for compliance with established management guidelines.

The CEO provided further context regarding the evolution of the RDO management guideline, advising that the previous guideline had presented practical difficulties, nor been regularly reviewed, and did not adequately address accrued employee entitlements. He advised that a revised guideline had now been implemented to provide greater flexibility while ensuring active management of leave accruals and employee wellbeing. The new management guideline introduced in August 2026 also provided a release valve to ensure RDO balances are maintained at an acceptable level. The CEO further reassured Committee Members that the guideline would continually be reviewed and refined as required.

Cr Hamilton asked whether the auditors had encountered any difficulties obtaining information during the review. Mr Cottrill confirmed that management had been highly cooperative and that all requested information had been made available.

## AUDIT, RISK AND IMPROVEMENT COMMITTEE RECOMMENDATION(S)

MOVED CR OSTASZEWSKYJ SECONDED CR POLIWKA

That Council receives the report for the independent internal audit review of the EMRC's Rostered Days Off (RDO) system and acknowledge the proposed management actions in response to the audit findings and recommendations.

**CARRIED UNANIMOUSLY**

The Chairperson thanked Mr Cottrill for his attendance and he departed the meeting at 6:24pm.

## COUNCIL RESOLUTION(S)

MOVED SECONDED

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EMRC

# Eastern Metropolitan Regional Council

# Rostered Days Off (RDO) System Review

# Internal Audit

**October 2026**

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## 1. EXECUTIVE SUMMARY

**Introduction**
The Eastern Metropolitan Regional Council (EMRC) is a prominent regional local government authority serving Perth's Eastern Metropolitan area in Western Australia. With over four decades of experience, EMRC has established itself as a leader in waste management, resource recovery, and sustainability services.

The EMRC is committed to leveraging its advanced infrastructure and industry expertise to deliver innovative and effective environmental solutions. Guided by its Sustainability Vision, EMRC promotes responsible waste practices and supports the transition to a circular economy, turning waste into valuable resources and creating long-term economic and environmental benefits.

It is an incorporated body established under the Western Australian *Local Government Act 199*5. The EMRC's operations are governed under an Establishment Agreement.

The organisation operates world-class facilities, including the Red Hill Waste Management Facility (ISO 14001:2015 accredited) and the Hazelmere Resource Recovery Park, both of which generate significant returns and deliver substantial value to EMRC's customers. 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.

Stantons was engaged by Management to undertake an independent review of EMRC's Rostered Days Off (RDO) system.

**Audit Objective:**
The objective of this audit was to assess whether RDOs were managed in accordance with Council guidelines, policies, employment contracts and applicable legislative requirements, and to identify any associated risks or liabilities requiring management action.

**Scope of Works:**
The audit scope was to:

- Review all RDO payouts during the five-year review period, including cash-outs and payments made on termination of employment.
- Identify all employees who received RDO payouts and exam:
    - employee names;
    - pay periods in which the payouts were made;
    - RDO hours paid out;
    - dollar amounts paid;
    - supporting documentation for each payout; and
    - evidence of approval and the basis for the payout decision.
- Review EMRC's RDO management guidelines and their alignment with applicable policies, employment contracts and legislative requirements to identify inconsistencies, control gaps and potential risk exposure.
- Review outstanding RDO accrual balances and the associated financial liabilities, including compliance with applicable balance limits.

The audit period was from 1 July 2020 to 31 August 2026.

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

**Overall Risk Rating**

| Scope Report Reference | Audit Scope | Outcomes | Risk Rating |
|---|---|---|---|
| **8.1** | Review all RDO payouts during the five-year review period, including cash-outs and payments made on termination of employment. | Achieved | N/A |
| **8.2** | Identify all employees who received RDO payouts. | Achieved | N/A |
| **8.3** | Review EMRC's RDO management guidelines and their alignment with applicable policies, employment contracts and legislative requirements to identify inconsistencies, control gaps and potential risk exposure. | Partially Achieved | Moderate |
| **8.4** | Review outstanding RDO accrual balances and the associated financial liabilities, including compliance with applicable balance limits. | Partially Achieved | Moderate |

## 3. SUMMARY OF FINDINGS

**1.** The audit identified the following departures from the standard requirements of the applicable management guidelines:

- Cash-outs during employment: The guidelines prohibited RDO cash-outs during employment pre 1 August 2026. However, 29 cash-out transactions were recorded before that date. These included payments under the November 2020 CEO-directed variation, individual Deeds of Compromise and the July 2021 payroll-transition arrangements. These arrangements represented exceptions to the standard guideline provisions.
- Accumulation above the prescribed limit: Between 1 December 2020 and 31 July 2026, the guidelines limited accumulated RDO balances to 30.4 hours. The audit identified 11 termination payouts exceeding this limit. Although payment of unused accrued RDO entitlements on termination was permitted, the hours paid indicated that accumulation above the prescribed limit had occurred.

**2.** RDO balances continued to accumulate above the applicable limits despite the monitoring responsibilities established in the management guidelines.

The absence of consistent intervention allowed excess balances to persist, increasing future payment obligations and reducing the effectiveness of the arrangement in providing regular time off.

## 4. RECOMMENDATIONS

**1.** Management should:

- **Document the process for exceptional RDO payments.** Human Resources should establish a standard approval record identifying the reason for the payment, the relevant guideline or employment arrangement, the authorised decision-maker and supporting documentation. Payroll should retain this record with the payment details.

- **Clarify the leave application requirements.** The guidelines could permit employees to apply for an RDO before the full entitlement has accrued, with approval conditional on sufficient accrued hours being available on the date the leave is taken. This should include arrangements for employees commencing their first RDO accrual cycle.
- **Specify the action required when an employee approaches the 38-hour limit.** The guidelines should identify who must arrange leave or an applicable cash-out, when that action must occur and how additional accruals will be managed before the leave or payment is processed.

