

SECTION 15

D2023/44600

**Reports of Committees
Ordinary Meeting of Council
23 November 2023**

Item 15.1

[D2023/44606]

Audit Committee Unconfirmed Minutes – 5 October 2023

UNCONFIRMED MINUTES

D2023/35311

Audit Committee

5 October 2023



Audit Committee Members

Cr Doug Jeans	Committee Deputy Chairperson	Shire of Mundaring
Cr Hilary MacWilliam	Committee Member	Town of Bassendean
Cr Michelle Sutherland	Committee Member	City of Bayswater
Cr Mel Congerton	Committee Member	City of Swan

Audit Committee Deputies

Cr Paul Poliwka	Deputy Committee Member	Town of Bassendean
Cr Steven Ostaszewskyj	Deputy Committee Member	City of Bayswater
Cr John Daw	Deputy Committee Member	Shire of Mundaring
Cr Charlie Zannino	Deputy Committee Member	City of Swan

Audit Committee Second Deputies

Cr Emily Wilding	Committee Second Deputy Member	Town of Bassendean
Cr Giorgia Johnson	Committee Second Deputy Member	City of Bayswater
Cr Jo Cicchini	Committee Second Deputy Member	Shire of Mundaring
Cr Rod Henderson	Committee Second Deputy Member	City of Swan

Audit Committee 5 October 2023

An Audit Committee Meeting of Council was held at the EMRC Administration Office, 1st Floor, 226 Great Eastern Highway, Ascot WA 6104 on **Thursday 5 October 2023**. The meeting commenced at **6:00pm**.

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1 DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

1.1 ACKNOWLEDGEMENT OF COUNTRY

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

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

EMRC Council Members

Cr Doug Jeans	Committee Deputy Chairperson	Shire of Mundaring
Cr Hilary MacWilliam (<i>from 6:04 pm</i>)	Committee Member	Town of Bassendean
Cr Michelle Sutherland	Committee Member	City of Bayswater
Cr Rod Henderson (<i>deputising for Cr Congerton</i>)	Deputy Committee Member	City of Swan

EMRC Officers

Mr Marcus Geisler	Chief Executive Officer
Mr Hua Jer Liew	Chief Financial Officer
Ms Izabella Krzysko	Manager Procurement and Governance (Minutes)

Apologies

Cr Mel Congerton	Committee Member	City of Swan
Mr Brad Lacey	Chief Operating Officer	
Mrs Wendy Harris	Chief Sustainability Officer	

EMRC Observers

Ms Kasa Nakhonthat	Manager Financial Services
Ms Theresa Eckstein	Executive Assistant to Chief Executive Officer

Visitors

Mr Liang Wong <i>(departed at 6:23 pm)</i>	Assistant Director	Office of the Auditor General
Mr Wen-Shien Chai <i>(departed at 6:23 pm)</i>	Partner, Audit & Assurance	Moore Australia
Mr Rohan Nagaich <i>(departed at 6:23 pm)</i>	Manager	Moore Australia
Mr James Cottrill	Principal, Internal Audit, IT Audit & Risk Consulting	Stantons

3 DISCLOSURE OF INTEREST

Nil

4 ANNOUNCEMENTS BY THE CHAIRPERSON OR PRESIDING MEMBER

Nil

5 PETITIONS, DEPUTATIONS AND PRESENTATIONS

Nil

6 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

6.1 MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 1 JUNE 2023 (D2023/12566)

That the minutes of the Audit Committee meeting held on 1 June 2023 which have been distributed, be confirmed.

AUDIT COMMITTEE RESOLUTION

MOVED CR SUTHERLAND SECONDED CR HENDERSON

THAT THE MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 1 JUNE 2023 WHICH HAVE BEEN DISTRIBUTED, BE CONFIRMED.

7 QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN

Nil

8 QUESTIONS WITHOUT NOTICE

Nil

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

Nil

10 BUSINESS NOT DEALT WITH FROM A PREVIOUS MEETING

Nil

11 EMPLOYEE REPORTS

11.1 ANNUAL FINANCIAL REPORT AND AUDIT REPORT FOR YEAR ENDED 30 JUNE 2023 (D2023/33579)

11.2 EASTERN METROPOLITAN REGIONAL COUNCIL (EMRC) 2023/2024 BUDGET STATEMENT OF FINANCIAL ACTIVITY (D2023/39263)

11.3 INTERNAL AUDIT REPORT – 2023 PROGRAMME (D2023/33580)

11.4 RISK MANAGEMENT UPDATE (D2023/33581)

Cr MacWilliam arrived at this point of the meeting.

11.1 ANNUAL FINANCIAL REPORT AND AUDIT REPORT FOR YEAR ENDED 30 JUNE 2023

D2023/33579

PURPOSE OF REPORT

The purpose of this report is to review and adopt Council's Annual Financial Report for the year ended 30 June 2023.

KEY POINT(S)

- The Terms of Reference of the Audit Committee includes a list of duties and responsibilities, among which is a requirement for the Committee to:
 - ⇒ Review Council's draft annual financial report; and
 - ⇒ Recommend adoption of the Annual Financial Report to Council.
- The Office of the Auditor General (OAG), via contractors Moore Australia, has completed the audit of the 2022/2023 Financial Report, which is attached for Council adoption.

