

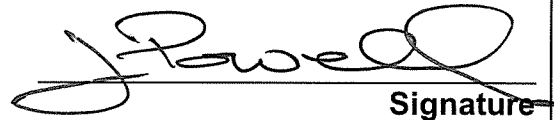


## MINUTES

### CERTIFICATION OF CONFIRMATION OF COMMITTEE MEETING MINUTES

22 SEPTEMBER 2011

I, Cr Janet Powell, hereby certify that the following minutes pages 1 to 86 of the Meeting of **AUDIT COMMITTEE** held on 22 September 2011 were confirmed at a meeting of the Committee held on 8 March 2012.



Signature

Cr Janet Powell

**Person presiding at the Committee Meeting held on 8 March 2012**

## AUDIT COMMITTEE

### MINUTES

22 September 2011

(REF: COMMITTEES-13108)

A meeting of the Audit Committee was held at the EMRC Administration Office, 1<sup>st</sup> Floor, 226 Great Eastern Highway, BELMONT WA 6104 on **Thursday, 22 September 2011**. The meeting commenced at **4.33pm**.

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## 1 DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

The Chairman opened the meeting at 4.33pm and welcomed Mr Macri and Mr Tan from Macri Partners.

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

### Councillor Attendance

Cr Janet Powell ( <b>Chairman</b> )	EMRC Member	City of Belmont
Cr Gerry Pule	EMRC Member	Town of Bassendean
Cr Alan Radford ( <i>from 4.34pm</i> )	EMRC Member	City of Bayswater
Cr Frank Lindsey	EMRC Member	Shire of Kalamunda
Cr David Färdig	EMRC Member	City of Swan

### Apologies

Cr Alan Pilgrim ( <b>Deputy Chairman</b> )	EMRC Member	Shire of Mundaring
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### EMRC Officers

Mr Peter Schneider	Chief Executive Officer
Mr Hua Jer Liew	Director Corporate Services
Mr David Ameduri	Manager Financial Services
Ms Mary-Ann Winnett	Personal Assistant to Director Corporate Services (Minutes)

### Visitors

Mr Tony Macri ( <i>departed 4.36pm</i> )	Macri Partners
Mr Terry Tan ( <i>departed 4.36pm</i> )	Macri Partners

### Deputy Committee Members – Observers

Cr Graham Pittaway	City of Bayswater
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## 3 DISCLOSURE OF INTERESTS

Nil

## 4 ANNOUNCEMENT BY THE CHAIRMAN OR PERSON PRESIDING WITHOUT DISCUSSION

Nil

## 5 APPLICATION FOR LEAVE OF ABSENCE

Cr Färdig advised that he would be away from 14 November 2011 to 1 January 2012 inclusive.

## 6 PRESENTATIONS

Nil





**9 QUESTIONS WITHOUT NOTICE**

Nil

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

Nil

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

Nil



## **12 REPORTS OF OFFICERS/AUDITORS**

### **12.1 ANNUAL FINANCIAL REPORT AND AUDIT REPORT FOR YEAR ENDED 30 JUNE 2011**

**REFERENCE: COMMITTEES-13104**

#### **PURPOSE OF REPORT**

To review Council's draft Annual Financial Report for the year ended 30 June 2011 and to recommend adoption of the Annual Financial Report for the Year Ended 30 June 2011.

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

The 'Terms of Reference of the Audit Committee' includes a list of duties and responsibilities. Among those duties and responsibilities is a requirement for the Committee to:

- Review Council's draft annual financial report; and
- Recommend adoption of the Annual Financial Report to Council.

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

That:

1. The audited Annual Financial Report for the year ended 30 June 2011 and the report of the Auditor on that Annual Financial Report be adopted.
2. That Council notes the contents of the Interim Audit Report and the management comments provided in response.
3. In accordance with Regulation 51(2) of the Local Government (Financial Management) Regulations 1996, a copy of the 2010/2011 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government, within 30 days of the receipt by the local government's CEO of the auditor's report on that financial report.

#### **SOURCE OF REPORT**

Director Corporate Services  
Manager Financial Services

#### **BACKGROUND**

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

#### **REPORT**

The 'Terms of Reference of the Audit Committee' includes a list of duties and responsibilities. Among those duties and responsibilities (clauses 2.5 (a) (v) and (vi)) are requirements for the Committee to:

- (i) Review Council's draft annual financial report, focusing on:
  - Accounting policies and practices;
  - Changes to accounting policies and practices;
  - The process used in making significant accounting estimates;
  - Significant adjustments to the financial report (if any) arising from the audit process;
  - Compliance with accounting standards and other reporting requirements; and
  - Significant variances from prior years.
- (ii) Recommend adoption of the annual financial report to Council.



*Item 12.1 continued*

Council's auditor, Mr A Macri of Macri Partners has completed the audit of the Eastern Metropolitan Regional Council Annual Financial Report for the year ended 30 June 2011.

Attached is a copy of the audited Annual Financial Report for the year ended 30 June 2011 for recommendation to Council for adoption (refer Attachment 1).

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

The following comments are provided on key elements of the financial results for 2010/2011.

**Statement of Comprehensive Income (pg 6 - 7 of 44)**

Total Revenue of \$34,054,627 as at 30 June 2011 is \$4,625,563 greater than the 2009/2010 actual revenue and \$77,114 above budget for 2010/2011.

Total Expenses of \$25,413,114 is \$2,158,407 greater than the 2009/2010 expenses and \$2,958,395 below budget for 2010/2011.

An actual profit of \$37,074 has resulted from the Disposal of Assets as at 30 June 2011 and is \$13,739 higher than the 2009/2010 actual profit of \$23,335 and \$17,953 above the budget for 2010/2011 of \$19,121.

The total change in Fair Value of Investments for the period ending 30 June 2011 is a gain of \$1,035,940 compared to an unrealised gain of \$621,457 as at 30 June 2010. This is made up of Unrealised Gains of \$62,390 and Realised Gains of \$973,550. The Unrealised Gain from the change in fair value of investments is made up from the change in value of ADI's since 30 June 2010. The Realised Gains from the change in fair value of investments represents the profit above book value from the sale of ADI's, CDO's and the maturity of ADI's during the year.

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

The Actual Net Result of \$9,714,528 as at 30 June 2011 is \$2,895,379 above the level of 2009/2010 and \$4,089,403 above the 2010/2011 budget.

**Statement of Financial Position (pg 8 - 9 of 44)**

Current assets as at 30 June 2011 have increased \$8,950,093 in comparison to the level stated as at 30 June 2010. This is due to the increase in the level of cash and cash equivalents as well as an increase in Trade and Other Receivables offset by the decrease in investments.

The overall impact on cash and investments at the close of the financial year is an increase of \$8,638,468 to \$36,806,366.

Current liabilities as at 30 June 2011 have increased by \$111,084 compared to 30 June 2010.

The value of Reserves has increased by \$5,815,362 in comparison to the level stated as at 30 June 2010.

Overall equity has increased during the 2010/2011 financial year by \$9,714,528 to \$62,584,006.



*Item 12.1 continued*

### **Cash Flow Statement (pg 10 of 44)**

Net Cash provided by Operating Activities of \$11,405,085 reflects a decrease of \$523,114 from the 2009/2010 value of \$11,928,199.

The overall impact on the cash position at the close of the financial year is an increase of \$13,048,758 to \$34,239,251 from the 2009/2010 value of \$21,190,493.

The cash flows used in investing activities for 2010/2011 reflects capital expenditure totalling \$4,156,856 compared to capital expenditure totalling \$8,825,082 during 2009/2010.

Significant items of capital expenditure during the year included:

- Upgrade administration building - Ascot Place (\$119,024);
- Purchase/replace vehicles - Ascot Place and Red Hill (\$375,127);
- Information Technology purchases (\$118,394);
- Construct facility building - Red Hill Landfill Facility (\$124,267);
- Construct facility building - Hazelmere Site (\$202,104);
- Construct weighbridge - Hazelmere Site (\$107,261);
- Construct solar PV tracking system - Red Hill Landfill Facility (\$80,955);
- Purchase/replace plant - Hazelmere (\$2,350,286); and
- Purchase/replace plant - Red Hill (\$308,465).

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

- Purchase/replace vehicles - Ascot Place (\$176,000);
- Information technology purchases - Ascot Place (\$262,000);
- Purchase Waste Management land - Red Hill Landfill facility (\$500,000);
- Construct facility building - Red Hill Landfill Facility (\$286,000);
- Construct siltation pond - Red Hill Landfill facility (\$158,000);
- Construction of roads/carparks - Red Hill Landfill Facility (\$83,000);
- Construct solar PV tracking system - Red Hill Landfill Facility (\$79,000); and
- Purchase/replace minor plant and equipment - Red Hill Landfill facility (\$155,000).

Funding for the majority of the capital items listed above has been carried forward into the 2011/2012 financial year.

### **Reserves (pg 30 - 33 of 44)**

During the 2010/2011 financial year the amount held in Reserves (page 32 of 44, Note 15) increased by \$5,815,362 to a balance of \$30,450,144. This is \$575,812 less than the budgeted 2010/2011 closing balance of \$31,025,956.





*Item 12.1 continued*

## **STRATEGIC/POLICY IMPLICATIONS**

Addresses the following:

Key Result Area 4 – Good Governance

- 4.1 To improve member Council and EMRC financial viability
- 4.7 To continue to improve financial and asset management practices

## **FINANCIAL IMPLICATIONS**

As outlined in the report and attachments

## **SUSTAINABILITY IMPLICATIONS**

Nil

## **MEMBER COUNCIL IMPLICATIONS**

<b>Member Council</b>	<b>Implication Details</b>
Town of Bassendean	} Proportional share of increase in the total equity of the EMRC from 2009/2010 to 2010/2011 as advised under separate cover.
City of Bayswater	
City of Belmont	
Shire of Kalamunda	
Shire of Mundaring	
City of Swan	

## **ATTACHMENT(S)**

1. Annual Financial Report for the Year Ended 30 June 2011 including Independent Auditor's Report from Macri Partners (Ref: Committees-13112)
2. Interim Audit Report for Year Ended 30 June 2011 (Ref: Committees-13111)

## **VOTING REQUIREMENT**

Simple Majority

## **RECOMMENDATION(S)**

1. The audited Annual Financial Report for the year ended 30 June 2011 and the report of the Auditor on that Annual Financial Report be adopted.
2. That Council notes the contents of the Interim Audit Report and the management comments provided in response.
3. In accordance with Regulation 51(2) of the Local Government (Financial Management) Regulations 1996, a copy of the 2010/2011 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government, within 30 days of the receipt by the local government's CEO of the auditor's report on that financial report.



*Item 12.1 continued*

**AC RECOMMENDATION(S)**

MOVED CR FÄRDIG

SECONDED CR PULE

That:

1. The audited Annual Financial Report for the Year Ended 30 June 2011 and the report of the Auditor on that Annual Financial Report be adopted.
2. That Council notes the contents of the Interim Audit Report and the management comments provided in response.
3. In accordance with Regulation 51(2) of the Local Government (Financial Management) Regulations 1996, a copy of the 2010/2011 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government, within 30 days of the receipt by the local government's CEO of the auditor's report on that financial report.

**CARRIED UNANIMOUSLY**

Mr Macri and Mr Tan departed the meeting at 4.36pm.