**2.** Management should:

- **Prepare a plan to resolve existing excess balances within three months.** Payroll should provide each relevant manager with a list of employees exceeding 38 hours. Managers should agree and document a resolution with each employee through scheduled RDO leave, a cash-out permitted under the current guidelines, or a combination of both.
- **Consider a one-off cash-out to reduce outstanding balances.** Management should assess whether a one-off settlement would assist in clearing accumulated balances. Payments should follow the applicable approval and employment arrangements, including employee requests where required for balances below five days.
- **Include RDO leave in routine workforce planning.** Supervisors should discuss RDO leave when preparing rosters and encourage employees to take leave in the month following accrual. Where operational requirements prevent leave, an alternative date should be agreed and recorded.
- **Assign responsibility for the June and December cash-outs.** Payroll should identify employees meeting the five-day threshold, obtain the required approvals and process payments in the specified pay period. A subsequent balance check should confirm that the payments were correctly applied and account for any intervening accruals.
- **Report progress to the Audit Risk and Improvement Committee.** Management should report the number of employees above the limit, total excess hours, the associated financial liability and outstanding corrective actions until existing excess balances have been resolved.

## 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 RDO System Review.

**Stantons - Audit Management Comments**

We would like to thank the Corporate Services team for all their assistance with the RDO System Review 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* *Signature:* James Cottrill

*Title: Principal, Internal Audit, IT Audit & Risk Consulting* *Release Date: 28 October 2026*

## 8. DETAILED AUDIT ASSESSMENT

### 8.1 REVIEW ALL RDO PAYOUTS DURING THE FIVE-YEAR REVIEW PERIOD, INCLUDING CASH-OUTS AND PAYMENTS MADE ON TERMINATION OF EMPLOYMENT.

| | |
|---|---|
| **Overall Outcome** | The audit identified 29 cash-out transactions, representing 1,647.42 hours and $102,222.22, and 65 termination payout transactions, representing 1,415.51 hours and $80,099.22.<br><br>Total RDO payments recorded during the period 1 July 2020 to 31 August 2026 amounted to $182,321.44. |

The audit examined RDO payments made during employment and payments of accrued RDO entitlements upon termination. The assessment covered the employees receiving payments, relevant pay periods, hours paid, payment amounts, supporting documentation and approval arrangements.

The transactions were distributed across the financial years as follows:

| Financial Year | Cash-out transactions | Termination payout transactions |
|---|---|---|
| FY 2020/2021 | 10 | 15 |
| FY 2021/2022 | 15 | 9 |
| FY 2022/2023 | 0 | 13 |
| FY 2023/2024 | 1 | 11 |
| FY 2024/2025 | 1 | 6 |
| FY 2025/2026 | 1 | 11 |
| FY 2026/2027 | 1 | 0 |
| **Total** | **29** | **65** |

Payments classified as cash-outs were recorded across seven pay periods. Cash-outs were recorded across the following pay periods.

| Pay period ending | Employees identified | Supporting basis described |
|---|---|---|
| 24 November 2020 | A211, A141, A238, A245, A377, A13, A88, A352, A359 and A9 | Payments made under arrangements involving former CEO Marcus Geisler, supported by individual Deeds of Compromise. |
| 18 July 2021 | A392, A398, A231, A379, A141, A245, A422, A423, A377, A409, A298, A372, A413 and A408 | Use of accrued RDO hours to supplement a shortened payroll period during a payroll-cycle transition |
| 13 March 2022 | A377 | Individual arrangement involving former CEO Marcus Geisler, |

| | | |
|---|---|---|
| | | supported by a Deed of Compromise |
| 24 March 2024 | A377 | Individual arrangement involving former CEO Marcus Geisler, supported by a Deed of Compromise |
| 6 October 2024 | A440 | Individual arrangement involving former CEO Marcus Geisler, supported by a Deed of Compromise |
| 27 July 2025 | A449 | Individual arrangement involving former CEO Matthew MacPherson, supported by a Deed of Compromise |
| 26 July 2026 | A32 | Individual arrangement involving CEO Hua Jer Liew, supported by a Deed of Compromise |

Stakeholders advised that EMRC's fortnightly payroll cycle changed from Wednesday–Tuesday to Monday–Sunday. The transitional period covered 7–18 July 2021 and was shorter than the usual fortnight. Employees were offered the option of using accrued RDO or annual leave to supplement their payment. Some employees selected RDO leave, others selected annual leave, and some did not supplement their payment.

The November 2020 and subsequent individual cash-outs were undertaken through specific payment arrangements. The July 2021 payments arose from the payroll-cycle transition. These circumstances were considered separately in the assessment of approval evidence and compliance with the applicable guidelines.

No exceptions were identified in the identification and reporting of the payout population. Observations concerning supporting documentation, payment authority and guideline compliance are reported in Sections 8.2 and 8.3.

### 8.2 IDENTIFY ALL EMPLOYEES WHO RECEIVED RDO PAYOUT.

| | |
|---|---|
| **Overall Outcomes** | The audit identified 79 distinct employees who received RDO cash-outs or termination payouts during the review period and examined the associated payment details and supporting documentation.<br><br>The payments reviewed were made during the agreed pay periods and supported by relevant documentation. No exceptions were identified under this audit objective. |

The audit examined employee names and identifiers, payment periods, RDO hours paid, payment amounts and the associated supporting records.

The employees receiving payments are summarised below:

| Financial Year | Cash-outs | Termination Payouts |
|---|---|---|
| FY 2020/2021 | A211, A141, A238, A245, A377, A13, A88, A352, A359, A9 | A260, A415, A420, A245, A359, A393, A400, A210, A331, A385, A399, A397, A343, A403, A432, A297 |
| FY 2021/2022 | A392, A398, A231, A379, A141, A245, A422, A423, A377, A409, A298, A372, A413, A408 | A392, A398, A379, A414, A245, A409, A372, A413, A408, A375, A219, A360, A437 |
| FY 2022/2023 | Nill | A443, A434, A442, A457, A383, A436, A438, A454, A404, A427, A412, A435, A408 |
| FY 2023/2024 | A377 | A439, A441, A444, A245, A266, A409, A465, A467, A395, A466, A410 |
| FY 2024/2025 | A440 | A396, A487, A485, A476, A448, A460, A440 |
| FY 2025/2026 | A449 | A472, A453, A440, A494, A329, A449, A479, A471, A382, A480, A481 |
| FY 2026/2027 | A32 | Nill |

The information was provided on a financial-year basis. Consequently, employees may appear in multiple financial-year schedules or payment categories. The audit counted each employee once when determining the population of 79 distinct employees.