RECOMMENDATION(S)

That:

1. Council adopts the audited Annual Financial Report for the year ended 30 June 2023 and the Independent Auditor's Report on that Annual Financial Report forming attachment 1 of this report.
2. Council notes the contents of the Audit Completion Report to the Audit Committee for the year ended 30 June 2023 forming attachment 2 of this report.
3. In accordance with Regulation 51(2) of the *Local Government (Financial Management) Regulations 1996*, a copy of the 2022/2023 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government, Sport and Cultural Industries, within 30 days of the receipt by the EMRC's CEO of the auditor's report on that financial report.

SOURCE OF REPORT

Chief Financial Officer

BACKGROUND

- 1 It is a requirement under s.6.4 of the *Local Government Act 1995* that a Local Government is to prepare an annual financial report and submit it to its auditor by 30 September following each financial year.
- 2 The Terms of Reference of the Audit Committee includes a list of duties and responsibilities, among which (clauses 2.5 (a) (v) and (vi) are requirements for the Committee to:
 - ⇒ Review Council's draft annual financial report, focusing on:
 - ↪ Accounting policies and practices;
 - ↪ Changes to accounting policies and practices;
 - ↪ The process used in making significant accounting estimates;
 - ↪ Significant adjustments to the financial report (if any) arising from the audit process;
 - ↪ Compliance with accounting standards and other reporting requirements; and
 - ↪ Significant variances from prior years.
 - ⇒ Recommend adoption of the annual financial report to Council.

- 3 On 7 April 2016 Circular No 3-2016 was received titled "Auditing of Local Government by the Auditor General - Renewal of Audit Contracts", which outlined the intention to amend the *Local Government Act 1995* to allow for the Auditor General and the OAG to take responsibility for the local government financial audits from 1 July 2017.
- 4 The *Local Government Amendment (Auditing) Act 2017* (No 5 of 2017) - an Act to amend the *Local Government Act 1995* and provide for the auditing of local governments by the Auditor General and for related purposes was assented to on 1 September 2017.
- 5 The Interim Audit for the 2022/2023 financial year was undertaken during May 2023 by Moore Australia as contactors to the OAG.
- 6 The interim audit covers a review of the accounting and internal control procedures in operation as well as the testing of transactions and an examination of some compliance matters which are required under the *Local Government Act 1995* and *Local Government (Financial Management) Regulations 1996*. The interim audit involves a test of controls (compliance tests), analytical procedures and some limited substantive tests. This will assist to ensure the design of the audit plan will contribute to the audit being done efficiently and effectively. The interim audit will also identify high risk areas (if any) and provide the auditor with greater assurances.
- 7 An Interim Audit Report is normally submitted to Council, via the Audit Committee, and forms part of the report scheduled to be tabled in each year relating to the adoption of the audited Financial Report and the Independent Auditor's Report on that Annual Financial Report.
- 8 The Annual Audit for the 2022/2023 financial year was undertaken during August 2023 by Moore Australia as contactors to the OAG.

REPORT

- 9 In accordance with *The Local Government Amendment (Auditing) Act 2017*, the Office of the Auditor General (OAG) has completed the audit of the Eastern Metropolitan Regional Council Annual Financial Report for the year ended 30 June 2023, which is attached for Council adoption (refer attachment 1).

- 10 The following comments are provided on key elements of the financial results for 2022/2023:

Statement of Comprehensive Income (page 3)

- 11 Total Revenue of \$51,844,081 for the period ending 30 June 2023 is \$9,457,871 above the 2021/2022 actual revenue and \$5,029,366 above budget for 2022/2023.
- 12 Total Expenses of \$45,522,222 is \$9,079,831 above the 2021/2022 actual expenses and \$1,169,364 above the budget for 2022/2023.
- 13 A loss of \$42,716 was realised from the Disposal of Assets for the period ending 30 June 2023 compared the to 2021/2023 actual gain on disposals of \$63,074 and the budgeted profit for 2022/2023 of \$115,513.
- 14 The changes in asset revaluation have resulted in an increase of \$635,245 in 2022/2023. This relates to the revaluation of the Post closure assets. There was no revaluation of non-current asset undertaken during 2021/2022.
- 15 Total Comprehensive Income of \$6,914,388 (surplus) for the period ending 30 June 2023 is \$907,495 above the 2021/2022 result and \$4,337,018 above the 2022/2023 budget.

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

- 16 Current assets as at 30 June 2022 of \$84,995,182 have decreased by \$212,065 from the previous year's \$85,207,247.

- 17 The overall impact on cash and cash equivalents and other financial assets at the close of the financial year of \$80,124,162 is a decrease of \$695,948 compared to the previous year's \$80,820,110.
- 18 Current liabilities as at 30 June 2023 of \$29,938,415 have increased by \$21,860,657 compared to \$8,077,758 as at 30 June 2022. The 2022/2023 figure included provision for City of Belmont payout of \$21,000,517 that was made and remained unpaid as at 30 June 2023. This value is based on the equity share of Belmont's interest in the EMRC after the 2020/2021 accounts. This value will be adjusted once the final payment value has been finalised in the next financial year.
- 19 The balance in the Reserves has decreased by \$4,498,271 to \$52,231,361 over the past 12 months.
- 20 Overall equity has increased during the 2022/2023 financial year by \$6,914,388 to \$177,673,742.