**ANNUAL  
FINANCIAL  
REPORT**

**For the Year Ended  
30 June 2011**

**EASTERN METROPOLITAN REGIONAL COUNCIL**

**2010/2011 ANNUAL FINANCIAL REPORT**

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**STATEMENT BY CHIEF EXECUTIVE OFFICER**



**For the Year Ended  
30 June 2011**

**EASTERN METROPOLITAN REGIONAL COUNCIL  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2011**

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

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the Eastern Metropolitan Regional Council being the annual financial report and supporting notes and other information for the financial year ended 30 June 2011 are in my opinion properly drawn up to present fairly the financial position of the Eastern Metropolitan Regional Council at 30 June 2011 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed on the 22<sup>nd</sup> day of August 2011



**PETER B. SCHNEIDER**  
*Chief Executive Officer*

# **FINANCIAL REPORT**



**For the Year Ended  
30 June 2011**

# EASTERN METROPOLITAN REGIONAL COUNCIL

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

BY PROGRAM	NOTE	ACTUAL 2010/2011	BUDGET 2010/2011	ACTUAL 2009/2010
<b>REVENUE</b>				
Governance		32,540	301,796	63,370
General Purpose Funding		1,982,934	1,863,329	1,402,278
Community Amenities		29,832,049	29,621,363	25,918,852
Other Property and Services		2,207,105	2,191,025	2,044,563
<b>TOTAL REVENUE</b>		<b>34,054,627</b>	<b>33,977,513</b>	<b>29,429,064</b>
<b>EXPENSES</b>				
Governance		586,492	1,093,251	1,722,846
Community Amenities		20,641,120	22,112,479	18,459,295
Other Property and Services		4,185,502	5,165,779	3,072,565
<b>TOTAL EXPENSES</b>		<b>25,413,114</b>	<b>28,371,509</b>	<b>23,254,707</b>
<b>INCREASE / (DECREASE)</b>		<b>8,641,514</b>	<b>5,606,004</b>	<b>6,174,357</b>
<b>DISPOSAL OF ASSETS</b>				
Profit on Sale		38,136	19,121	27,345
Loss on Sale		(1,062)	0	(4,010)
<b>PROFIT / (LOSS) ON DISPOSALS</b>	20	<b>37,074</b>	<b>19,121</b>	<b>23,335</b>
<b>REALISED/UNREALISED GAIN/(LOSS) FROM CHANGE IN FAIR VALUE OF INVESTMENTS</b>				
General Purpose Funding	7(c)	1,035,940	0	621,457
<b>GAIN / (LOSS)</b>		<b>1,035,940</b>	<b>0</b>	<b>621,457</b>
Other Comprehensive Income		0	0	0
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>9,714,528</b>	<b>5,625,125</b>	<b>6,819,149</b>

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



# EASTERN METROPOLITAN REGIONAL COUNCIL

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

BY NATURE AND TYPE	NOTE	ACTUAL 2010/2011	BUDGET 2010/2011	ACTUAL 2009/2010
<b>REVENUE</b>				
Fees and Charges	4	27,821,888	28,105,143	23,817,507
Contributions		1,321,313	1,210,122	1,491,238
Operating Grants	5	1,714,015	1,797,977	1,684,567
Interest Earnings	2	1,982,934	1,863,329	1,402,279
Other Revenue		1,214,476	1,000,942	1,033,473
<b>TOTAL REVENUE</b>		<b>34,054,627</b>	<b>33,977,513</b>	<b>29,429,064</b>
<b>EXPENSES</b>				
Employee Costs		7,034,119	7,457,983	7,234,962
Materials and Contracts		6,296,307	7,552,383	6,710,358
Utility Expenses		147,303	161,636	112,923
Insurance Expenses		195,144	196,885	198,199
Finance Fees and Interest Expenses		15,838	12,900	13,537
Other Expenditure		8,855,901	9,403,888	6,173,645
Depreciation Expenses	2	2,868,502	3,585,835	2,811,083
<b>TOTAL EXPENSES</b>		<b>25,413,114</b>	<b>28,371,509</b>	<b>23,254,707</b>
<b>INCREASE / (DECREASE)</b>		<b>8,641,514</b>	<b>5,606,004</b>	<b>6,174,357</b>
<b>DISPOSAL OF ASSETS</b>				
Profit on Sale		38,136	19,121	27,345
Loss on Sale		(1,062)	0	(4,010)
<b>PROFIT / (LOSS) ON DISPOSALS</b>	20	<b>37,074</b>	<b>19,121</b>	<b>23,335</b>
<b>REALISED/UNREALISED GAIN/LOSS FROM CHANGE IN FAIR VALUE OF INVESTMENTS</b>				
Realised Gain/(Loss)		973,550	0	0
Unrealised Gain/(Loss)		62,390	0	621,457
<b>GAIN / (LOSS)</b>	7(c)	<b>1,035,940</b>	<b>0</b>	<b>621,457</b>
Other Comprehensive Income		0	0	0
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>9,714,528</b>	<b>5,625,125</b>	<b>6,819,149</b>

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

# EASTERN METROPOLITAN REGIONAL COUNCIL

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	NOTE	ACTUAL 2010/2011	ACTUAL 2009/2010
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	7(a)	34,239,251	21,190,494
Investments	7(b)	2,567,115	6,977,404
Trade and Other Receivables	9	3,018,273	2,761,025
Inventories	11	46,105	23,408
Other Assets	10	105,194	73,514
<b>TOTAL CURRENT ASSETS</b>		<b><u>39,975,938</u></b>	<b><u>31,025,845</u></b>
<b>NON CURRENT ASSETS</b>			
Property, Plant and Equipment	12	29,868,109	26,955,716
Work in Progress		272,020	2,213,284
<b>TOTAL NON CURRENT ASSETS</b>		<b><u>30,140,129</u></b>	<b><u>29,169,000</u></b>
<b>TOTAL ASSETS</b>	19	<b><u>70,116,067</u></b>	<b><u>60,194,845</u></b>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	13	4,970,223	4,830,408
Provisions	14	1,046,241	1,074,972
<b>TOTAL CURRENT LIABILITIES</b>		<b><u>6,016,464</u></b>	<b><u>5,905,380</u></b>
<b>NON CURRENT LIABILITIES</b>			
Provisions	14	1,515,597	1,419,987
<b>TOTAL NON CURRENT LIABILITIES</b>		<b><u>1,515,597</u></b>	<b><u>1,419,987</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>7,532,061</u></b>	<b><u>7,325,367</u></b>
<b>NET ASSETS</b>		<b><u>62,584,006</u></b>	<b><u>52,869,478</u></b>
<b>EQUITY</b>			
Retained Surplus		32,133,862	28,234,696
Reserves	15	30,450,144	24,634,782
<b>TOTAL EQUITY</b>		<b><u>62,584,006</u></b>	<b><u>52,869,478</u></b>

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

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011**

	NOTE	RETAINED SURPLUS \$	RESERVES \$	TOTAL EQUITY \$
Balance as at 30 June 2009		19,513,931	26,536,398	46,050,330
Net Result		6,819,149	0	6,819,149
Total Other Comprehensive Income		0	0	0
Transfer (from) / to		1,901,616	(1,901,616)	0
<b>Balance as at 30 June 2010</b>		<b>28,234,696</b>	<b>24,634,782</b>	<b>52,869,478</b>
Net Result		9,714,528	0	9,714,528
Total Other Comprehensive Income		0	0	0
Transfer (from) / to		(5,815,362)	5,815,362	0
<b>Balance as at 30 June 2011</b>		<b>32,133,862</b>	<b>30,450,144</b>	<b>62,584,006</b>

The statement of changes in equity is to be read in accordance with the attached  
notes to the financial report

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011**

	NOTE	ACTUAL 2010/2011 \$	BUDGET 2010/2011 \$	ACTUAL 2009/2010 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Cash Flows from Normal Operating Activities</b>				
Cash receipts in the course of normal operations		30,505,109	27,366,418	26,280,481
Cash payments in the course of normal operations		(24,223,131)	(23,398,734)	(18,822,313)
Interest receipts - Municipal Cash		589,455	209,250	195,539
<b>Net Cash Provided by Normal Operating Activities</b>		<b>6,871,433</b>	<b>4,176,934</b>	<b>7,653,707</b>
<b>Cash Flows from Other Operating Activities</b>				
<u>Resource Recovery</u>				
Cash receipts from secondary waste charge		4,359,912	4,687,716	4,250,236
Cash receipts from resource recovery project		197	50	71,915
Cash payments for resource recovery project		(1,077,077)	(1,212,474)	(1,098,501)
Interest receipts - secondary waste investment		944,708	1,295,803	622,120
<u>Other Activities</u>				
Interest receipts - other restricted investments		305,912	418,276	428,722
<b>Net Cash Provided by Other Operating Activities</b>		<b>4,533,652</b>	<b>5,189,371</b>	<b>4,274,492</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	16(ii)	<b>11,405,085</b>	<b>9,366,305</b>	<b>11,928,199</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Cash receipts from sale of assets		354,300	445,362	437,031
Cash payments for acquisition of assets		(4,156,856)	(6,331,284)	(8,825,082)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(3,802,556)</b>	<b>(5,885,922)</b>	<b>(8,388,051)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Cash receipts from sale of investments		5,446,229	1,500,000	2,551,799
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>5,446,229</b>	<b>1,500,000</b>	<b>2,551,799</b>
<b>SUMMARY OF CASH FLOWS</b>				
Cash at the beginning of the year		21,190,493	17,406,733	15,098,546
Net Increase (Decrease) in Cash Held		13,048,758	4,980,383	6,091,947
<b>CASH AT THE END OF THE YEAR</b>	16(i)	<b>34,239,251</b>	<b>22,387,116</b>	<b>21,190,493</b>

The Statement of Cash Flows is to be read in accordance with the attached  
notes to the financial report

**NOTES TO AND FORMING PART OF THE  
FINANCIAL REPORT**



**For the Year Ended  
30 June 2011**

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies which have been adopted in the preparation of this financial report are:

**Basis of Preparation**

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

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

**The Local Government Reporting Entity**

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

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

**(a) Cash and Cash Equivalents**

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

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

**(b) Fixed Assets**

**Initial Recognition**

All assets are initially recognised at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed includes the cost of all materials, direct labour and variable and fixed overheads.

**Revaluation**

Certain asset classes may be revalued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on a basis to reflect the already consumed or expired future economic benefits. Those assets carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses, are to be revalued with sufficient regularity to ensure the carrying amount does not differ significantly from that determined using fair value at reporting date.

**Land Under Roads**

The roads on the land owned by the EMRC are private roads. The land under these private roads has already been recognised as part of the land cost shown in the Statement of Financial Position.

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(c) Depreciation of Non-Current Assets**

All non-current assets having a limited useful life are separately and systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets.

Depreciation is recognised on a straight-line basis, using rates which are reviewed each reporting period, as follows:

• Buildings	2-10%
• Structures	
General	2-10%
Class III and IV Waste Cells	% of actual usage
• Plant	15-40%
• Furniture and fittings	10-40%
• Equipment	10-40%

**(d) Rates**

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

**(e) Grants, Donations and Other Contributions**

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

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

**(f) Trade and Other Payables**

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Local Government prior to the end of the financial year that are unpaid and arise when the Local Government becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

**(g) Impairment**

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(h) Revenue Recognition**

**Sale of Goods and Disposal of Assets**

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

**Rendering of Services**

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

**Royalties**

Royalty revenue is recognised on an accrual basis.