The RDO payouts reviewed were processed as lump-sum payments during the agreed pay periods and supported by the relevant documentation. The assessment of compliance with the applicable RDO guidelines is addressed separately in Section 8.3.

### 8.3 REVIEWING EMRC'S RDO MANAGEMENT GUIDELINES AND THEIR ALIGNMENT WITH APPLICABLE POLICIES, EMPLOYMENT CONTRACTS AND LEGISLATIVE REQUIREMENTS TO IDENTIFY INCONSISTENCIES, CONTROL GAPS AND POTENTIAL RISK EXPOSURE.

| | |
|---|---|
| **Overall Outcome** | The audit reviewed four versions of EMRC's management guidelines relevant to RDO accrual, accumulation, cash-outs and termination payments. |

Audit reviewed four versions of the applicable management guidelines:

| Guideline version | RDO accrual and accumulation requirements | Payment requirements |
|---|---|---|
| April 2019 | Accrual of 0.40 hours per day over 19 days, equivalent to 7.6 hours. RDOs were to be taken in the following month and should not be accumulated beyond 12 months, with provision for case-by-case arrangements. | RDOs were not available to be exchanged for payment during employment. Accrued unused entitlements were payable on termination at the applicable hourly rate. |
| December 2020 | The four-day limit of 30.4 hours applied during a rolling 12-month period. The guideline stated that excess hours would be lost and assigned monitoring responsibility to employees and management. | Cash-outs during employment remained prohibited. Accrued unused entitlements were payable on termination. |
| June 2023 | The four-day limit of 30.4 hours and the associated monitoring responsibilities continued. | Cash-outs during employment remained prohibited. Unused accrued entitlements were payable on termination. |
| August 2026 | The limit increased to five days or 38 hours. Accumulated balances were to be reviewed during the first pay period of June and December. | Employees with five or more accumulated RDOs were to receive payment of their entire balance, reducing the balance to zero. Cash-outs below five days became available on request. Payments were made at the applicable hourly rate. |

The audit applied the agreed testing thresholds of:

- 91.2 hours before 1 December 2020;
- 30.4 hours from 1 December 2020 to 31 July 2026;
- and 38 hours from 1 August 2026.

The 91.2-hour criterion reflected 12 monthly accruals of 7.6 hours and was considered alongside the April 2019 guideline's case-by-case provision.

**Historical cash-out arrangements**
The November 2020 payments were supported by the CEO-directed variation recorded in the audit working paper. Subsequent individual payments were made under arrangements documented through Deeds of Compromise.

These payments occurred before the August 2026 guideline introduced general cash-out arrangements and represented specific arrangements outside the standard cash-out provisions then in force.

The July 2021 payments arose from the payroll-cycle transition. Management described these payments as the use of accrued leave to supplement a shortened pay period. Their circumstances differed from the subsequent individual cash-out arrangements.

The guideline provisions reviewed did not establish a consistent process for approving and administering individual cash-out exceptions. In particular, they did not specify the approval authority, required justification, documentation or payroll treatment for such arrangements.

**Termination payouts exceeding 30.4 hours**
The audit identified the following termination payouts above the applicable testing limit:

| Employee ID | Termination date | RDO hours paid |
|---|---|---|
| A403 | 21 May 2021 | 34.40 |
| A392 | 17 November 2021 | 47.00 |
| A379 | 29 April 2022 | 42.60 |
| A375 | 17 December 2021 | 52.15 |
| A443 | 2 December 2022 | 66.51 |
| A245 | 4 August 2023 | 39.57 |
| A409 | 26 January 2024 | 75.60 |
| A453 | 2 October 2025 | 130.07 |
| A440 | 14 December 2025 | 69.40 |
| A329 | 29 August 2025 | 79.80 |
| A382 | 30 November 2025 | 38.00 |

These payments demonstrated that balances exceeding the standard accumulation limit remained recorded and were paid upon termination.

The termination exceptions occurred during the following CEO periods:

| CEO period | Termination payout exceptions |
|---|---|
| Marcus Geisler—15 July 2019 to 27 October 2024 | A403, A392, A379, A375, A443, A245 and A409. |
| Matthew MacPherson—2 December 2024 to 28 November 2025 | A329 and A453. |
| Hua Jer Liew, acting—29 November 2025 to 24 June 2026 | A382 and A440. |
| Hua Jer Liew, permanent—from 25 June 2026 | None identified in the supplied schedule. |

The table provides chronological context. Responsibility for approving each payment is determined by the corresponding approval records and delegated authority.

**Management Guidelines**
It was noted that the pre-August 2026 Leave Management Guidelines stated that any RDO hours accrued entitlements beyond the permitted four days (30.4 hours) would be lost which was not appropriate nor viable. Furthermore, this stipulation was not implemented by management.

The post- August 2026 (current) Leave Management Guidelines is a more workable solution to the management of the accrued RDO entitlement. The current guideline provides that an RDO may be taken on the twentieth day, prohibits taking an RDO before the entitlement has accrued, and requires submission of a leave application at least five days before the proposed leave date.

For an employee commencing the first accrual cycle with no opening RDO balance, the full 7.6-hour entitlement is accumulated after 19 qualifying working days. An application to take the RDO on the twentieth day must therefore be submitted before the full entitlement has accrued.

The guideline does not expressly state whether an application may be submitted or approved against the anticipated balance, with approval conditional on sufficient hours being available when the leave is taken. It also does not specify when the balance must be verified.