Cash Flow Statement (page 6)

- 21 The overall impact on the cash position (cash + term deposit investments < 3 months) at the end of the 2022/2023 financial year is an increase of \$4,304,052 to \$28,624,162 from the previous corresponding period (2021/2022) of \$24,320,110.
- 22 It should also be noted that other financial assets (term deposit investments > 3 months) decreased by \$5,000,000 to \$51,500,000 from the 2021/2022 total of \$56,500,000.
- 23 Net Cash provided by Operating Activities of \$11,052,224 in the 2022/2023 financial year reflects an increase of \$7,334,836 from the cash generated in 2021/2022 of \$3,717,388.
- 24 The cash flows utilised in investing activities for 2022/2023 reflects capital expenditure totalling \$11,951,082 compared to capital expenditure totalling \$11,120,878 during 2021/2022.
- 25 Significant items of capital expenditure during the year included:
- Construct Waste Transfer Station – HRRP - \$3,952,254;
 - Construct Wood Waste to Energy Building – HRRP - \$2,870,339;
 - Purchase / Replace Plant – HRRP - \$985,000;
 - Construct Class III Cell Stage 17 – RHWMF - \$701,887;
 - Purchase / Replace Plant – RHWMF - \$636,569;
 - Construct Workshop No 3 – RHWMF - \$314,417;
 - Refurbish Plant – RHWMF - \$257,242;
 - Purchase / Replace Security System – RHWMF - \$238,192;
 - Commercial Transfer Station - CCTV and Network – HRRP - \$216,862;
 - Construct Hardstand 1 (Old House Site) – HRRP - \$197,023;
 - Purchase / Replace Minor Plant and Equipment – HRRP - \$175,768;
 - Purchase / Replace Minor Plant and Equipment – RHWMF - \$155,227; and
 - Construct FOGO Processing Area – RHWMF - \$153,897.
- 26 Significant capital items that were budgeted but not purchased, constructed below budget or construction not completed during the year included:
- Air Pollution Control Residue Facility (APCR) – RHWMF - \$2,727,668 (\$2,528,034 carried forward);
 - Liquid Waste Project – RHWMF - \$1,775,931;
 - Construct Wood Waste to Energy Building (Commissioning) – HRRP - \$1,680,869;
 - Purchase / Replace Plant – HRRP - \$1,460,000 (\$1,390,000 carried forward);
 - Design and Construct Class IV Cell Stage 3 – RHWMF - \$1,277,618 (\$1,206,414 carried forward);

- Air Pollution Control Residue Facility (APCR) Plant & Equipment – RHWMF - \$964,000 (carried forward);
- Refurbish Plant – RHWMF - \$942,758 (carried forward);
- Construct Access Road to Lots 8, 9, 10 – RHWMF - \$682,319 (\$607,000 carried forward);
- Liquid Waste Project Plant – RHWMF - \$550,000;
- Install Power to Lots 8, 9 and 10 – RHWMF - \$492,662 (\$250,000 carried forward);
- Capital Improvement Administration Building – Ascot Place - \$458,000 (\$95,000 carried forward);
- Construct Class III Cell Stage 17 – RHWMF - \$366,790 (carried forward);
- Purchase / Replace Minor Plant and Equipment – RHWMF - \$339,773;
- Purchase / Replace Plan – RHWMF - \$313,431;
- Construct Workshop No 3 – RHWMF - \$302,840;
- Implementation of the FOGO Recovery Strategy – RHWMF - \$301,450;
- Sewer Line from Lakes Rd to Mary St – HRRP - \$300,642;
- Wood Waste to Energy Utilities/Infrastructure – HRRP - \$267,480 (\$200,00 carried forward);
- Construct Roads / Carparks – RHWMF - \$248,319;
- Wood Waste to Energy Plant - Fire Protection – HRRP - \$200,000 (carried forward);
- Extension of Sewer Line from WWtE to Sewer Sump & existing ATU – HRRP - \$180,000 (carried forward);
- Upgrade Power Supply to Workshop No 2 – RHWMF - \$178,456;
- Purchase / Replace Vehicles – RHWMF - \$169,664;
- Noise Control Fencing – HRRP - \$152,435;
- Construct Monitoring Bores – RHWMF - \$150,000 (carried forward); and
- Commercial Transfer Station - Thermal Cameras – HRRP - \$149,747 (\$25,000 carried forward).

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

- Construct Wood Waste to Energy Building – HRRP - \$2,410,880;
This was subject to a confidential report submitted to Council and approved by Council at its meeting held on 25 August 2022.
- Construct Waste Transfer Station – HRRP - \$1,283,882;
This was subject to a report submitted to Council and approved by Council at its meeting held on 26 August 2021 (Ref: D2021/12261) for a sum of \$4,041,126. Of the approved sum, \$2,668,372 was carried forward into the 2022/2023 Annual Budget. Additional information was subject to the two confidential reports that were submitted to Council and approved by Council during the meeting held on 23 March 2023 and 22 June 2023.
- Construct Hardstand 1 (Old House Site) – HRRP - \$197,023;
This expenditure which relates to the Construct Hardstand 1 (Old House Site) was not budgeted for in 2022/2023 financial year. However, a forecast of \$160,000 was made.
- Purchase / Replace Security System – RHWMF - \$178,192;
This relates to an unspent fund of \$200,000 from 2021/2022 financial year that was carried forward into the 2022/2023 forecast.

28 Funding for the majority of the capital items budgeted but not purchased in 2022/2023 has been carried forward into the 2023/2024 financial year.

29 Footnote:

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

Reserves (page 43)

30 At the end of the 2022/2023 financial year the amount held in Reserves (Note 27) decreased by \$4,498,271 to a balance of \$52,231,361 compared to the 2021/2022 balance of \$56,729,632 and higher than the 2022/2023 budget of \$46,127,383 by \$6,103,978.