**(i) Inventories**

**General**

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

Inventories held from trading are classified as current even if not expected to be realised in the next 12 months.

**Land Held for Resale**

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

**(j) Goods and Services Tax**

In accordance with recommended practice, revenues, expenses and assets capitalised are stated net of any GST recoverable. Receivables and payables in the Statement of Financial Position are stated inclusive of applicable GST.

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

**(k) Trade and Other Receivables**

Trade receivables, which generally have 30 - 90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any allowance for uncollectible amounts.

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



**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(l) Provisions**

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

**(m) Provision for Site Rehabilitation**

The estimated closure and post-closure site rehabilitation cost is charged to the Statement of Comprehensive Income on a volumetric basis over the life of the landfill site.

The nature of work planned by Council includes cell capping, landform reconstruction, dismantling of site operating facilities and implementation of a revegetation plan to suit the final land use. The cost is based on estimated current costs, determined on a non-discounted basis.

The estimated remaining capacity of the site as at 30 June 2010 is 34,588,376 m<sup>3</sup>.

**(n) Provision for Environmental Monitoring**

The estimated closure and post-closure environmental monitoring cost is charged to the Statement of Comprehensive Income on a volumetric basis over the life of the landfill site.

The nature of work planned by Council includes monitoring of groundwater, surface water, leachate and landfill gas generation. The cost is based on estimated current costs, determined on a non-discounted basis.

The estimated remaining capacity of the site as at 30 June 2010 is 34,588,376 m<sup>3</sup>.

**(o) Borrowing Costs**

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

**(p) Critical Accounting Estimates**

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

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

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(q) Employee Entitlements**

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

**(i) Wages, Salaries, Annual Leave and Long Service Leave (Short-term Benefits):**

The provision for employees' benefits to wages, salaries, annual leave and long service leave expected to be settled within 12 months represents the amount the municipality has a present obligation to pay resulting from employees services provided to balance sheet date. The provision has been calculated at nominal amounts based on remuneration rates the Council expects to pay and includes related on-costs.

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

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

**(iii) Superannuation Fund:**

The Council contributes to the WA Local Government Superannuation Plan (LGSP) and other choice funds for qualifying employees as per statutory requirements (9% for 2010/11). It also contributes to the LGSP and other choice funds for full scheme members (5% for 2010/11). Contributions to defined contribution plans are recognised as an expense as they become payable.

**(r) Rounding Of Amounts**

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

**(s) Comparative Figures**

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

**(t) 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.

**(u) Leases**

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

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(v) Investments and Other Financial Assets**

**Classification**

Council classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

*(i) Financial assets at fair value through profit and loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position.

*(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

*(iv) Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

**Recognition and Derecognition**

Regular purchases and sales of financial assets are recognised on trade-date – the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the Statement of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Statement of Comprehensive Income as gains and losses from investment securities.

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(v) Investments and Other Financial Assets (Continued)**

**Subsequent measurement**

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the Statement of Comprehensive Income within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the Statement of Comprehensive Income as part of revenue from continuing operations when Council's right to receive payments is established. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

**Impairment**

Council assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss- measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Statement of Comprehensive Income.

**(w) Estimation of Fair Value**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Council for the annual reporting period ended 30 June 2011.

Council's assessment of these new standards and interpretations is set out below:

Title and topic	Issued	Applicable	Impact
(i) AASB 9 – Financial Instruments	December 2009	1 January 2013	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated that the standard will have any material effect.
(ii) AASB 124 – Related Party Disclosures	December 2009	1 January 2011	Nil – It is not anticipated the Council will have any related parties as defined by the Standard.
(iii) AASB 1053 – Application of Tiers of Australian Accounting Standards	June 2010	1 July 2013	Nil – Due to its nature and statutory requirements the Council will be deemed a Tier 1 entity and will continue to prepare general purpose financial statements.
(iv) AASB 2009-12 Amendments to Australian Accounting Standard [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	December 2009	1 January 2011	Nil – The revisions embodied in this standard relate to standards which do not apply to local government (ie AASB 8) or are largely editorial in nature and will have minimal effect (if any) on the accounting practices of the Council.
(v) AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and interpretations 10 & 12]	December 2009	1 January 2013	Nil – The revisions embodied in this standard give effect to consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Title and topic	Issued	Applicable	Impact
(vi) AASB 2010 – 2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052]	June 2010	1 July 2013	Nil – None of these amendments will have any effect on the financial report as the standard does not apply in the case of general purpose financial statements.
(vii) AASB 2010 – 4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB134 and Interpretation 13]	June 2010	1 January 2011	Nil – The revisions are part of the AASB’s annual improvement project to help ensure consistency with presentation, recognition and measurement criteria of IFRSs. It is not anticipated these will have any effect on the Council.
(viii) AASB 2010 – 5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	October 2010	1 January 2011	Nil – The revisions embodied in this standard are largely editorial in nature or relate to standards not applicable to the Council and will have minimal effect (if any) on the accounting practices of the Council.
(ix) AASB 2010 – 6 Amendments to Australian Accounting Standards – Disclosure on Transfer of Financial Assets [AASB 1 & AASB 7]	November 2010	1 July 2011	Nil – The revisions embodied in this standard amend disclosures required on transfer of financial assets. The Council is not expected to have any qualifying transfer.
(x) AASB 2010 – 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	December 2010	1 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Title and topic	Issued	Applicable	Impact
(xi) AASB 2010 – 8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	December 2010	1 January 2012	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2010 – 9 Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1]	December 2010	1 July 2011	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2009 – 14 Amendments to Australian Interpretations – Prepayments of a minimum Funding Requirement [AASB Interpretation 14]	December 2009	1 January 2011	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2010 – 10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]	December 2010	1 January 2013	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.

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

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

These new and revised standards were:

AASB 2009 – 5

AASB 2009 – 8

AASB 2009 –10

AASB 2009 –13

AASB 2010 – 1

AASB 2010 – 3

Interpretation 19

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

# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2011

### 2. REVENUE AND EXPENSES

**ACTUAL  
2010/2011**

**ACTUAL  
2009/2010**

\$

\$

#### Net Result

The Net Result includes:

(i) Charging as an Expense:

#### Auditors Remuneration

Auditing and Financial Reporting

9,360

8,500

Other

6,400

2,400

**15,760**

**10,900**

#### Depreciation and Amortisation Expense

Buildings

176,596

140,140

Structures

1,059,699

1,106,377

Plant

1,450,920

1,404,192

Equipment

164,522

143,462

Furniture and Fittings

16,765

16,912

**2,868,502**

**2,811,083**

**ACTUAL  
2010/2011**

**BUDGET  
2010/2011**

**ACTUAL  
2009/2010**

(ii) Crediting as Revenue:

\$

\$

\$

#### Interest Earnings

Interest on funds held in Reserves

1,222,975

1,676,162

1,031,015

Interest on Other Restricted Cash (LSL)

27,645

37,917

19,827

Interest on Municipal Cash and Investments

589,455

149,250

195,539

Accrued Interest Earnings

142,859

0

155,898

**1,982,934**

**1,863,329**

**1,402,279**

**ACTUAL  
2010/2011**

**ACTUAL  
2009/2010**

\$

\$

#### Significant Revenue

General Purpose Funding

1,035,940

621,457

**1,035,940**

**621,457**

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



# **EASTERN METROPOLITAN REGIONAL COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2011**

### **3. COMPONENT FUNCTIONS / ACTIVITIES**

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

#### **Governance**

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

#### **General Purpose Funding**

Records interest revenue as well as other general purpose revenue

#### **Community Amenities**

Records income and expenditure associated with the Red Hill Waste Disposal Facilities - Class III cell, Class IV cell, weighbridge, transfer station and Hazelmere site

#### **Other Property and Services**

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

#### **EMRC MISSION STATEMENT**

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

# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2011

4. FEES AND CHARGES SUMMARY BY PROGRAM	ACTUAL 2010/2011 \$	BUDGET 2010/2011 \$	ACTUAL 2009/2010 \$
Governance	85	2,000	5,906
Community Amenities	27,755,814	27,982,143	23,618,473
Other Property and Services	65,989	121,000	193,128
<b>Total Statutory Fees and Charges</b>	<b>27,821,888</b>	<b>28,105,143</b>	<b>23,817,507</b>
5. GRANT REVENUE BY PROGRAM	ACTUAL 2010/2011 \$		ACTUAL 2009/2010 \$
Community Amenities	264,083		628,400
Other Property and Services	1,449,932		1,056,167
<b>Total Statutory Fees and Charges</b>	<b>1,714,015</b>		<b>1,684,567</b>
6. CONTROL OVER CONTRIBUTIONS	ACTUAL 2010/2011 \$		ACTUAL 2009/2010 \$
<b>Conditions over Contributions</b>			
Grants which were recognised as revenue during the year but have yet to be applied in that manner at the reporting date were:			
Perth Solar City Project	46,647		0
Watsonia OMCF Project	0		8,760
Grants which were recognised as revenue in a previous year and have not yet been applied in the manner specified by the granter were:			
	0		0
Grants which were recognised as revenue in a previous year and were expended in the current year in the manner specified by the grantor were:			
Watsonia OMCF Project	8,760		0
Earth Carers Volunteer Program	0		5,850

# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2011

### 7(a). CASH AND CASH EQUIVALENTS

	ACTUAL 2010/2011 \$	ACTUAL 2009/2010 \$
Cash and Cash Equivalents - Unrestricted	9,947,074	9,785,467
Cash and Cash Equivalents - Restricted	24,292,177	11,405,028
	<b>34,239,251</b>	<b>21,190,494</b>

### 7(b). INVESTMENTS

Investments - Restricted	2,567,115	6,977,404
	<b>2,567,115</b>	<b>6,977,404</b>

#### Financial Assets at fair value through profit or loss

At the beginning of the year	6,977,404	8,907,746
Disposals	(5,446,229)	(2,551,799)
Unrealised gain/(loss) from change in fair value of investments	1,035,940	621,457
<b>Value at the end of the year</b>	<b>2,567,115</b>	<b>6,977,404</b>

#### Held for Trading

- Financial Instruments	2,567,115	6,977,404
<b>Value at the end of the year</b>	<b>2,567,115</b>	<b>6,977,404</b>

The following Cash and Investments have restrictions imposed by regulation or other externally imposed requirements:

Plant and Equipment	38,811	387,395
Site Rehabilitation Red Hill	3,023,037	2,660,225
Future Development	1,505,552	510,222
Environmental Monitoring Red Hill	306,803	292,292
Environmental Insurance Red Hill	211,328	224,245
Risk Management	11,471	10,929
Class IV Cells Red Hill	289,265	225,485
Regional Development	23,807	294,281
Secondary Waste Processing	23,083,322	19,029,568
Class III Cells	1,898,829	944,959
Building Refurbishment (Ascot Place)	57,920	55,180
Long Service Leave	603,573	556,867
	31,053,716	25,191,650
Less unrealised gain/(loss) from changes in fair value of Investments	(4,194,424)	(6,809,218)
	<b>26,859,292</b>	<b>18,382,432</b>

# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2011

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

	ACTUAL 2010/2011	ACTUAL 2009/2010
General Purpose Funding	<u>1,035,940</u>	<u>621,457</u>

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

The realised/unrealised gains/(losses), of the investments existing as at 30 June 2011, reflected in the Statement of Comprehensive Income are summarised as follows:

Year		\$
2007/2008		(4,180,201)
2008/2009		(3,250,474)
2009/2010		<u>621,457</u>
<b>Opening Balance as at 1 July 2010</b>		<b>(6,809,218)</b>
Add: Realised gains on disposal of Investments for 2010/2011	973,550	
Add: Unrealised gains in value of Investments for 2010/2011	<u>62,390</u>	1,035,940
Add: Write back of accumulated unrealised losses on disposals		<u>1,578,854</u>
<b>Balance as at 30 June 2011</b>		<b><u>(4,194,424)</u></b>

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

### 8. NET CURRENT ASSET POSITION

The net current asset position balance carried forward from the previous financial year after adjustment for Restricted Assets for the purpose of the 2010/2011 budget was \$5,682,078.