Although the requirements can operate together through advance applications and conditional approval, the absence of an explicit procedure creates uncertainty during the first accrual cycle. This may result in inconsistent approval practices or unnecessary deferral of an employee's first RDO.

The current guideline prohibits accumulation above five days or 38 hours. It also requires scheduled cash-outs during the first pay period of June and December for employees holding five or more accumulated RDOs.

The guideline does not specify how the 38-hour limit is maintained between the scheduled reviews. Employees reaching the limit between review dates may continue accruing hours unless RDO leave, a cash-out or another management action occurs.

The availability of cash-outs below the threshold does not establish a mandatory intervention process for employees approaching or reaching 38 hours. The guideline also does not specify the treatment of further accruals between identification of a balance at the threshold and processing the payment.

Consequently, the scheduled cash-out process does not, by itself, ensure compliance with the accumulation limit throughout the year.

| | |
|---|---|
| **Finding 1** | The audit identified the following departures from the standard requirements of the applicable management guidelines:<br>• **Cash-outs during employment:** The guidelines prohibited RDO cash-outs during employment before 1 August 2026. However, 29 cash-out transactions were recorded before that date. These included payments under the November 2020 CEO-directed variation, individual Deeds of Compromise and the July 2021 payroll-transition arrangements. These arrangements represented exceptions to the standard guideline provisions. |

| | |
|---|---|
| | • **Accumulation above the prescribed limit**: Between 1 December 2020 and 31 July 2026, the guidelines limited accumulated RDO balances to 30.4 hours. The audit identified 11 termination payouts exceeding this limit. Although payment of unused accrued RDO entitlements on termination was permitted, the hours paid indicated that accumulation above the prescribed limit had occurred. |
| **Risk Rating** | Moderate |
| **Recommendation 1** | Management should:<br>• **Document the process for exceptional RDO payments**. Human Resources should establish a standard approval record identifying the reason for the payment, the relevant guideline or employment arrangement, the authorised decision-maker and supporting documentation. Payroll should retain this record with the payment details.<br>• **Clarify the leave application requirements**. The guidelines should expressly permit employees to apply for an RDO before the full entitlement has accrued, with approval conditional on sufficient accrued hours being available on the date the leave is taken. This should include arrangements for employees commencing their first RDO accrual cycle.<br>• **Specify the action required when an employee approaches the 38-hour limit.** The guidelines should identify who must arrange leave or an applicable cash-out, when that action must occur and how additional accruals will be managed before the leave or payment is processed. |

### 8.4 Reviewing outstanding RDO accrual balances and the associated financial liabilities, including compliance with applicable balance limits.

| | |
|---|---|
| **Overall Outcome** | The audit identified recurring RDO balances above the applicable accumulation limits. These balances continued to accrue, indicating that monitoring and management intervention were not consistently effective.<br><br>Outstanding RDO balances expose EMRC to future cash-out and termination payment obligations. Continued accumulation also reduces the effectiveness of the RDO arrangement in providing employees with time off in recognition of additional hours worked. |

The audit assessed accumulated RDO balances against the requirements applicable during the review period.

| Period | Testing Threshold | Assessment Basis |
|---|---|---|
| Before 1 December 2020 | 91.2 hours | The April 2019 guideline's 12-month accumulation provision, including case-by-case arrangements. |
| 1 December 2020–31 July 2026 | 30.4 hours | The four-day accumulation limit and any documented exceptions. |
| From 1 August 2026 onwards | 38 hours | The revised five-day limit and associated cash-out arrangements. |

The 91.2-hour testing threshold represented 12 monthly accruals of 7.6 hours.

**Historical accumulation requirements**
The December 2020 and June 2023 guidelines required RDOs to be taken in the month following accrual and limited accumulation to four days, or 30.4 hours, during a rolling 12-month period.

These guidelines stated that hours accrued above the limit would be lost and assigned responsibility for monitoring balances to employees, Chiefs, Managers, Coordinators and Supervisors.

Despite these requirements, the audit identified employees whose balances exceeded the prescribed limits and continued to accrue. This demonstrated that the accumulation requirements were not consistently reflected in the management of recorded balances.

**Current accumulation and cash-out requirements**
The August 2026 guideline encourages employees to take RDOs in the month following accrual and limits accumulation to five days, or 38 hours.

The guideline requires a review during the first pay period of June and December. Employees holding five or more accumulated RDOs are to receive payment of their entire balance, reducing it to zero. Cash-outs below the five-day threshold are available on request.

The current guideline does not repeat the earlier provision that excess hours would be lost.

**Financial and operational implications**
RDO balances arise from the additional time worked under EMRC's eight-hour working-day arrangement. These balances represent accrued time that may subsequently be taken as leave or paid under the applicable cash-out and termination arrangements.

Continued accumulation increases future payment obligations, with payments calculated at the employee's applicable hourly rate when processed.

Resolution of existing excess balances requires consideration of the applicable employment entitlements and approved payment arrangements. The earlier forfeiture wording does not, by itself, establish an appropriate basis for removing recorded entitlements arising from time already worked.

A one-off cash-out would provide a means of settling existing balances and establishing a clear starting position for ongoing administration.