31 This is primarily as a result of the \$1,575,200 additional FOGO contribution to participating member councils. This was funded from the Secondary Waste Reserve.

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

STRATEGIC/POLICY IMPLICATIONS

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

FINANCIAL IMPLICATIONS

34 As outlined within the report and attachments.

SUSTAINABILITY IMPLICATIONS

35 Nil

RISK MANAGEMENT

Risk – Non-compliance with Financial Regulations		
Consequence	Likelihood	Rating
Moderate	Unlikely	Moderate
Action/Strategy		
<ul style="list-style-type: none"> ➤ The financial report is scrutinised by the EMRC Council throughout the financial year to ensure that all statutory requirements are met. ➤ Internal Audit reviews to ensure compliance with Financial Regulations. ➤ External Audit confirms compliance. 		

MEMBER COUNCIL IMPLICATIONS

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

ATTACHMENT(S)

1. Annual Financial Report for the Year Ended 30 June 2023 (D2023/33579)
2. Audit Concluding Report to the Audit Committee for the Year Ended 30 June 2023 (D2023/39440)

VOTING REQUIREMENT

Simple Majority

RECOMMENDATION(S)

That:

1. Council adopts the audited Annual Financial Report for the year ended 30 June 2023 and the Independent Auditor's Report on that Annual Financial Report forming attachment 1 of this report.
2. Council notes the contents of the Audit Completion Report to the Audit Committee for the year ended 30 June 2023 forming attachment 2 of this report.
3. In accordance with Regulation 51(2) of the *Local Government (Financial Management) Regulations 1996*, a copy of the 2022/2023 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government, Sport and Cultural Industries, within 30 days of the receipt by the EMRC's CEO of the auditor's report on that financial report.

The external auditors responded to questions from members and discussion ensued.

AC RECOMMENDATION(S)

MOVED CR SUTHERLAND

SECONDED CR MACWILLIAM

That:

1. Council adopts the audited Annual Financial Report for the year ended 30 June 2023 and the Independent Auditor's Report on that Annual Financial Report forming attachment 1 of this report.
2. Council notes the contents of the Audit Completion Report to the Audit Committee for the year ended 30 June 2023 forming attachment 2 of this report.
3. In accordance with Regulation 51(2) of the *Local Government (Financial Management) Regulations 1996*, a copy of the 2022/2023 Annual Financial Report be submitted to the Departmental CEO, Department of Local Government, Sport and Cultural Industries, within 30 days of the receipt by the EMRC's CEO of the auditor's report on that financial report.

CARRIED UNANIMOUSLY

MOVED CR ELLERY

SECONDED CR BOWMAN

THAT:

1. COUNCIL ADOPTS THE AUDITED ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023 AND THE INDEPENDENT AUDITOR'S REPORT ON THAT ANNUAL FINANCIAL REPORT FORMING ATTACHMENT 1 OF THIS REPORT.
2. COUNCIL NOTES THE CONTENTS OF THE AUDIT COMPLETION REPORT TO THE AUDIT COMMITTEE FOR THE YEAR ENDED 30 JUNE 2023 FORMING ATTACHMENT 2 OF THIS REPORT.
3. IN ACCORDANCE WITH REGULATION 51(2) OF THE *LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996*, A COPY OF THE 2022/2023 ANNUAL FINANCIAL REPORT BE SUBMITTED TO THE DEPARTMENTAL CEO, DEPARTMENT OF LOCAL GOVERNMENT, SPORT AND CULTURAL INDUSTRIES, WITHIN 30 DAYS OF THE RECEIPT BY THE EMRC'S CEO OF THE AUDITOR'S REPORT ON THAT FINANCIAL REPORT.

CARRIED UNANIMOUSLY

EASTERN METROPOLITAN REGIONAL COUNCIL
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

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

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

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

**EASTERN METROPOLITAN REGIONAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

	NOTE	2023 Actual	2023 Budget	2022 Actual
		\$	\$	\$
Revenue				
Fees and charges	2(a)	43,576,117	41,484,401	37,889,406
Grants, subsidies and contributions	2(a)	2,559,346	1,892,021	1,967,134
Interest revenue	2(a)	2,376,427	879,453	521,453
Other revenue	2(a)	3,332,191	2,558,840	2,008,217
		51,844,081	46,814,715	42,386,210
Expenses				
Employee costs	2(b)	(12,088,391)	(11,862,596)	(9,740,160)
Materials and contracts		(10,492,355)	(11,056,755)	(7,068,545)
Utility charges		(367,407)	(364,023)	(290,061)
Depreciation		(3,969,028)	(4,286,462)	(4,896,630)
Finance costs	2(b)	(254,430)	0	(150,740)
Insurance		(417,344)	(377,272)	(421,479)
Other expenditure	2(b)	(17,933,267)	(16,405,750)	(13,874,776)
		(45,522,222)	(44,352,858)	(36,442,391)
		6,321,859	2,461,857	5,943,819
Profit on asset disposals		0	115,513	63,074
Loss on asset disposals		(42,716)	0	0
		(42,716)	115,513	63,074
Net result for the period	26(b)	6,279,143	2,577,370	6,006,893
Other comprehensive income for the period				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	17	635,245	0	0
Total other comprehensive income for the period	17	635,245	0	0
Total comprehensive income for the period		6,914,388	2,577,370	6,006,893