The actual net current asset position balance shown in the audited financial report as at 30 June 2010 and after adjustment for Restricted Assets was \$6,738,033.

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
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<b>9. TRADE AND OTHER RECEIVABLES</b>	<b>ACTUAL 2010/2011 \$</b>	<b>ACTUAL 2009/2010 \$</b>
General	2,604,774	2,508,897
Miscellaneous	22,623	21,495
Accrued Interest Earnings	419,603	276,744
Provision for Impairment of Receivables	(28,727)	(46,112)
	<u><b>3,018,273</b></u>	<u><b>2,761,025</b></u>

<b>10. OTHER ASSETS</b>	<b>ACTUAL 2010/2011 \$</b>	<b>ACTUAL 2009/2010 \$</b>
Prepayment - General	83,659	60,321
Prepayment - Insurance	12,000	12,000
Prepayment - Miscellaneous	9,535	1,193
	<u><b>105,194</b></u>	<u><b>73,514</b></u>

<b>11. INVENTORIES</b>	<b>ACTUAL 2010/2011 \$</b>	<b>ACTUAL 2009/2010 \$</b>
Distillate	38,233	14,213
Oils	2,958	2,465
Unleaded Fuel	4,914	6,729
	<u><b>46,105</b></u>	<u><b>23,408</b></u>

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
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**12. NON CURRENT ASSETS MOVEMENTS - PROPERTY, PLANT AND EQUIPMENT**

	LAND	BUILDINGS	STRUCTURES	PLANT	EQUIPMENT	FURNITURE and FITTINGS	TOTAL
	\$	\$	\$	\$	\$	\$	\$
<b>Carrying Amount at Cost</b>							
Balance 30 June 2010	7,639,917	4,005,812	20,195,809	10,971,552	1,609,067	413,439	<b>44,835,596</b>
Additions	0	2,144,044	617,966	3,055,308	221,718	59,085	<b>6,098,121</b>
Disposals	0	0	0	(621,766)	(92,924)	(10,650)	<b>(725,340)</b>
<b>Balance 30 June 2011</b>	<b><u>7,639,917</u></b>	<b><u>6,149,856</u></b>	<b><u>20,813,775</u></b>	<b><u>13,405,094</u></b>	<b><u>1,737,861</u></b>	<b><u>461,874</u></b>	<b><u>50,208,377</u></b>
<b>Accumulated Depreciation / Amortisation</b>							
Balance 30 June 2010	0	(1,598,829)	(9,174,060)	(5,517,093)	(1,267,777)	(322,121)	<b>(17,879,880)</b>
Disposals	0	0	0	305,647	91,817	10,650	<b>408,114</b>
Depreciation Expense	0	(176,596)	(1,059,699)	(1,450,920)	(164,522)	(16,765)	<b>(2,868,502)</b>
<b>Balance 30 June 2011</b>	<b><u>0</u></b>	<b><u>(1,775,425)</u></b>	<b><u>(10,233,759)</u></b>	<b><u>(6,662,366)</u></b>	<b><u>(1,340,482)</u></b>	<b><u>(328,236)</u></b>	<b><u>(20,340,268)</u></b>
<b>Net Book Value</b>							
<b>As at 30 June 2010</b>	<b><u>7,639,917</u></b>	<b><u>2,406,984</u></b>	<b><u>11,021,749</u></b>	<b><u>5,454,459</u></b>	<b><u>341,290</u></b>	<b><u>91,317</u></b>	<b><u>26,955,716</u></b>
<b>As at 30 June 2011</b>	<b><u>7,639,917</u></b>	<b><u>4,374,431</u></b>	<b><u>10,580,016</u></b>	<b><u>6,742,728</u></b>	<b><u>397,379</u></b>	<b><u>133,638</u></b>	<b><u>29,868,109</u></b>

Assets at cost are subject to an annual assessment as to whether there is any indication an asset may have been impaired in accordance with AASB 136: "Impairment of Assets".

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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<b>13. TRADE AND OTHER PAYABLES</b>	<b>ACTUAL 2010/2011 \$</b>	<b>ACTUAL 2009/2010 \$</b>
<b>Current - Creditors</b>		
Payroll Accruals	155,326	128,168
GST Liability	478,295	225,958
Sundry Creditors	4,336,602	4,476,282
	<u><b>4,970,223</b></u>	<u><b>4,830,408</b></u>

**14. PROVISIONS**

**Current**

Employees Annual Leave	677,986	749,182
Employees Long Service Leave	368,255	325,790
	<u><b>1,046,241</b></u>	<u><b>1,074,972</b></u>

**PROVISIONS**

**Non-current**

Employees Long Service Leave	81,119	85,677
Red Hill Landfill Site Rehabilitation	1,304,073	1,213,011
Red Hill Landfill Environmental Monitoring	130,405	121,299
	<u><b>1,515,597</b></u>	<u><b>1,419,987</b></u>

# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2011

### 15. RESERVES

	ACTUAL 2010/2011 \$	BUDGET 2010/2011 \$	ACTUAL 2009/2010 \$
<b>(a) Plant and Equipment Reserve</b>			
Opening balance as at 1 July	387,395	385,564	776,748
Transfer from retained surplus	2,681,984	2,642,288	2,221,349
Transfer to retained surplus	(3,049,800)	(2,938,265)	(2,640,753)
Interest	19,232	26,309	30,051
<b>Closing Balance as at 30 June</b>	<b>38,811</b>	<b>115,896</b>	<b>387,395</b>
<b>(b) Site Rehabilitation Reserve</b>			
Opening balance as at 1 July	2,660,225	2,647,972	2,635,734
Transfer from retained surplus	230,747	0	100,000
Transfer to retained surplus	0	(214,595)	(181,862)
Interest	132,065	180,682	106,353
<b>Closing Balance as at 30 June</b>	<b>3,023,037</b>	<b>2,614,059</b>	<b>2,660,225</b>
<b>(c) Future Development Reserve</b>			
Opening balance as at 1 July	510,222	503,039	2,946,239
Transfer from retained surplus	1,470,000	1,700,000	0
Transfer to retained surplus	(500,000)	(500,000)	(2,550,000)
Interest	25,330	34,324	113,983
<b>Closing Balance as at 30 June</b>	<b>1,505,552</b>	<b>1,737,363</b>	<b>510,222</b>
<b>(d) Environmental Monitoring Reserve</b>			
Opening balance as at 1 July	292,292	291,655	281,405
Transfer from retained surplus	0	0	0
Transfer to retained surplus	0	0	0
Interest	14,511	19,901	10,887
<b>Closing Balance as at 30 June</b>	<b>306,803</b>	<b>311,556</b>	<b>292,292</b>
<b>(e) Environmental Insurance Reserve</b>			
Opening balance as at 1 July	224,245	223,673	238,367
Transfer from retained surplus	0	0	0
Transfer to retained surplus	(24,050)	(24,050)	(23,344)
Interest	11,132	15,262	9,222
<b>Closing Balance as at 30 June</b>	<b>211,327</b>	<b>214,885</b>	<b>224,245</b>



# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2011

15. RESERVES (Continued)	ACTUAL 2010/2011 \$	BUDGET 2010/2011 \$	ACTUAL 2009/2010 \$
<b>(f) Risk Management Reserve</b>			
Opening balance as at 1 July	10,929	10,902	10,522
Transfer from retained surplus	0	0	0
Transfer to retained surplus	0	0	0
Interest	543	744	407
<b>Closing Balance as at 30 June</b>	<b>11,472</b>	<b>11,646</b>	<b>10,929</b>
<b>(g) Class IV Reserve</b>			
Opening balance as at 1 July	225,485	225,310	87,232
Transfer from retained surplus	52,586	46,801	134,878
Transfer to retained surplus	0	0	0
Interest	11,194	15,374	3,375
<b>Closing Balance as at 30 June</b>	<b>289,265</b>	<b>287,485</b>	<b>225,485</b>
<b>(h) Regional Development Reserve</b>			
Opening balance as at 1 July	294,282	293,473	412,501
Transfer from retained surplus	470,000	200,000	250,000
Transfer to retained surplus	(755,084)	(482,090)	(384,178)
Interest	14,609	20,025	15,959
<b>Closing Balance as at 30 June</b>	<b>23,807</b>	<b>31,408</b>	<b>294,282</b>
<b>(i) Secondary Waste Reserve</b>			
Opening balance as at 1 July	19,029,568	18,990,498	16,080,560
Transfer from retained surplus	4,324,832	4,687,716	3,733,620
Transfer to retained surplus	(1,215,786)	(1,271,980)	(1,406,732)
Interest	944,708	1,295,803	622,120
<b>Closing Balance as at 30 June</b>	<b>23,083,322</b>	<b>23,702,037</b>	<b>19,029,568</b>
<b>(j) Class III Reserve</b>			
Opening balance as at 1 July	944,959	937,656	3,013,965
Transfer from retained surplus	911,958	944,152	924,384
Transfer to retained surplus	(5,000)	(5,000)	(3,109,993)
Interest	46,912	63,980	116,603
<b>Closing Balance as at 30 June</b>	<b>1,898,829</b>	<b>1,940,788</b>	<b>944,959</b>

# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2011

### 15. RESERVES (Continued)

	ACTUAL 2010/2011 \$	BUDGET 2010/2011 \$	ACTUAL 2009/2010 \$
<b>(k) Building Refurbishment Reserve</b>			
Opening balance as at 1 July	55,180	55,075	53,125
Transfer from retained surplus	0	0	0
Transfer to retained surplus	0	0	0
Interest	2,739.31	3,758	2,055
<b>Closing Balance as at 30 June</b>	<b>57,920</b>	<b>58,833</b>	<b>55,180</b>
<b>RESERVES AT END OF FINANCIAL YEAR</b>	<b>30,450,144</b>	<b>31,025,956</b>	<b>24,634,782</b>

### FUNDS SET ASIDE FOR :

#### Long Service Leave Reserve

Opening balance as at 1 July	556,868	555,691	512,481
Transfer from retained surplus	19,060	25,560	24,560
Transfer to retained surplus	0	0	0
Interest	27,645	37,917	19,827
<b>Closing Balance as at 30 June</b>	<b>603,573</b>	<b>619,168</b>	<b>556,868</b>

Fair Value of investments at balance date has resulted in an unrealised loss of \$4,194,424 (refer Note 7(c) ). This had the effect of Reserves falling short of being cash backed by the unrealised loss.

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

# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2011

### 15. RESERVES (Continued)

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

#### ***Plant and Equipment Reserve***

To finance the replacement of major items of plant and equipment.

#### ***Site Rehabilitation Reserve***

To finance the rehabilitation of the completed cells at the Red Hill waste disposal site and the rehabilitation of the site at time of decommissioning.