We note that Payroll provides fortnight leave reports which includes RDO's to supervisors / managers currently.

| | |
|---|---|
| **Finding 2** | RDO balances continued to accumulate above the applicable limits despite the monitoring responsibilities established in the management guidelines.<br><br>The absence of consistent intervention allowed excess balances to persist, increasing future payment obligations and reducing the effectiveness of the arrangement in providing regular time off. |
| **Risk Rating** | Moderate |
| **Recommendation 2** | Management should:<br>• **Prepare a plan to resolve existing excess balances within three months.** Payroll should provide each relevant manager with a list of employees exceeding 38 hours. Managers should agree and document a resolution with each employee through scheduled RDO leave, a cash-out permitted under the current guidelines, or a combination of both.<br>• **Consider a one-off cash-out to reduce outstanding balances.** Management should assess whether a one-off settlement would assist in clearing accumulated balances. Payments should follow the applicable approval and employment arrangements, including employee requests where required for balances below five days.<br>• **Include RDO leave in routine workforce planning.** Supervisors should discuss RDO leave when preparing rosters and encourage employees to take leave in the month following accrual. Where operational requirements prevent leave, an alternative date should be agreed and recorded.<br>• **Assign responsibility for the June and December cash-outs.** Payroll should identify employees meeting the five-day threshold, obtain the required approvals and process payments in the specified pay period. A subsequent balance check should confirm that the payments were correctly applied and account for any intervening accruals. |

| | |
|---|---|
| | • **Report progress to the Audit Risk and Improvement Committee.** Management should report the number of employees above the limit, total excess hours, the associated financial liability and outstanding corrective actions until existing excess balances have been resolved. |

## 12.5 RISK MANAGEMENT UPDATE

**D2026/23488 (ARIC) | D2026/24480**

### PURPOSE OF REPORT

The purpose of this report is to update the Audit, Risk and Improvement Committee and Council 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, Risk and Improvement Committee.

### RECOMMENDATION(S)

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

### SOURCE OF REPORT

| Employee Disclosure under s.5.70 of the *Local Government Act 1995* | | |
|---|---|---|
| **Author(s)** | Manager Information Services | Nil |
| **Responsible Officer** | Chief Financial Officer | Nil |

### 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 processes 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, Risk and Improvement Committee and Council in the August 2026 round of meetings (D2026/14181).

## 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 | The Executive Leadership Team conducts monthly reviews and reporting of excessive leave liability, resulting in substantial progress toward reducing outstanding balances and fostering a healthier organisational environment. The Management Guideline for Leave has also been reviewed and updated in August 2026. |
| SR-2 | Inadequate succession planning | Chief Executive Officer | Investing in our workforce remains a core component of our organisational strategy. Through continuous professional development and enhancements to our organisational structure, we are strengthening opportunities for internal progression and promotion. These initiatives support ongoing improvement while fostering a positive and empowering environment for our team members. |
| SR-3 | Ineffective Operational Reporting (timely and relevant) | Chief Operating Officer | Operational reports are consistently effective and include clearly defined Key Performance Indicators (KPIs). Their effectiveness is regularly evaluated to support continuous improvement. The results and data from these assessments are systematically recorded in the MYOSH System, enabling timely and informed operational oversight. |

| Risk Code | Risk Title | Risk Owner | Risk Status Update |
|---|---|---|---|
| SR-4 | Over-use of single-source suppliers | Chief Financial Officer | To mitigate the risks associated with excessive reliance on single-source suppliers, the organisation has implemented a comprehensive procurement strategy that includes the use of the WALGA Panel, Requests for Quotation (RFQs), and formal tender processes. These measures support the systematic identification of sole-source dependencies. The EMRC is also committed to diversifying its supply chain to strengthen operational resilience and improve cost efficiency across all procurement activities. |
| SR-5 | Legacy issues restricting innovation and performance | Chief Executive Officer | Continuous improvement initiatives have enhanced operational efficiency and fostered a culture of innovation. By systematically addressing longstanding challenges, the organisation has created structured opportunities for staff to contribute effectively and responsibly. These initiatives have strengthened team morale while establishing a foundation for long-term sustainability, resilience, and adaptability. |
| SR-6 | Under/poor performance | Chief Executive Officer | By proactively addressing underperformance, the EMRC has strengthened accountability and optimised its core operational platforms. The introduction of performance-based remuneration has further aligned individual performance assessments with operational efficiency and financial outcomes. Collectively, these measures have significantly improved team effectiveness and contributed positively to the organisation's financial performance. |
| SR-7 | Reduced Grant Funding | Chief Transformation Officer | All opportunities are explored to secure external funding and deliver quality outcomes to member councils that are aligned to the strategic plan. |

| Risk Code | Risk Title | Risk Owner | Risk Status Update |
|---|---|---|---|
| SR-8 | Inadequate leachate control | Chief Operating Officer | Leachate management controls are considered adequate and remain essential to maintaining compliance with licence requirements and exceeding best practice. The leachate ponds are monitored daily, with inspections and operational controls being implemented as required. The importance of managing this risk is reflected in the continued investment by the EMRC to ensure that the leachate management system is maintained to an appropriately high standard and that sufficient capacity is available to manage seasonal conditions. This is supported by the investment in our highly qualified environmental operations team with an EMS that meets and exceeds the compliance requirements. |
| SR-9 | Odour, noise, dust and traffic complaints | Chief Operating Officer | Internal processes enable neighbours and stakeholders to report issues. All complaints are promptly addressed, reviewed and approved by the Site Manager and Chief Operating Officer, and recorded in accordance with EMRC requirements. Improvements to FOGO processing have reduced odour-related issues.<br>There has been a significant reduction in the intake of FOGO waste, which is expected to reduce odour, noise, dust and traffic impacts at the site, and should lead to a corresponding reduction in related complaints. |
| SR-10 | WWTE (Pyrolysis) Project underperformance | Chief Operating Officer | At the November 2025 Ordinary Council meeting it was resolved that the project be cancelled. |
| SR-11 | Fire in operational sites | Chief Operating Officer | Inductions and site procedures are in place to manage fire risk across EMRC sites and to ensure compliance with reporting requirements. |
| SR-12 | By-passing established Tender or Procurement procedures | Chief Financial Officer | Our procurement framework is anchored in stringent authority thresholds and comprehensive internal audits, meticulously designed to mitigate risks such as purchase order splitting. These protocols undergo continual evaluation and refinement, with approval mechanisms being diligently fortified through transparent and constructive discourse at every echelon of leadership from team coordinators, to managers, and up to the executive team. |