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

**EASTERN METROPOLITAN REGIONAL COUNCIL
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

	NOTE	2023	2022
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	28,624,162	24,320,110
Other financial assets	4(a)	51,500,000	56,500,000
Trade and other receivables	5	4,817,450	4,342,797
Inventories	6	32,950	16,301
Other assets	7	20,620	28,039
TOTAL CURRENT ASSETS		84,995,182	85,207,247
NON-CURRENT ASSETS			
Property, plant and equipment	8	93,658,631	86,206,096
Infrastructure	9	35,365,491	35,133,513
TOTAL NON-CURRENT ASSETS		129,024,122	121,339,609
TOTAL ASSETS		214,019,304	206,546,856
CURRENT LIABILITIES			
Trade and other payables	12	6,168,848	5,743,261
Other liabilities	13	629,212	405,480
Employee related provisions	15	2,139,838	1,929,017
Other provisions	16	21,000,517	0
TOTAL CURRENT LIABILITIES		29,938,415	8,077,758
NON-CURRENT LIABILITIES			
Employee related provisions	15	170,792	92,057
Other provisions	16	6,236,355	27,617,687
TOTAL NON-CURRENT LIABILITIES		6,407,147	27,709,744
TOTAL LIABILITIES		36,345,562	35,787,502
NET ASSETS		177,673,742	170,759,354
EQUITY			
Retained surplus		88,296,747	77,146,186
Reserve accounts	28	52,231,361	56,729,632
Revaluation surplus	17	37,145,634	36,883,536
TOTAL EQUITY		177,673,742	170,759,354

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

**EASTERN METROPOLITAN REGIONAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023**

	NOTE	RETAINED SURPLUS \$	RESERVE ACCOUNTS \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2021		82,641,476	65,953,610	37,157,892	185,752,978
Comprehensive income for the period					
Net result for the period		6,006,893	0	0	6,006,893
Other comprehensive income for the period					
Revaluation Surplus Reversal	17	274,356	0	(274,356)	0
Total comprehensive income for the period		6,281,249	0	(274,356)	6,006,893
Transfers from reserve accounts	28	30,859,532	(30,859,532)	0	0
Transfers to reserve accounts	28	(21,635,554)	21,635,554	0	0
Provision for City of Belmont payout	16, 22	(21,000,517)	0	0	(21,000,517)
Balance as at 30 June 2022		77,146,186	56,729,632	36,883,536	170,759,354
Comprehensive income for the period					
Net result for the period		6,279,143	0	0	6,279,143
Other comprehensive income for the period					
Movement in site rehabilitation and environmental monitoring provisions	17	0	0	635,245	635,245
Revaluation Surplus Reversal	17	373,147	0	(373,147)	0
Total comprehensive income for the period		6,652,290	0	262,098	6,914,388
Transfers from reserve accounts	28	34,234,867	(34,234,867)	0	0
Transfers to reserve accounts	28	(29,736,596)	29,736,596	0	0
Balance as at 30 June 2023		88,296,747	52,231,361	37,145,634	177,673,742

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

**EASTERN METROPOLITAN REGIONAL COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023**

	NOTE	2023 Actual	2022 Actual
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Fees and charges		43,422,838	37,101,399
Operating grants, subsidies and contributions		2,559,346	1,967,134
Interest revenue		2,055,054	521,453
Goods and services tax received		4,941,543	4,243,789
Other revenue		3,332,191	2,008,217
		56,310,972	45,841,992
Payments			
Employee costs		(11,687,415)	(9,494,588)
Materials and contracts		(12,480,893)	(15,500,535)
Utility charges		(367,407)	(290,061)
Finance costs		0	(150,740)
Insurance paid		(417,344)	(421,479)
Goods and services tax paid		(2,424,336)	(2,383,651)
Other expenditure		(17,881,353)	(13,883,550)
		(45,258,748)	(42,124,604)
Net cash provided by (used in) operating activities	18(b)	11,052,224	3,717,388
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of property, plant & equipment	8(a)	(10,505,313)	(9,173,718)
Payments for construction of infrastructure	9(a)	(1,445,769)	(1,947,160)
Proceeds from sale of property, plant & equipment		202,910	362,455
Net proceeds/(payments) for financial assets at amortised cost		5,000,000	(24,000,000)
Net cash provided by (used in) investing activities		(6,748,172)	(34,758,423)
Net increase (decrease) in cash held		4,304,052	(31,041,035)
Cash at beginning of year		24,320,110	55,361,145
Cash and cash equivalents at the end of the year	18(a)	28,624,162	24,320,110