#### ***Future Development Reserve***

To finance future developments being undertaken by the Eastern Metropolitan Regional Council. The reserve is also utilised to provide funds for projects that the Eastern Metropolitan Regional Council is investigating and undertaking for the purpose of the long term future direction in the area of waste management for the benefit of the region

#### ***Class IV Reserve***

To finance the capping of the existing Class IV cells and the construction of future Class IV cells and associated works at the Red Hill waste disposal site.

#### ***Class III Reserve***

To finance the capping of the existing Class III cells and the construction of future Class III cells and associated works at the Red Hill waste disposal site.

#### ***Environmental Monitoring Reserve***

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

#### ***Environmental Insurance Reserve***

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

#### ***Risk Management Reserve***

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

#### ***Secondary Waste Reserve***

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

#### ***Regional Development Reserve***

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

#### ***Building Refurbishment Reserve***

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

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**16. NOTES TO THE STATEMENT OF CASH FLOWS**

**(i) Reconciliation of Cash**

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

	<b>ACTUAL</b> <b>2010/2011</b>	<b>BUDGET</b> <b>2010/2011</b>	<b>ACTUAL</b> <b>2009/2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and Cash Equivalents - Unrestricted	9,947,074	2,998,537	9,785,467
Cash and Cash Equivalents - Restricted	24,292,177	19,388,579	11,405,027
<b>Total Cash</b>	<b>34,239,251</b>	<b>22,387,116</b>	<b>21,190,494</b>

**(ii) Reconciliation of net cash used in operating activities to Net Result**

Net Result	9,714,528	5,625,125	6,819,149
Depreciation	2,868,502	3,585,835	2,811,082
(Profit)/Loss on sale of assets	(37,074)	(19,121)	(23,335)
Increase/(Decease) in provisions - Redhill	100,168	140,383	104,476
Increase/(Decease) in provisions - Staff	(33,289)	34,083	170,166
Increase/(Decease) in Sundry Creditors	(112,522)	0	3,072,431
Increase/(Decease) in GST	252,337	0	(4,429)
(Increase)/Decease in accrued interest earnings	(142,859)	0	(155,898)
(Increase)/Decrease in Receivables	(114,389)	0	(228,625)
(Increase)/Decrease in Inventory	(22,697)	0	7,272
(Increase)/Decrease in Prepayments	(31,680)	0	(22,633)
Increase/(Decease) in unrealised gain/loss from change in fair value of investments	(1,035,940)	0	(621,457)
<b>Net cash from operating activities</b>	<b>11,405,085</b>	<b>9,366,305</b>	<b>11,928,199</b>

**(iii) Financing Facilities**

There were no bank overdraft facilities in place for the Eastern Metropolitan Regional Council at balance date.

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**17. EMPLOYEE ENTITLEMENTS**

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

<b>Provision for Employee Entitlements</b> (Refer to Note 14)	<b>ACTUAL</b> <b>2010/2011</b> <b>\$</b>	<b>ACTUAL</b> <b>2009/2010</b> <b>\$</b>
- Current	1,046,241	1,074,972
- Non-current	81,119	85,677
<b>Total Employee Entitlements</b>	<u><u>1,127,360</u></u>	<u><u>1,160,649</u></u>
	<b>ACTUAL</b> <b>FTE's</b> <b>2010/2011</b>	<b>ACTUAL</b> <b>FTE's</b> <b>2009/2010</b>
<b>Total number of (FTE) employees at end of financial year</b>	<u><u>89</u></u>	<u><u>90</u></u>

**18. COUNCILLORS FEES AND ALLOWANCES**

<b>ACTUAL</b> <b>2010/2011</b> <b>\$</b>	<b>BUDGET</b> <b>2010/2011</b> <b>\$</b>	<b>ACTUAL</b> <b>2009/2010</b> <b>\$</b>
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The following fees, expenses and allowances were paid to council members and/or the Chairman

Councillors' meeting fees	77,000	77,000	90,208
Chairman's meeting fees	14,000	14,000	17,833
Deputy Councillors' meeting fees	1,300	3,500	2,060
Chairman's Local Government fee	6,000	6,000	5,500
Deputy Chairman's Local Government fee	1,500	1,500	1,375
	<u><u>99,800</u></u>	<u><u>102,000</u></u>	<u><u>116,977</u></u>

# EASTERN METROPOLITAN REGIONAL COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2011

19. ASSETS CLASSIFIED BY TYPE AND LOCAL GOVERNMENT PROGRAM	ACTUAL 2010/2011 \$	ACTUAL 2009/2010 \$
<b>Current Assets</b>		
General Purpose Funding	13,155,457	13,030,808
Governance	672,964	622,977
Community Amenities	26,123,711	17,077,779
Economic Services	23,806	294,281
<b>Land</b>		
Governance	3,022,393	3,022,392
Community Amenities	4,617,524	4,617,524
<b>Buildings</b>		
Governance	3,724,690	1,991,650
Community Amenities	649,741	415,334
<b>Structures</b>		
Community Amenities	10,580,016	11,021,749
<b>Plant</b>		
Governance	566,828	654,282
Community Amenities	6,175,900	4,800,177
<b>Equipment</b>		
Governance	245,740	244,511
Community Amenities	151,639	96,779
<b>Furniture and Fittings</b>		
Governance	133,638	91,317
<b>Work In Progress</b>		
Unclassified	272,020	2,213,284
	<b>70,116,067</b>	<b>60,194,845</b>

20. DISPOSAL OF ASSETS	BUDGET 2010/2011 \$			ACTUAL 2010/2011 \$		
	Net Book Value	Sale Price	Gain (Loss)	Net Book Value	Sale Price	Gain (Loss)
Plant	426,241	445,362	19,121	316,118	354,254	38,136
Equipment	0	0	0	1,108	46	(1,062)
<b>Total Assets Disposed</b>	<b>426,241</b>	<b>445,362</b>	<b>19,121</b>	<b>317,226</b>	<b>354,300</b>	<b>37,074</b>

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

(a) Borrowings

The EMRC currently do not have any loans or borrowings.

(b) New Borrowings

There were no new borrowings during the 2010/11 financial year.

(c) Unspent Loans

There were no unspent loans during the 2010/11 financial year.

**22. INTEREST IN THE EMRC**

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

<b>Member Council</b>	<b>2010/2011</b>		<b>2009/2010</b>	
	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>
Town of Bassendean	4.63	2,897,798	4.63	2,448,370
City of Bayswater	19.37	12,121,180	19.56	10,338,914
City of Belmont	10.98	6,873,600	11.00	5,816,483
Shire of Kalamunda	17.47	10,935,611	17.47	9,236,067
Shire of Mundaring	12.18	7,623,618	12.21	6,457,434
City of Swan	35.37	22,132,199	35.13	18,572,209
<b>Total Equity</b>	<b>100.00</b>	<b>62,584,006</b>	<b>100.00</b>	<b>52,869,478</b>

The EMRC participating Member Council's interest distribution for 2010/2011 has been calculated in accordance with clause 9.4 of the Eastern Metropolitan Regional Council Establishment Agreement.

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
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**23. FINANCIAL RISK MANAGEMENT**

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

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

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

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2010/2011	2009/2010	2010/2011	2009/2010
	\$	\$	\$	\$
<b>Financial Assets</b>				
Cash and cash equivalents	34,239,251	21,190,494	34,239,251	21,190,494
Receivables	3,018,273	2,761,025	3,018,273	2,761,025
Financial Assets at fair value through profit and loss	2,567,115	6,977,404	2,567,115	6,977,404
	<u>39,824,639</u>	<u>30,928,923</u>	<u>39,824,639</u>	<u>30,928,923</u>
<b>Financial Liabilities</b>				
Payables	4,970,223	4,830,408	4,970,223	4,830,408
	<u>4,970,223</u>	<u>4,830,408</u>	<u>4,970,223</u>	<u>4,830,408</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables - estimated to the carrying value which approximates net market value.
- Financial Assets at Fair Value through profit and loss - based on market valuations and verified by independent financial advisors.



**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**23. FINANCIAL RISK MANAGEMENT (Continued)**

**(a) Cash and Cash Equivalents**

**Financial assets at fair value through profit or loss**

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

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

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

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

Council seeks advice from independent advisers (where applicable) before placing any cash and investments.

	<b>2010/2011</b>	<b>2009/2010</b>
	<b>\$</b>	<b>\$</b>
Impact of a 10% movement in price of investments:		
- Equity	256,712	697,740
- Statement of Comprehensive Income	256,712	697,740
Impact of a 1% movement in interest rates on cash and investments:		
- Equity	368,064	281,679
- Statement of Comprehensive Income	368,064	281,679

**(b) Receivables**

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

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

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

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

	<b>2010/2011</b>	<b>2009/2010</b>
	<b>\$</b>	<b>\$</b>
Percentage of Other Receivables		
- Current	84.0%	95.7%
- Overdue	16.0%	4.3%
	<u>100.0%</u>	<u>100.0%</u>

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**23. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Payables**

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2010/2011</u>					
Payables	4,970,223	0	0	4,970,223	4,970,223
	<u>4,970,223</u>	<u>0</u>	<u>0</u>	<u>4,970,223</u>	<u>4,970,223</u>
<u>2009/2010</u>					
Payables	4,830,408	0	0	4,830,408	4,830,408
	<u>4,830,408</u>	<u>0</u>	<u>0</u>	<u>4,830,408</u>	<u>4,830,408</u>

**(d) Borrowings**

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

Council currently do not have any borrowings or loans.

**EASTERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**24. EMPLOYEES' REMUNERATION**

Set out below, in bands of \$10,000, is the number of employees of the Eastern Metropolitan Regional Council entitled to an annual salary of \$100,000 or more:

	<b>ACTUAL 2010/2011</b>	<b>ACTUAL 2009/2010</b>
100,000 – 109,999	0	1
110,000 – 119,999	1	2
120,000 – 129,999	2	1
160,000 – 169,999	1	0
170,000 – 179,999	1	1

**25. COMMITMENTS FOR CAPITAL EXPENDITURE**

<b>ACTUAL 2010/2011</b>	<b>ACTUAL 2009/2010</b>
\$	\$

Commitments for the acquisition of assets contracted for at the reporting date but not recognised as liabilities, payable:

- Not longer than one year	1,434,428	2,236,521
<b>Total Capital Commitments</b>	<b>1,434,428</b>	<b>2,236,521</b>

**26. FINANCIAL RATIOS**

	<b>ACTUAL 2010/2011</b>	<b>ACTUAL 2009/2010</b>	<b>ACTUAL 2008/2009</b>
Current Ratio	2.32 : 1.00	2.27 : 1.00	2.83 : 1.00
Debt Ratio	10.7%	12.4%	8.0%
Debt Service Ratio	Not Applicable	Not Applicable	Not Applicable
Gross Debt to Revenue Ratio	Not Applicable	Not Applicable	Not Applicable
Untied Cash to Trade Creditors Ratio	2.29 : 1.00	2.03 : 1.00	1.94 : 1.00
Gross Debts to Economically Realisable Assets Ratio	Not Applicable	Not Applicable	Not Applicable
Rate Coverage Ratio	Not Applicable	Not Applicable	Not Applicable
Outstanding Rates Ratio	Not Applicable	Not Applicable	Not Applicable

**27. CONTINGENT LIABILITIES**

Nil

**28. ECONOMIC DEPENDENCY**

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

# **INDEPENDENT AUDIT REPORT**



**For the Year Ended  
30 June 20 11**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO: MEMBERS OF EASTERN METROPOLITAN REGIONAL COUNCIL**

We have audited the financial report of the Eastern Metropolitan Regional Council, which comprises the Statement of Financial Position as at 30 June 2011 and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date and a summary of significant accounting policies and other explanatory notes.