| Risk Code | Risk Title | Risk Owner | Risk Status Update |
|---|---|---|---|
| SR-13 | Cyber attack | Chief Financial Officer | Rigorous and ongoing system testing, coupled with systematic updates, underpin the organisation's robust cyber security posture. In preparation for the future, the annual review of our cyber security insurance have been duly concluded, further strengthening our commitment to operational resilience and risk mitigation. The internal control module for the internal audit has been concluded with the penetration testing module expected to be completed shortly. |
| SR-14 | Poor Stakeholder Engagement | Chief Executive Officer | Regular meetings are held with member Council Mayors, Chief Executive Officers, and Officers to promote meaningful engagement. These sessions support continued alignment with the priorities and strategic objectives of member Councils, strengthen collaborative relationships, and contribute to effective outcomes for all stakeholders. |
| SR-15 | By-passing established administrative (non-financial) procedures | Chief Financial Officer | A comprehensive and continuous review process is being conducted, accompanied by systematic enhancements to both operational procedures and protocols. These refinements are strategically designed to bolster accountability and elevate organisational efficiency. |
| SR-16 | Injury to Operational Field Officers | Chief Executive Officer | Regular health and safety meetings bring together staff at all levels to reinforce risk management and protect operational field officers. Enhanced pre-start procedures, WHS-focused recruitment, accountability measures, corrective actions, and refined communication tools support these efforts.<br>Hazards, incidents, and risks are systematically recorded to strengthen safety protocols, while ongoing reviews improve reporting, accountability, and procedures and help minimise workplace risks. |
| SR-18 | Capex project objectives/targets not achieved | Chief Transformation Officer | Continuous review of the project deliverables against project objectives have seen more recent capital projects achieved on time and within budget. |
| SR-19 | Licencing conditions breach | Chief Transformation Officer | There are no changes to the Hazelmere licence and there have been no notices of non-compliance at Red Hill or Hazelmere facilities during this financial year. The EMRC continues to monitor its licence conditions on a regular basis to ensure strict compliance. |

| Risk Code | Risk Title | Risk Owner | Risk Status Update |
|---|---|---|---|
| SR-20 | Lack of interest from Member Councils regarding EMRC Programs | Chief Transformation Officer | This has been captured in the revised Corporate Business Plan 2026/2027 - 2030/2031, which will flow on to the EMRC's Strategic Plan 2017-2027 when it is next reviewed. |
| SR-21 | Employment related litigation | Chief Executive Officer | LGIS and internal auditors conducted audits of management guidelines and procedures. Training sessions also covered employee relations, work health and safety (WHS), and the enforcement of site procedures. The associated risks are currently being reviewed and reclassified. |
| SR-22 | Sub-surface landfill fires | Chief Operating Officer | A formal procedure is in place to manage the unlikely occurrence of a subsurface fire, including incident reporting and notification of the regulator in accordance with the applicable licence conditions. Following reassessment, the risk has been assigned lower likelihood and consequence ratings. The Environmental Team prepares an incident report, and all incidents are recorded in MYOSH for investigation. |
| SR-23 | Methane gas explosion | Chief Operating Officer | All site areas are monitored daily by the EMRC site contractor and operations team leaders. Site inductions and an emergency response plan are in place to address potential incidents. Regular evacuation drills are conducted to ensure personnel remain prepared for the unlikely event of a methane gas explosion and to strengthen site-wide emergency readiness. |
| SR-24 | Light vehicle or pedestrian interaction with heavy equipment | Chief Operating Officer | All external visitors and contractors must complete an induction before accessing the site to ensure they understand active operational areas. Where required, appropriate personal protective equipment (PPE) must be worn, two-way radios issued, and individuals escorted by an EMRC site employee.<br>Access to EMRC sites is prohibited without prior induction or an authorised escort. Inductions cover all requirements for light-vehicle and pedestrian movements. Safety KPIs are established for site managers and leaders, with compliance monitored through regular audits. Audit outcomes and mitigation actions are documented and reported through routine operational and safety reporting. |

| Risk Code | Risk Title | Risk Owner | Risk Status Update |
|---|---|---|---|
| SR-25 | Fraudster changing a Creditor's bank account details | Chief Financial Officer | Comprehensive reviews of organisational procedures, complemented by rigorous internal audits, have been conducted to address areas of concern, notably the persistent risks posed by phishing attempts, fraudulent emails, and the protocols governing the amendment of creditors' banking information. These measures underscore a proactive commitment to safeguarding financial integrity and operational resilience. |
| SR-26 | No scheduled maintenance program for all buildings | Chief Financial Officer | The annual budget has been strategically allocated to support comprehensive, scheduled maintenance programs, ensuring the continued preservation of asset quality and reducing the need for unplanned repairs across all buildings. |
| SR-27 | Intentional activities in excess of delegated authority (PID Officer) | Chief Transformation Officer | No public interest disclosure has been received. |
| SR-28 | Large numbers of Ibis and Pelicans scavenging on open tip face | Chief Operating Officer | Internal procedures are in place to manage this risk in accordance with EMRC requirements, with operational support provided by the Environmental Team. No changes are required at this time. Bird numbers remain stable, and the tip face continues to be effectively managed through compaction and daily cover.<br>Ibis numbers continue to decline between July and September 2026. |
| SR-29 | Lack of interest for future participation from Member Councils in EMRC Services | Chief Executive Officer | By engaging more closely with senior officers and Mayors from member Councils, the organisation has created valuable opportunities to enhance collaboration and strengthen working partnerships. |

## 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 Nil

## SUSTAINABILITY IMPLICATIONS

11 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 | Unlikely | Moderate |
| **Action/Strategy** | | |
| ➢ Council to note the update on the status of the Council's risk management objectives. | | |

## MEMBER COUNCIL IMPLICATIONS

| Member Council | Implication Details |
|---|---|
| Town of Bassendean<br>City of Bayswater | Nil direct implications |

## ATTACHMENT(S)

Current Risk Management Profile (D2026/224482)

## VOTING REQUIREMENT

Simple Majority

## RECOMMENDATION(S)

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

The Presiding Member invited questions from Councillors.