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

**EASTERN METROPOLITAN REGIONAL COUNCIL
STATEMENT OF FINANCIAL ACTIVITY
FOR THE YEAR ENDED 30 JUNE 2023**

	NOTE	2023 Actual \$	2023 Budget* \$	2022 Actual \$
OPERATING ACTIVITIES				
Revenue from operating activities				
Fees and charges		43,576,117	0	37,889,406
Grants, subsidies and contributions		2,559,346	0	1,967,134
Interest revenue		2,376,427	0	521,453
Other revenue		3,332,191	0	2,008,217
Profit on asset disposals		0	0	63,074
		<u>51,844,081</u>	<u>0</u>	<u>42,449,284</u>
Expenditure from operating activities				
Employee costs		(12,088,391)	0	(9,740,160)
Materials and contracts		(10,492,355)	0	(7,068,545)
Utility charges		(367,407)	0	(290,061)
Depreciation		(3,969,028)	0	(4,896,630)
Finance costs		(254,430)	0	(150,740)
Insurance		(417,344)	0	(421,479)
Other expenditure		(17,933,267)	0	(13,874,776)
Loss on asset disposals		(42,716)	0	0
		<u>(45,564,938)</u>	<u>0</u>	<u>(36,442,391)</u>
Non-cash amounts excluded from operating activities	27(a)	(16,603,693)	0	26,078,804
Amount attributable to operating activities		<u>(10,324,550)</u>	<u>0</u>	<u>32,085,697</u>
INVESTING ACTIVITIES				
Inflows from investing activities				
Proceeds from disposal of assets		202,910	0	362,455
		<u>202,910</u>	<u>0</u>	<u>362,455</u>
Outflows from investing activities				
Purchase of property, plant and equipment	8(a)	(10,505,313)	0	(9,173,717)
Purchase and construction of infrastructure	9(a)	(1,445,769)	0	(1,947,161)
		<u>(11,951,082)</u>	<u>0</u>	<u>(11,120,878)</u>
Amount attributable to investing activities		<u>(11,748,172)</u>	<u>0</u>	<u>(10,758,423)</u>
FINANCING ACTIVITIES				
Inflows from financing activities				
Transfers from reserve accounts	28	34,234,867	0	30,859,532
		<u>34,234,867</u>	<u>0</u>	<u>30,859,532</u>
Outflows from financing activities				
Transfers to reserve accounts	28	(29,736,596)	0	(21,635,554)
		<u>(29,736,596)</u>	<u>0</u>	<u>(21,635,554)</u>
Amount attributable to financing activities		<u>4,498,271</u>	<u>0</u>	<u>9,223,978</u>
MOVEMENT IN SURPLUS OR DEFICIT				
Surplus or deficit at the start of the financial year	27(b)	20,399,857	0	(10,151,395)
Amount attributable to operating activities		(10,324,550)	0	32,085,697
Amount attributable to investing activities		(11,748,172)	0	(10,758,423)
Amount attributable to financing activities		4,498,271	0	9,223,978
Surplus or deficit after imposition of general rates	27(b)	<u>2,825,406</u>	<u>0</u>	<u>20,399,857</u>

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

*The name of the Rate Setting Statement was changed to the Statement of Financial Activity in the second tranche of *Local Government (Financial Management) Regulations 1996* amendments that were gazetted on 30 June 2023. The EMRC 2022-2023 Annual Budget which was adopted the previous year on 23 June 2022 did not include a Rate Setting Statement as the EMRC does not have rate payers and do not have general rates information and accordingly there is nothing to disclose in the budget column of the Statement of Financial Activity.

**EASTERN METROPOLITAN REGIONAL COUNCIL
FOR THE YEAR ENDED 30 JUNE 2023
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EASTERN METROPOLITAN REGIONAL COUNCIL NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

1. BASIS OF PREPARATION

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

Local Government Act 1995 requirements

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

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

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the financial report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

The local government reporting entity

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

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

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

The balances, transactions and disclosures impacted by accounting estimates are as follows:

- estimated fair value of certain financial assets
- impairment of financial assets
- estimation of fair values of land and buildings, and infrastructure

Initial application of accounting standards

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

- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments
- AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date
- AASB 2021-7a Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [general editorials]
- AASB 2021-3 Amendments to Australian Accounting Standards - Illustrative Examples for Not-for-Profit Entities accompanying AASB 15

These amendments have no material impact on the current annual financial report

New accounting standards for application in future years

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

- AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
 - AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current
 - AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates
- This standard will result in a terminology change for significant accounting policies
- AASB 2021-7c Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [deferred AASB 10 and AASB 128 amendments in AASB 2014-10 apply]
 - AASB 2021-5 Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback
 - AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants
 - AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards
 - AASB 2022-10 Amendments to Australian Accounting Standards - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities

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

Except as described above these amendments are not expected to have any material impact on the financial report on initial application.

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

2. REVENUE AND EXPENSES

(a) Revenue

Contracts with customers

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

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

Revenue Recognition

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

FOR THE YEAR ENDED 30 JUNE 2023

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

FOR THE YEAR ENDED 30 JUNE 2022

Nature	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Fees and charges	33,649,688	0	0	4,239,718	37,889,406
Grants, subsidies and contributions	188,553	0	0	1,778,581	1,967,134
Interest revenue	0	0	0	521,453	521,453
Other revenue	375,993	0	0	1,632,224	2,008,217
Total	34,214,234	0	0	8,171,976	42,386,210

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	Note	2023 Actual \$	2022 Actual \$
Interest revenue			
Interest on reserve account funds		1,704,816	375,654
Interest on municipal cash and investments		671,178	47,504
Interest from other sources		433	98,295
		2,376,427	521,453
Other revenue			
Sale of Products		1,903,924	1,578,733
Gas Royalty Income		252,284	119,118
Rebate Income		268,972	256,875
Miscellaneous Income		293,505	53,491
Dividend from liquidator of Lehman Brothers Australia		613,506	0
		3,332,191	2,008,217
(b) Expenses			
Auditors remuneration			
- Audit of the Annual Financial Report		47,000	41,600
- Other services – grant acquittals		0	600
		47,000	42,200
Employee Costs			
Employee benefit costs		11,445,355	9,372,382
Other employee costs		643,036	367,778
		12,088,391	9,740,160
Finance costs			
Other provisions: Unwinding of discount		254,430	150,740
		254,430	150,740
Other expenditure			
State landfill levy		14,118,567	12,293,369
Other expenses		2,239,500	1,740,919
FOGO contribution adjustment to member Councils*		1,575,200	0
Increment/(decrement) - Site Rehabilitation Provision**		0	(104,222)
Increment/(decrement) - Environmental Monitoring Provision**		0	(55,290)
		17,933,267	13,874,776

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

**The movement in provision of \$635,245 for the year ended 30 June 2023 has been recognised through other comprehensive income in accordance with AASB Interpretation 1. Prior year figures have not been amended as the net impact is immaterial.