#### **Council's Responsibility for the Financial Report**

Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditor's Responsibility**

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

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

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

#### **Independence**

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




**Auditor's Opinion**

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


- (i) gives a true and fair view of the financial position of the Eastern Metropolitan Regional Council as at 30 June 2011 and of its financial performance for the year ended on that date; and
- (ii) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards (including the Australian Accounting Interpretations).

**Statutory Compliance**

We did not during the course of our audit become aware of any instances where the Council did not comply with the requirements of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).



MACRI PARTNERS  
CERTIFIED PRACTISING ACCOUNTANTS  
28 THOROGOOD STREET  
BURSWOOD WA 6100



A MACRI  
PARTNER

PERTH  
DATED THIS 30<sup>th</sup> DAY OF AUGUST 2011.





10 August 2011

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

Dear Sir

**RE: INTERIM AUDIT VISIT FOR THE YEAR ENDED 30 JUNE 2011**

We carried out an interim audit of the Council for the year ended 30 June 2011.

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

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

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

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



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

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

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

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

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

#### **PAYROLL**

We obtained an Employee "Leave Accrual Report" as at 20 May 2011. Our review found that the report contains 5 staff with outstanding annual leave entitlements in excess of 8 weeks to a maximum of 29 weeks.

Local Government Industry Award 2010 stipulates that an employer may require an employee to take annual leave by giving at least four weeks' notice where more than eight weeks' leave is accrued, provided that the employee retains a balance of at least eight weeks.

We recommend that any annual leave deferred be approved in writing by the Chief Executive Officer or by the Council as appropriate.

#### **Management Comment:**

***The Executive Management Team has discussed this finding and agrees that leave balances should be less than eight (8) weeks on per individual basis.***

***A review has been undertaken on those individuals and each Director will discuss with the affected employees with a view to prepare an annual leave plan for the year. The overarching criteria will be that any leave to be taken will not impact significantly on the operations of the EMRC and if over an extended period, temporary staff may be utilised to backfill certain positions.***

***Any staff with leave balances above eight weeks deferred beyond June 2012 will be required to request for permission from the Chief Executive Officer.***





## PROVISIONS FOR SITE REHABILITATION AND ENVIRONMENTAL MONITORING

We reviewed the formulae used for calculating the provisions for site rehabilitation and environmental monitoring of the Red Hill site for the year-end audit. Using the incremental method, the Council accrues closure costs by gradually increasing the provision over the volume of the site filled.

We noted that there are primarily three variables in the formulae which need updating to reflect accurate provisions for the financial year ending 30 June 2011; i.e.

- (i) Total capacity (volume) of the landfill site – this has increased as confirmed by our discussions with management;
- (ii) Estimate of the closure and post-closure site rehabilitation cost; and
- (iii) Estimate of the closure and post-closure environmental monitoring cost.

We recommend that the management review the above items listed and obtain independent confirmation of the figures to consider adequacy of the provisions for the financial year ending 30 June 2011. This will ensure that the provision amounts have been properly calculated and the true cost of decommissioning in the future is reflected in the accounts.

In addition, according to Accounting Standard 137 *Provisions, Contingent Assets and Contingent Liabilities*, the provisions must be measured on the basis of the net present value of expected future cash outflows. The provisions should be reviewed annually to adjust for evolving closure requirements, changes to the estimated lives of operations and revisions to discount rates and for inflation.

### **Management Comment:**

***A report was submitted to Council at its 23 June 2011 meeting to advise the results of the review into the post closure provisions for environmental monitoring and the rehabilitation of the Red Hill site.***

***There have been reserves to ensure funds are available to undertake the required environmental monitoring and the site rehabilitation following the closure of the site in existence since the early 1990's. When the initial calculation was undertaken to determine the amount per tonne to be allocated to the reserves to fund the environmental management and site rehabilitation post closure was undertaken the anticipated remaining airspace was thought to be 4,850,000m<sup>3</sup>.***

***Since the initial remaining airspace calculation was made Lots 12 (Red Hill Farm) and Lot 801 have been purchased so that the remaining airspace is now in the order of 34,500,000m<sup>3</sup>. The introduction of commercial and industrial (C&I) recycling at the planned Hazelmere Resource Recovery Park (RRP), the planned Resource Recovery Facility (RRF) to process organic waste and progressing a trial to re-mine closed cells would extend the life of the landfill considerably and also minimise the environmental monitoring costs and site rehabilitation costs required post closure.***

***It is estimated that in the order of \$1.5 million needs to be available for site rehabilitation when no more waste is being received. Currently there is a charge of \$0.3093/tonne set aside for site rehabilitation and this is deemed to be sufficient.***

***It is estimated that \$0.5 million needs to be set aside for post closure environmental monitoring.***



*Council confirmed that the present value amounts of \$1.5 million for the rehabilitation of the site and \$0.5 million to fund the environmental monitoring of the Red Hill Waste Management Facility is sufficient for post closure management purposes. Combined, this represents \$2.0 million.*

*At the end of May 2011, the Site Rehabilitation reserve has \$2.6 million while the Environmental Monitoring has \$0.22 million, giving a combined total of \$2.8 million.*

*The surplus will be transferred to an appropriate reserve and the Interest from the \$2.0 million reserves will be accumulated in the Site Rehabilitation Reserve and Environmental Monitoring Reserve to compensate for any inflation.*

*Regular review on the sufficiency of these reserves will take place on a periodic basis of approximately every five (5) years or sooner subject to material changes in operational circumstances.*

*An amount of \$0.3093 per tonne will continue to be set aside in a reserve to fund ongoing site rehabilitation.*

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

Yours faithfully



**MACRI PARTNERS**

EMRCOE/AMmg Interim Audit Vark Letter 2011





## 12.2 DRAFT STRATEGIC INTERNAL AUDIT PLAN 2012-2015

**REFERENCE: COMMITTEES-13105**

### PURPOSE OF REPORT

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

### KEY ISSUES AND RECOMMENDATION(S)

- At its meeting of 24 August 2006, Council noted that the internal audit function was to be outsourced following the retirement of the Manager Compliance and Internal Audit and requested that an internal audit programme be developed and received by the Audit Committee.
- A four year cyclical programme has been developed to coincide with the CEO's legislative requirement to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government.
- At the April 2007 round of meetings, Council endorsed a four year internal audit programme consisting of 16 auditable areas.
- Stantons International was awarded the tender to provide the internal audit services and the contract was executed on 28 September 2007.
- With the tabling of the 2010/2011 Internal Audit Report to the Audit Committee at its 7 July 2011 meeting, that represented the completion of the four year audit programme.

#### Recommendation(s)

That:

1. Council notes the review of the internal audit programme by the Audit Committee and endorses the draft Strategic Internal Audit Plan 2012-2015 contained within the attachment to this report.
2. Arrangements be made to tender for an external service provider to perform the internal audit function of the EMRC in accordance with the Strategic Internal Audit Plan 2012-2015 forming the attachment to this report.

### SOURCE OF REPORT

Director Corporate Services

### BACKGROUND

Among the duties and responsibilities of the Audit Committee is:

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

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

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



*Item 12.2 continued*

At its meeting of 24 August 2006, Council noted that the internal audit function was to be outsourced following the retirement of the Manager Compliance and Internal Audit and requested that an internal audit programme be developed and received by the Audit Committee.

At the Audit Committee meeting held on 10 August 2006 a report was considered on satisfying the internal audit requirements following the retirement of the Manager Compliance and Internal Audit (Ref: Committees 5053).

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

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

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

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

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

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

This was endorsed by the Audit Committee at its 12 April 2007 meeting and was subsequently adopted by Council at the 26 April 2007 meeting.

Stantons International was engaged following a tender process for the provision of internal audit services in September 2007.

## **REPORT**

The tabling of the 2010/2011 Internal Audit Report to the Audit Committee at its 7 July 2011 meeting marked the completion of the Strategic Internal Audit Plan 2007-2010.

Based on the previous Strategic Internal Audit Plan 2007-2010 and following discussions with the internal auditor, Stantons International as well as incorporating the audit findings from the Internal Audit Reports for the past 4 years, an updated document, entitled "Draft Strategic Internal Audit Plan 2012-2015" (SIAP) has been developed (attached).



*Item 12.2 continued*

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

Once the SIAP has been approved by the committee it is intended that the document will form the basis of the specification for a tender to perform the internal audit function of the EMRC.

### **STRATEGIC/POLICY IMPLICATIONS**

Key Result Area 4 – Good Governance

- 4.1 To improve member Council and EMRC financial viability
- 4.6 To provide responsible and accountable governance and management of the EMRC
- 4.7 To continue to improve financial and asset management practices
- 4.8 To continue to improve information management practices

### **FINANCIAL IMPLICATIONS**

Estimated annual cost of the internal audit programme is in the vicinity of \$23,000 pa (on average), which is provided for in the 2011/12 annual budget and 5 year forecasts.

### **SUSTAINABILITY IMPLICATIONS**

Nil

### **MEMBER COUNCIL IMPLICATIONS**

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

### ATTACHMENT(S)

Draft Strategic Internal Audit Plan 2012-2015 (Ref: Committees-13110)

### VOTING REQUIREMENT

Simple Majority



*Item 12.2 continued*

**RECOMMENDATION(S)**

That:

1. Council notes the review of the internal audit programme by the Audit Committee and endorses the draft Strategic Internal Audit Plan 2012-2015 contained within the attachment to this report.
2. Arrangements be made to tender for an external service provider to perform the internal audit function of the EMRC in accordance with the Strategic Internal Audit Plan 2012-2015 forming the attachment to this report.

**AC RECOMMENDATION(S)**

MOVED CR FÄRDIG

SECONDED CR PULE

That:

1. Council notes the review of the internal audit programme by the Audit Committee and endorses the draft Strategic Internal Audit Plan 2012-2015 contained within the attachment to this report.
2. Arrangements be made to tender for an external service provider to perform the internal audit function of the EMRC in accordance with the Strategic Internal Audit Plan 2012-2015 forming the attachment to this report.