Cr Ostaszewskyj sought clarification regarding the age and status of the current risk register. The CEO advised that the register had originally been developed by an external consultant in 2021 and had since undergone minor amendments, including the removal of COVID-related risks. He further noted that some risks may warrant further review but that any changes would be subject to Council's direction, as the register had been adopted by Council.

Cr Ostaszewskyj questioned why financial sustainability risks associated with member Council withdrawals had not been identified as a specific strategic risk within the register. The CEO acknowledged that financial sustainability could be incorporated as a strategic risk and advised that the matter was already being actively managed through regular reporting to Council and ongoing discussions with member Councils. He indicated that Council could consider the inclusion of a new financial sustainability risk category.

Cr Ostaszewskyj advised that while he was satisfied with the information being regularly provided to Council, inclusion of a financial sustainability risk within the register would provide completeness and alignment with matters previously identified by the Office of the Auditor General.

The CEO undertook to prepare draft wording for Council's consideration regarding a new financial sustainability strategic risk and to present this to a future Audit, Risk and Improvement Committee meeting.

## AUDIT, RISK AND IMPROVEMENT COMMITTEE RECOMMENDATION(S)

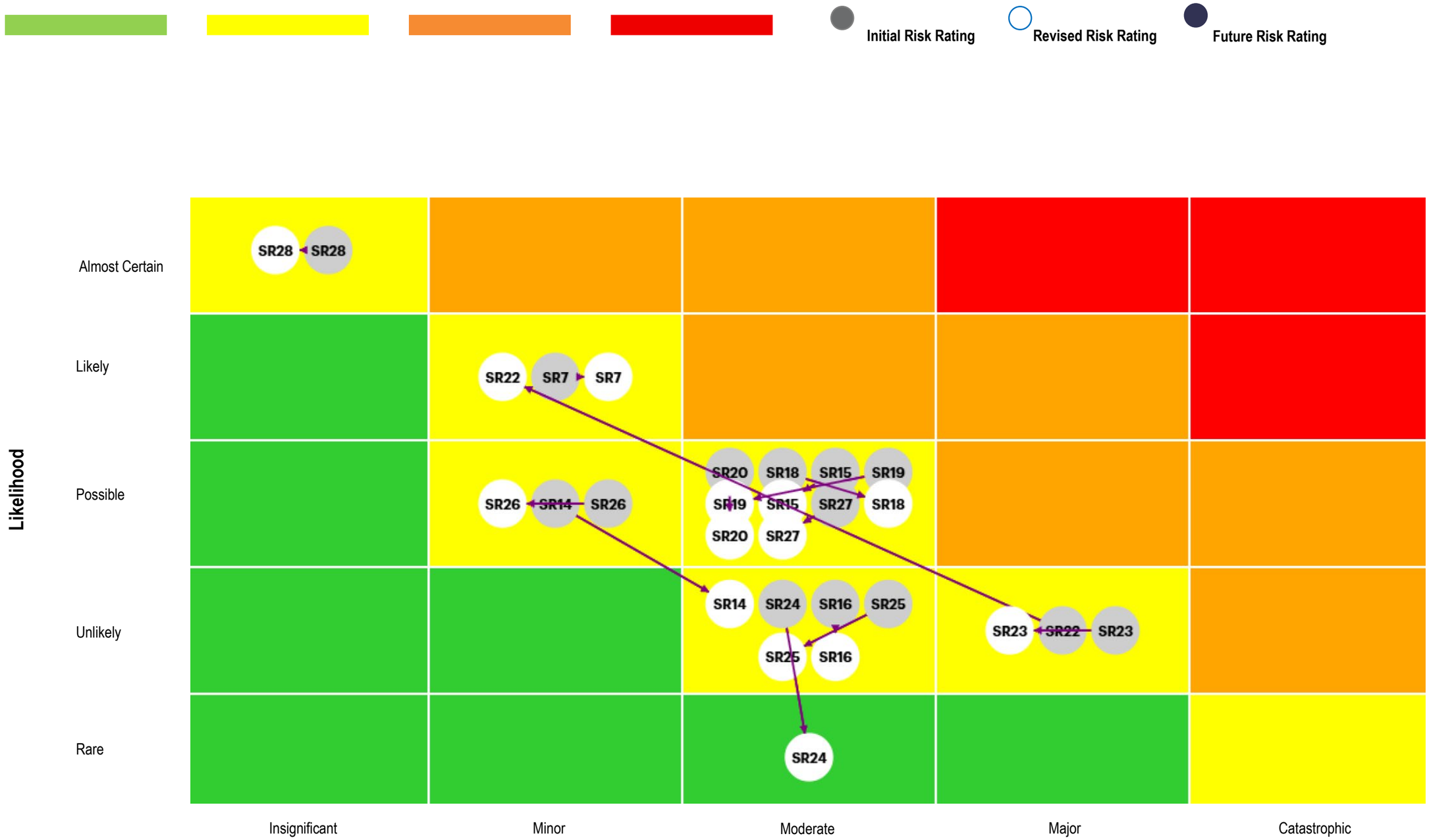
MOVED CR OSTASZEWSKYJ SECONDED CR HAMILTON

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

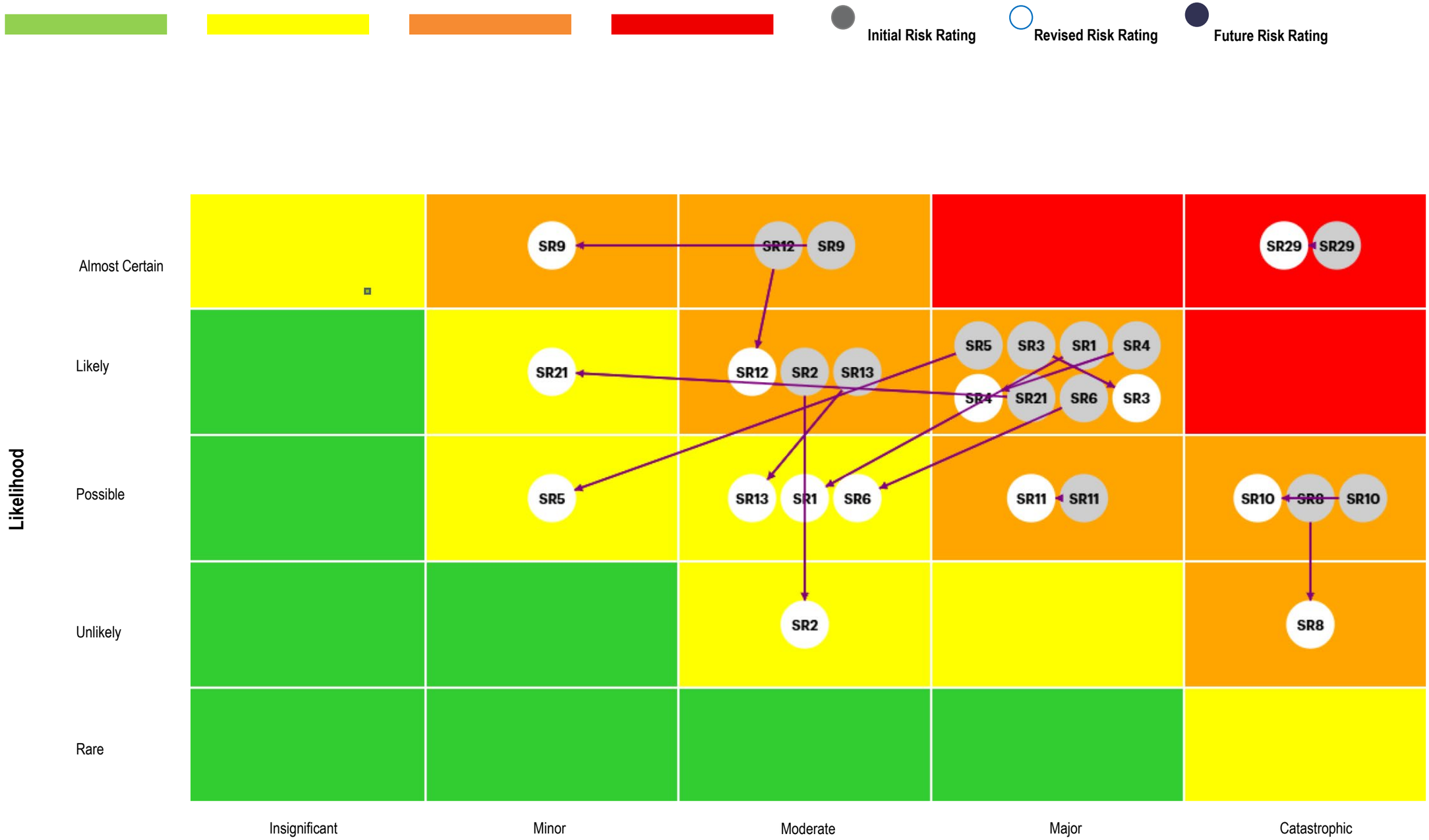
**CARRIED UNANIMOUSLY**

## COUNCIL RESOLUTION(S)

MOVED SECONDED


Initial Risk Rating
Revised Risk Rating
Future Risk Rating
Likelihood
Almost Certain
Likely
Possible
Unlikely
Rare
SR28
SR28
SR22
SR7
SR7
SR26
SR14
SR26
SR20
SR18
SR15
SR19
SR19
SR15
SR27
SR18
SR20
SR27
SR14
SR24
SR16
SR25
SR25
SR16
SR24
SR23
SR22
SR23
Insignificant
Minor
Moderate
Major
Catastrophic
Consequence