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

3. CASH AND CASH EQUIVALENTS

Note	2023 \$	2022 \$
Cash at bank and on hand	26,624,162	5,820,110
Term deposits	2,000,000	18,500,000
Total cash and cash equivalents	28,624,162	24,320,110
Held as		
- Unrestricted cash and cash equivalents	26,330,588	10,312,354
- Restricted cash and cash equivalents	2,293,574	14,007,756
	28,624,162	24,320,110

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

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

Restricted financial assets

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

4. OTHER FINANCIAL ASSETS

(a) Current assets	2023 \$	2022 \$
Financial assets at amortised cost	51,500,000	56,500,000
	51,500,000	56,500,000
Other financial assets at amortised cost		
Term deposits	51,500,000	56,500,000
	51,500,000	56,500,000
Held as		
- Unrestricted other financial assets at amortised cost	1,221,213	13,763,677
- Restricted other financial assets at amortised cost	50,278,787	42,736,323
	51,500,000	56,500,000

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

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

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

Financial assets at fair value through profit or loss

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

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

Impairment and risk

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

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

5. TRADE AND OTHER RECEIVABLES

Note	2023	2022
	\$	\$
Current		
Trade receivables	4,110,577	4,052,674
Other receivables	36,474	45,933
Accrued interest	574,526	253,152
Loan receivables*	1,382,549	1,278,983
Allowance for credit losses of trade receivables	23(b) (1,286,676)	(1,287,945)
	4,817,450	4,342,797

*The carrying amounts of the loan receivables includes the loans on commercial terms between the EMRC and Anergy Australia Pty Ltd and the EMF and Shire of Mundaring.

*The balance of the loan receivable from Anergy Australia Pty Ltd as at 30 June 2023 of \$1,277,983 (\$1,278,983 as at 30 June 2022) has been fully impaired as the Company is under voluntary liquidation.

Disclosure of opening and closing balances related to contracts with customers

Note	30 June 2023 Actual	30 June 2022 Actual	1 July 2021 Actual
	\$	\$	\$
Information about receivables from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non financial assets is:			
Trade and other receivables from contracts with customers	6,104,126	5,630,742	4,627,307
Allowance for credit losses of trade receivables	5 (1,286,676)	(1,287,945)	(1,196,020)
Total trade and other receivables from contracts with customers	4,817,450	4,342,797	3,431,287

SIGNIFICANT ACCOUNTING POLICIES

Trade receivables

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

Other Receivables

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

Measurement

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

Classification and subsequent measurement

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

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

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

Impairment and risk exposure

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

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

6. INVENTORIES

Note	2023	2022
Current	\$	\$
Fuel and materials	32,950	16,301
	32,950	16,301
The following movements in inventories occurred during the year:		
Balance at beginning of year	16,301	36,424
Inventories expensed during the year	(1,288,306)	(902,831)
Additions to inventory	1,304,955	882,708
Balance at end of year	32,950	16,301

SIGNIFICANT ACCOUNTING POLICIES

General

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

7. OTHER ASSETS

	2023	2022
	\$	\$
Other assets - current		
Prepayments	20,620	28,039
	20,620	28,039

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

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

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

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

	Land	Buildings	Total land and buildings	Furniture and fittings	Plant and equipment	Artworks	Work in progress	Total
	\$	\$		\$	\$	\$	\$	\$
Balance at 1 July 2021	47,850,000	6,506,874	54,356,874	42,649	13,774,609	83,800	11,475,657	79,733,589
Additions	257	26,060	26,317	66,633	1,557,485	0	7,523,282	9,173,717
Disposals	0	0	0	0	(282,064)	0	0	(282,064)
Depreciation	0	(233,735)	(233,735)	(14,806)	(2,170,605)	0	0	(2,419,146)
Transfers	0	1,514,572	1,514,572	0	99,188	0	(1,613,760)	0
Balance at 30 June 2022	47,850,257	7,813,771	55,664,028	94,476	12,978,613	83,800	17,385,179	86,206,096
Comprises:								
Gross balance amount at 30 June 2022	47,850,257	8,047,506	55,897,763	117,912	16,992,233	83,800	17,385,179	90,476,887
Accumulated depreciation at 30 June 2022	0	(233,735)	(233,735)	(23,436)	(4,013,620)	0	0	(4,270,791)
Balance at 30 June 2022	47,850,257	7,813,771	55,664,028	94,476	12,978,613	83,800	17,385,179	86,206,096
Additions	0	0	0	0	2,610,337	0	7,894,976	10,505,313
Disposals	0	(94,465)	(94,465)	0	(151,160)	0	0	(245,625)
Work in progress write off	0	0	0	0	0	0	(45,678)	(45,678)
Depreciation	0	(260,320)	(260,320)	(21,957)	(2,479,198)	0	0	(2,761,475)
Transfers	0	1,713,822	1,713,822	0	25,953	0	(1,739,775)	0
Balance at 30 June 2023	47,850,257	9,172,808	57,023,065	72,519	12,984,545	83,800	23,494,702	93,658,631
Comprises:								
Gross balance amount at 30 June 2023	47,850,257	9,661,050	57,511,307	117,911	19,394,464	83,800	23,494,702	100,602,184
Accumulated depreciation at 30 June 2023	0	(488,242)	(488,242)	(45,392)	(6,409,919)	0	0	(6,943,553)
Balance at 30 June 2023	47,850,257	9,172,808	57,023,065	72,519	12,984,545	83,800	23,494,702	93,658,631