**CARRIED UNANIMOUSLY**



## Draft Strategic Internal Audit Plan

2012 – 2015



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## 1. INTERNAL AUDIT FUNCTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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



## 2. PROPOSED STRATEGIC INTERNAL AUDIT PLAN

2012 – 2015

<b>Auditable Area</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
Contract Management	40 hours			
IT General Controls	40 hours			
Payroll	40 hours			
Procurement	40 hours			
Accounts Payable		40 hours		
Corporate Governance		40 hours		
Grants Management		40 hours		
Risk Management		40 hours		
Human Resource Management			60 hours	
Waste Management			40 hours	
Accounts Receivable			40 hours	
Records Management			40 hours	
Investment Policies				30 hours
Taxation				40 hours
Project Planning				40 hours
IT Vulnerability Assessment				50 hours
<b>Sub total</b>	<b>160</b>	<b>160</b>	<b>180</b>	<b>160</b>
Audit Committee Meetings	2 hours	2 hours	2 hours	2 hours
<b>Total</b>	<b>162 hours</b>	<b>162 hours</b>	<b>182 hours</b>	<b>162 hours</b>



### 3. AUDIT OBJECTIVES

Audit Objectives are categorised as follows:

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



<b>Auditable Area:</b>	<b>Contract Management</b>
<b>Audit Year:</b>	2011/12
<b>Audit Hours:</b>	40
<b>Audit Type:</b>	C / AA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ Compliance with Local Government Act and Regulations</li><li>▪ Contract approval and advice to tenderers</li><li>▪ Variations to contracts</li><li>▪ Terms and conditions</li><li>▪ Insurances – Termination of coverage &amp; renewals</li><li>▪ Health Safety and Environment and quality control monitoring of contractor requirements</li><li>▪ Timeliness of contract delivery</li><li>▪ Lack of Contracts Register</li><li>▪ Contracts expiring prior to us going out to tender</li></ul>
<b>Audit Objectives:</b>	<p><b>Reliability and Integrity of Information</b></p> <ul style="list-style-type: none"><li>▪ Determine whether contracts information is recorded accurately and in a timely manner</li><li>▪ Identify whether contracts are renewed on a timely basis</li><li>▪ Determine whether contract management reports assist in timely decision making</li></ul> <p><b>Compliance</b></p> <ul style="list-style-type: none"><li>▪ Determine whether contracts are managed in accordance with the contract requirements</li><li>▪ Determine whether contract requirements are in accordance with applicable legislation</li><li>▪ Identify the processes in place to manage contract variations</li></ul> <p><b>Safeguarding of Assets</b></p> <ul style="list-style-type: none"><li>▪ Determine whether contracts are required to have adequate insurance coverage in place for the duration of the contract</li></ul>



<b>Auditable Area:</b>	<b>IT General Controls</b>
<b>Audit Year:</b>	2011/12
<b>Audit Hours:</b>	40
<b>Audit Type:</b>	RM / AA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ Availability of information systems</li><li>▪ Integrity of information</li><li>▪ Confidentiality of information</li><li>▪ Ongoing use of legacy systems</li></ul>
<b>Audit Objectives:</b>	<p><b>Reliability and Integrity of Information</b></p> <ul style="list-style-type: none"><li>▪ Identify and review information system controls to ensure the availability, integrity and confidentiality of information</li></ul> <p><b>Compliance</b></p> <ul style="list-style-type: none"><li>▪ Compare the information systems within the organisation against the baseline Australian standard AS/NZS 17799 Information security management</li></ul> <p><b>Efficiency / Effectiveness</b></p> <ul style="list-style-type: none"><li>▪ Determine whether all current systems in use contribute to the efficiency and effectiveness of operations</li></ul> <p><b>Achievement of Objectives</b></p> <ul style="list-style-type: none"><li>▪ Examine any information security policies and framework against the Australian standard AS/NZS17799</li><li>▪ Review supporting policies and operational procedures and information systems documentation and identify any gaps</li><li>▪ Provide pro active advice to enhance the prevention of information systems control risks</li></ul>



<b>Auditable Area:</b>	<b>Payroll</b>
<b>Audit Year:</b>	2011/12
<b>Audit Hours:</b>	40
<b>Audit Type:</b>	C / AA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ Lack of authorisation of data being processed</li><li>▪ Compliance with awards and legislation</li><li>▪ Compliance with employment contracts</li></ul>
<b>Audit Objectives:</b>	<p><b>Reliability and Integrity of Information</b></p> <ul style="list-style-type: none"><li>▪ Identify controls over the accuracy and timeliness of payments</li></ul> <p><b>Compliance</b></p> <ul style="list-style-type: none"><li>▪ Determine whether employees are paid in accordance with applicable awards and legislation.</li></ul> <p><b>Safeguarding of Assets</b></p> <ul style="list-style-type: none"><li>▪ Determine whether adequate security exists over payroll records</li><li>▪ Identify whether the fortnightly payroll is appropriately authorised</li></ul>



<b>Auditable Area:</b>	<b>Procurement</b>
<b>Audit Year:</b>	2011/12
<b>Audit Hours:</b>	40
<b>Audit Type:</b>	C / AA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ Efficiency</li><li>▪ Probity on tenders</li><li>▪ Compliance with Local Government Act and Regulations</li></ul>
<b>Audit Objectives:</b>	<p><b>Compliance</b></p> <ul style="list-style-type: none"><li>▪ Determine whether the procurement process is conducted in accordance with applicable policies and legislation</li></ul> <p><b>Safeguarding of Assets</b></p> <ul style="list-style-type: none"><li>▪ Identify whether there is adequate probity over the procurement process</li></ul> <p><b>Efficiency / Effectiveness</b></p> <ul style="list-style-type: none"><li>▪ Determine whether the procurement process is conducted in an efficient manner</li></ul> <p><b>Achievement of Objectives</b></p> <ul style="list-style-type: none"><li>▪ Determine whether the procurement process facilitates the Council achieving best value for money in its decision making</li></ul>



<b>Auditable Area:</b>	<b>Accounts Payable</b>
<b>Audit Year:</b>	2012/13
<b>Audit Hours:</b>	40
<b>Audit Type:</b>	C / AA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ Authorisation (including receipt of goods/services)</li><li>▪ Accuracy (incl coding)</li><li>▪ Timeliness</li><li>▪ Compliance with legislation re: ABN/ Withholding Tax</li></ul>
<b>Audit Objectives:</b>	<p><b>Reliability and Integrity of Information</b></p> <ul style="list-style-type: none"><li>▪ Determine whether payments are accurate, complete, made in a timely manner and have adequate support</li><li>▪ Determine whether adequate controls exist to provide reasonable assurance that payments are made to approved creditors</li><li>▪ Determine whether controls over record keeping provide reasonable assurance that accounts are posted to the correct account in a timely manner</li></ul> <p><b>Compliance</b></p> <ul style="list-style-type: none"><li>▪ Identify whether payments are made in accordance with approved policy</li></ul> <p><b>Safeguarding of Assets</b></p> <ul style="list-style-type: none"><li>▪ Determine whether there are adequate procedures in place to mitigate the risk of fraudulent payments</li></ul>





<b>Auditable Area:</b>	<b>Corporate Governance</b>
<b>Audit Year:</b>	2012/13
<b>Audit Hours:</b>	40
<b>Audit Type:</b>	G / CA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ Register of Interests being out of date</li><li>▪ New Councillors not being fully informed about their roles and responsibilities about the EMRC.</li></ul>
<b>Audit Objectives:</b>	<p><b>Reliability and Integrity of Information</b></p> <ul style="list-style-type: none"><li>▪ Determine whether the Council receives relevant, timely, accurate and concise information</li></ul> <p><b>Compliance</b></p> <ul style="list-style-type: none"><li>▪ Identify processes in place to monitor organisational compliance with applicable legislation</li></ul> <p><b>Efficiency / Effectiveness</b></p> <ul style="list-style-type: none"><li>▪ Determine how the Council ensures it has access to required levels of skills and expertise</li></ul> <p><b>Achievement of Objectives</b></p> <ul style="list-style-type: none"><li>▪ Determine how the Council assesses its own performance</li><li>▪ Determine how the Council assesses the performance of the organisation</li><li>▪ Determine how the Council establishes and monitors organisation direction</li></ul>



<b>Auditable Area:</b>	<b>Grants Management</b>
<b>Audit Year:</b>	2012/13
<b>Audit Hours:</b>	40
<b>Audit Type:</b>	C / AA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ Tracking of grants received or proposed</li><li>▪ Acquittal of grant funding</li><li>▪ Audit of grant expenditure for final report</li></ul>
<b>Audit Objectives:</b>	<p><b>Reliability and Integrity of Information</b></p> <ul style="list-style-type: none"><li>▪ Determine whether reports are produced to enable timely review of grant expenditure</li></ul> <p><b>Compliance</b></p> <ul style="list-style-type: none"><li>▪ Determine whether acquittals are conducted in accordance with grant terms and conditions</li><li>▪ Identify whether expenditure is in accordance with the grant approval</li><li>▪ Determine whether grant expenditure is approved in accordance with delegated authority</li></ul>



<b>Auditable Area:</b>	<b>Risk Management</b>
<b>Audit Year:</b>	2012/13
<b>Audit Hours:</b>	40
<b>Audit Type:</b>	RM / AA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ What is the process and how is it measured and reported</li></ul>
<b>Audit Objectives:</b>	<b>Efficiency and Effectiveness</b> <ul style="list-style-type: none"><li>▪ Determine whether the risk management plan is developed and monitored in accordance with approved standards or policies</li><li>▪ Determine whether the risk management plan is regularly updated and reported to senior management and the Council</li></ul>



<b>Auditable Area:</b>	<b>Human Resource Management</b>
<b>Audit Year:</b>	2013/14
<b>Audit Hours:</b>	60
<b>Audit Type:</b>	C / AA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ Compliance with legislation</li><li>▪ Lack of awareness</li><li>▪ Not having appropriate policies in place</li><li>▪ Security</li><li>▪ Completeness of information</li></ul>
<b>Audit Objectives:</b>	<b>Compliance</b> <ul style="list-style-type: none"><li>▪ Assess whether procedures are in place to provide adequate assurance that personnel processes comply with documented and approved policies and procedures</li><li>▪ Determine whether personnel policies are transparent, impartial and capable of review</li><li>▪ Assess awareness of policies and procedures</li></ul>



<b>Auditable Area:</b>	<b>Waste Management</b>
<b>Audit Year:</b>	2013/14
<b>Audit Hours:</b>	40
<b>Audit Type:</b>	C / AA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ Leachate impacts on the surrounding environment leading to substantial cleanup costs</li><li>▪ Dramatic change in regulatory environment leading to landfills being strongly discouraged</li><li>▪ Inability to develop new disposal areas quickly enough to keep ahead of the waste</li><li>▪ Cash Management</li><li>▪ Safety of gatehouse operators from irate customers, particularly as gate fees increase.</li><li>▪ Fire and other Health Safety and Environment incident on the weighbridge</li><li>▪ Fraud eg. Cash handling, incorrect charging etc.</li><li>▪ Issue of incorrect tipping tickets</li><li>▪ Charging incorrect tipping fees</li><li>▪ Calibration of weighbridge</li></ul>
<b>Audit Objectives:</b>	<p>Undertake a high level review of:</p> <p>Compliance</p> <ul style="list-style-type: none"><li>▪ Determine compliance with legislative requirements and Council policy</li></ul> <p>Efficiency / Effectiveness</p> <ul style="list-style-type: none"><li>▪ Assess whether processes are undertaken in an efficient manner</li></ul> <p>Achievement of Objectives</p> <p>Determine whether processes facilitate the achievement of waste management objectives</p>



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

**Audit Year:** 2013/14

**Audit Hours:** 40

**Audit Type:** C / AA

**Risks Identified:**

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

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

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

**Compliance**

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

**Safeguarding of Assets**

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



<b>Auditable Area:</b>	<b>Records Management</b>
<b>Audit Year:</b>	2013/14
<b>Audit Hours:</b>	40
<b>Audit Type:</b>	C / AA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ Compliance with policies and legislation</li></ul>
<b>Audit Objectives:</b>	<p>Compliance</p> <ul style="list-style-type: none"><li>▪ Determine the extent to which legislation, Australian Standards, policies and procedures have been complied with</li></ul>