| 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 |
| SR18 | Capex project objectives/targets not achieved |
| SR19 | Licencing conditions breach |
| SR20 | Lack of Member Councils participating in EMRC 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) |
| SR25 | Large numbers of Ibis and Pelicans scavenging on open tip face |


Initial Risk Rating
Revised Risk Rating
Future Risk Rating
Likelihood
Almost Certain
Likely
Possible
Unlikely
Rare
SR9
SR12
SR9
SR29
SR29
SR21
SR12
SR2
SR13
SR5
SR3
SR1
SR4
SR4
SR21
SR6
SR3
SR5
SR13
SR1
SR6
SR11
SR11
SR10
SR8
SR10
SR2
SR8
Insignificant
Minor
Moderate
Major
Catastrophic
Consequence

| 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 |
| SR29 | Lack of interest in EMRC Services from Member Councils |

## 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, RISK AND IMPROVEMENT COMMITTEE

Meetings of the Audit, Risk and Improvement Committee are covered under the Audit, Risk and Improvement Committee Terms of Reference as follows:

"**5 Meetings**

5.1 The Audit, Risk and Improvement 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) The Compliance Audit Return;

(c) Approval of the annual budget; and

(d) The auditor's report on the annual financial report.

5.2 Additional meetings will be convened at the discretion of the Chairperson."

### Future Meetings 2027

| | | | | |
|---|---|---|---|---|
| Thursday | 4 March | | at | EMRC Administration Office |
| Thursday | 1 April | (if required) | at | EMRC Administration Office |
| Thursday | 6 May | (if required) | at | EMRC Administration Office |
| Thursday | 3 June | | at | EMRC Administration Office |
| Thursday | 1 July | (if required) | at | EMRC Administration Office |
| Thursday | 5 August | (if required) | at | EMRC Administration Office |
| Thursday | 2 September | (if required) | at | EMRC Administration Office |
| Thursday | 7 October | (if required) | at | EMRC Administration Office |
| Thursday | 18 November | (if required) | at | EMRC Administration Office |

## 17 DECLARATION OF CLOSURE OF MEETING

The meeting closed at 6:30 pm.