<b>Auditable Area:</b>	<b>Investment Policies</b>
<b>Audit Year:</b>	2014/15
<b>Audit Hours:</b>	30
<b>Audit Type:</b>	C / AA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ Compliance with policy</li><li>▪ Review for appropriateness</li><li>▪ Funds Management Procedures</li></ul>
<b>Audit Objectives:</b>	<p><b>Reliability and Integrity of Information</b></p> <ul style="list-style-type: none"><li>▪ Determine whether there are adequate reporting processes in place to provide reasonable assurance that investment information is useful and received in a timely manner</li></ul> <p><b>Compliance</b></p> <ul style="list-style-type: none"><li>▪ Identify whether an investments policy exists, is authorised and available to the relevant staff</li></ul> <p><b>Safeguarding of Assets</b></p> <ul style="list-style-type: none"><li>▪ Identify whether investments are authorised in accordance with approved policy</li></ul> <p><b>Efficiency / Effectiveness</b></p> <ul style="list-style-type: none"><li>▪ Identify whether processes are in place to provide reasonable assurance that the Council is receiving the best possible return on investment</li></ul>





<b>Auditable Area:</b>	<b>Taxation</b>
<b>Audit Year:</b>	2014/15
<b>Audit Hours:</b>	40
<b>Audit Type:</b>	C / AA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ Compliance with legislation</li><li>▪ Submission of returns and payments at correct time</li></ul>
<b>Audit Objectives:</b>	<b>Compliance</b> <ul style="list-style-type: none"><li>▪ Assess the level of compliance with applicable State and Commonwealth legislation.</li></ul>



<b>Auditable Area:</b>	<b>Project Planning</b>
<b>Audit Year:</b>	2014/15
<b>Audit Hours:</b>	40
<b>Audit Type:</b>	C / CA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ Scope of project</li><li>▪ Project Management</li><li>▪ Independence</li><li>▪ Access to expert advice</li><li>▪ Funding and ownership models</li></ul>
<b>Audit Objectives:</b>	<p><b>Reliability and Integrity of Information</b></p> <ul style="list-style-type: none"><li>▪ Identify the scope for project managers to access expert advice as and when required</li><li>▪ Identify the accuracy and timeliness of project financial reporting</li></ul> <p><b>Compliance</b></p> <ul style="list-style-type: none"><li>▪ Identify whether project milestones are approved in accordance with the project plan</li></ul> <p><b>Efficiency / Effectiveness</b></p> <ul style="list-style-type: none"><li>▪ Determine whether the scope of projects is clearly defined and understood</li></ul> <p><b>Achievement of Objectives</b></p> <ul style="list-style-type: none"><li>▪ Assess the effectiveness of project planning</li><li>▪ Provide pro-active advice to enhance the prevention of project risks.</li></ul>



<b>Auditable Area:</b>	<b>IT Vulnerability Assessment</b>
<b>Audit Year:</b>	2014/15
<b>Audit Hours:</b>	50
<b>Audit Type:</b>	RM / AA
<b>Risks Identified:</b>	<ul style="list-style-type: none"><li>▪ Availability of information systems</li><li>▪ Integrity of information</li><li>▪ Confidentiality of information</li><li>▪ Potential theft of data</li></ul>
<b>Audit Objectives:</b>	<p><b>Reliability and Integrity of Information</b></p> <ul style="list-style-type: none"><li>▪ Identify and review information system security controls to ensure the availability, integrity and confidentiality of information</li></ul> <p><b>Compliance</b></p> <ul style="list-style-type: none"><li>▪ Reference to applicable internal IT policies</li></ul> <p><b>Efficiency / Effectiveness</b></p> <ul style="list-style-type: none"><li>▪ Determine whether current systems provide effective controls to mitigate vulnerabilities and are operating efficiently</li></ul> <p><b>Achievement of Objectives</b></p> <ul style="list-style-type: none"><li>▪ Conduct an external vulnerability assessment using no knowledge of the organisation using a set of defined tools</li><li>▪ Conduct an external vulnerability assessment using detailed knowledge of key devices and services using a set of defined tools</li><li>▪ Provide pro-active advice to enhance the prevention of malicious attacks to information systems.</li></ul>



## 12.3 EXTERNAL AUDIT SERVICES CONTRACT EXTENSION

**REFERENCE: COMMITTEES-13106**

### PURPOSE OF REPORT

To seek Council approval to exercise the option to extend the appointment of Anthony Macri of Macri Partners as the external auditor for the EMRC for a further two years.

### KEY ISSUES AND RECOMMENDATION(S)

- It is a requirement of the Local Government Act (Part 7, Division 2 - Appointment of Auditors) and the Local Government (Audit) Regulations 1996 that a Local Government is to appoint a person, on the recommendation of the audit committee, to be its auditor.
- The current audit contract was subject to a tender for the provision of external audit services in 2009, in accordance with the requirements of the Local Government Act 1995 and the Local Government (Audit) Regulations 1996
- In accordance with Section 7.3 of the Local Government Act 1995, Council appointed Anthony Macri, Registered Company Auditor (No. 14034), of Macri Partners, for the period 1 July 2008 to 30 June 2011 with an option of a further two (2) year extension, at the sole discretion of the EMRC, commencing 1 July 2011 and ending on 30 June 2013.
- The initial period of the contract will expire with the completion of the audit undertaken on the 2010/2011 Annual Financial Statements.

#### Recommendation(s)

That Council, by absolute majority in accordance with Section 7.3 of the Local Government Act 1995, exercise the option to extend the appointment of Anthony Macri, Registered Company Auditor (No. 14034), of Macri Partners, for the audits of the 2011/2012 and 2012/2013 Annual Financial Statements, commencing 1 July 2011 and ending 30 June 2013, at an annual fee of \$10,450 and \$11,000 (incl. GST) respectively.

### SOURCE OF REPORT

Director Corporate Services

### BACKGROUND

It is a requirement of the Local Government Act (Part 7, Division 2 Appointment of auditors) and the Local Government (Audit) Regulations 1996 that a Local Government is to, from time to time whenever such an appointment is necessary or expedient, appoint (by absolute majority) a person, on the recommendation of the audit committee, to be its auditor.

Anthony Macri of Macri Partners (previously Barrett & Partners – DFK) has been the auditor of EMRC since the 2003/2004 Financial Year Audit. Additionally, Macri Partners are and have been the external auditor for all of the EMRC's member councils for a number of years. Macri Partners are the current auditors for 16 metropolitan local governments, 2 country councils and 3 regional councils.

On 4 April 2009 tenders were invited from qualified persons for the provision of external audit services in accordance with the requirements of the Local Government Act 1995 and the Local Government (Audit) Regulations 1996, for the EMRC. Macri Partners had either the highest or equal highest weighted score as assessed by the evaluation panel. They were also significantly better on a price basis than the other tenderers

Macri Partners senior qualified staff will spend approximately 60 hours on the audit of a total estimated time of 75 hours to complete the audit.



*Item 12.3 continued*

## **REPORT**

The current contract for the provision of external audit services was awarded to Anthony Macri of Macri Partners in May 2009 for three financial year audits (2008/2009, 2009/2010 and 2010/2011) with the option of a further two (2) year extension.

With the finalisation of the audit for the 2010/2011 Annual Financial Statements, the contract for the provision of external audit services will cease unless the EMRC exercises the option to extend the contract for a further two years.

The EMRC is not aware of any breaches by Macri Partners or any circumstance that would restrict Macri Partners from discharging its duties as the external auditors nor prevent the EMRC from extending the contract.

If the EMRC chose not to extend the contract, there would be a further investment in resources and cost to invite new tenders. Additionally, there would be a significant amount of time for a new auditor to understand the operations and the history of the EMRC.

If the EMRC chose not to extend the contract, the EMRC would also be exposed to pricing risk, in particular to any price increases in wages and service costs that may be above the original 2009 tender price.

It is recommended that the EMRC exercise its option to extend the current contract for the provision of external audit services with Anthony Macri of Macri Partners for a further two years.

## **STRATEGIC/POLICY IMPLICATIONS**

Key Result Area 4 – Good Governance

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

## **FINANCIAL IMPLICATIONS**

The price tendered for the remaining two years is \$21,450.

## **SUSTAINABILITY IMPLICATIONS**

Nil

## **MEMBER COUNCIL IMPLICATIONS**

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



*Item 12.3 continued*

ATTACHMENT(S)

Tender 2009/07 Price Schedule – Macri Partners (Ref: Committees-13109)

VOTING REQUIREMENT

Absolute Majority

**RECOMMENDATION(S)**

That Council, by absolute majority in accordance with Section 7.3 of the Local Government Act 1995, exercise the option to extend the appointment of Anthony Macri, Registered Company Auditor (No. 14034), of Macri Partners, for the audits of the 2011/2012 and 2012/2013 Annual Financial Statements, commencing 1 July 2011 and ending 30 June 2013, at an annual fee of \$10,450 and \$11,000 (incl. GST) respectively.

**AC RECOMMENDATION(S)**

MOVED CR FÄRDIG

SECONDED CR PULE

That Council, by absolute majority in accordance with Section 7.3 of the Local Government Act 1995, exercise the option to extend the appointment of Anthony Macri, Registered Company Auditor (No. 14034), of Macri Partners, for the audits of the 2011/2012 and 2012/2013 Annual Financial Statements, commencing 1 July 2011 and ending 30 June 2013, at an annual fee of \$10,450 and \$11,000 (incl. GST) respectively.

**CARRIED UNANIMOUSLY**

**PRICE SCHEDULE AS SUBMITTED BY MACRI PARTNERS AS PART OF  
TENDER 2009/07 – PROVISION OF EXTERNAL AUDIT SERVICES**

**LUMP SUM – EXTERNAL AUDIT SERVICES**

Based on their estimated time to carry out the audit, they envisage the staffing would be as follows:

<b>Staffing</b>	<b>No of Hours</b>	<b>Hourly Cost (ex GST)</b>	<b>Total Cost (ex GST)</b>
Partner	11	\$180	\$ 1,980
Manager	19	\$140	\$ 2,660
Senior	30	\$120	\$ 3,600
Assistant	15	\$100	\$ 1,500
<b>TOTALS</b>	<b>75</b>		<b>\$ 9,740</b>

Macri Partners believe that the above hours would be required to undertake the audit of the Council. However, with their knowledge of the local government systems and with their experienced staff who are familiar with the EMRC's audit, they will be able to discount their fees, without reducing the hours, and perform the audit at the following fees:

<b>Year</b>	<b>Price Tendered (ex GST)</b>	<b>GST</b>	<b>Price Tendered (inc GST)</b>
2008/2009	\$ 8,000	\$ 800	\$ 8,800
2009/2010	\$ 8,500	\$ 850	\$ 9,350
2010/2011	\$ 9,000	\$ 900	\$ 9,900
2011/2012 (Optional)	\$ 9,500	\$ 950	\$ 10,450
2012/2013 (Optional)	\$ 10,000	\$ 1,000	\$ 11,000
<b>TOTALS</b>	<b>\$ 45,000</b>	<b>\$ 4,500</b>	<b>\$ 49,500</b>



### **13 REPORTS OF DELEGATES**

Nil

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

Nil

### **15 GENERAL BUSINESS**

Cr Pule expressed appreciation of EMRC staff for their efforts today in preparing the Audit Committee Minutes for consideration by Council this evening.

### **16 FUTURE MEETINGS OF THE AUDIT COMMITTEE**

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

#### **“2.3 Meetings**

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

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

#### **Future Meetings 2011**

Thursday                      6 October (if required)                      at                      EMRC Administration Office

### **17 DECLARATION OF CLOSURE OF MEETING**

There being no further business the meeting was closed at 4.43pm.