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

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

**EASTERN METROPOLITAN REGIONAL COUNCIL
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9. INFRASTRUCTURE

(a) Movements in Balances

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

	Landfill cells	Other structures	Post closure assets	Work in progress	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2021	7,233,801	9,126,431	5,616,910	13,704,011	35,681,153
Additions	600,596	38,140	0	1,308,425	1,947,161
Disposals	0	(17,317)	0	0	(17,317)
Depreciation	(2,171,475)	(143,758)	(162,251)	0	(2,477,484)
Transfer	2,187,442	0	0	(2,187,442)	0
Balance at 30 June 2022	7,850,364	9,003,496	5,454,659	12,824,994	35,133,513
Comprises:					
Gross balance at 30 June 2022	10,021,839	9,147,254	5,616,910	12,824,994	37,610,997
Accumulated depreciation at 30 June 2022	(2,171,475)	(143,758)	(162,251)	0	(2,477,484)
Balance at 30 June 2022	7,850,364	9,003,496	5,454,659	12,824,994	35,133,513
Additions	0	16,060	0	1,429,709	1,445,769
Work in progress write off	0	0	0	(6,237)	(6,237)
Depreciation	(878,846)	(145,498)	(183,210)	0	(1,207,554)
Balance at 30 June 2023	6,971,518	8,874,058	5,271,449	14,248,466	35,365,491
Comprises:					
Gross balance at 30 June 2023	10,021,839	9,163,130	5,616,910	14,248,466	39,050,345
Accumulated depreciation at 30 June 2023	(3,050,321)	(289,072)	(345,461)	0	(3,684,854)
Balance at 30 June 2023	6,971,518	8,874,058	5,271,449	14,248,466	35,365,491

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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9. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

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

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

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

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

10. FIXED ASSETS

(a) Depreciation

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

Depreciation rates

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

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

There are three general components of cell construction:

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

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

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

(b) Temporarily Idle or retired from use assets

There are currently no assets held by the Council which are temporarily idle or retired from active use and not classified as held for sale.

(c) Fully Depreciated Assets in Use

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

	2023	2022
	\$	\$
Plant and equipment	480,100	471,100
	480,100	471,100

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

10. FIXED ASSETS (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement for assets held at cost

Plant and equipment including furniture and equipment is recognised at cost on acquisition in accordance with *Financial Management Regulation 17A*. Where acquired at no cost, the asset is initially recognised at fair value. Assets held at cost are depreciated and assessed for indicators of impairment annually.

Initial recognition and measurement between mandatory revaluation dates for assets held at fair value

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

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

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

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

They are subject to subsequent revaluation at the next revaluation date consistent with *Financial Management Regulation 17A(4)*.

Revaluation

The fair value of land, buildings and infrastructure is determined at least every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land acquired by the Council.

At the end of each period, the carrying amount for each asset class is reviewed and, where appropriate, the fair value is updated to reflect current market conditions consistent with *Financial Management Regulation 17A(2)* which requires land, buildings, infrastructure and vested improvements to be shown at fair value.

Revaluation (continued)

For property, plant and equipment and infrastructure, increases in the carrying amount arising on revaluation of asset classes are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss. Subsequent increases are then recognised in profit or loss to the extent they reverse a net revaluation decrease previously recognised in profit or loss for the same class of asset.

Depreciation

The depreciable amount of all property, plant and equipment and infrastructure, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

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

Depreciation on revaluation

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

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

Amortisation

All intangible assets with a finite useful life, are amortised on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use.

The residual value of intangible assets is considered to be zero and the useful life and amortisation method are reviewed at the end of each financial year.

Amortisation is included within depreciation in the Statement of Comprehensive Income and in Note 10(a).

Impairment

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

Gains or losses on disposal

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

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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11. LEASES

The Council does not currently have any operating leases.

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

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

Right-of-use assets - measurement

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

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

Right-of-use assets - depreciation

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

**EASTERN METROPOLITAN REGIONAL COUNCIL
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FOR THE YEAR ENDED 30 JUNE 2023**

12. TRADE AND OTHER PAYABLES

	2023	2022
	\$	\$
Current		
Sundry creditors	5,679,946	5,311,909
Accrued payroll liabilities	416,145	304,725
ATO liabilities	72,757	126,627
	6,168,848	5,743,261

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Trade and other payables

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

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

13. OTHER LIABILITIES

	2023	2022
	\$	\$
Current		
Contract liabilities - Amounts Received in Advance*	288,212	391,033
Contract liabilities - Unspent Grants	341,000	14,447
	629,212	405,480
Reconciliation of changes in contract liabilities		
Opening balance	405,480	0
Additions	629,212	405,480
Revenue from contracts with customers included as a contract liability at the start of the period	(405,480)	0
	629,212	405,480

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

* Amounts Received in Advance from contracts with customers of \$288,212 are unrestricted financial assets.

SIGNIFICANT ACCOUNTING POLICIES

Contract liabilities

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

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

Capital grant/contribution liabilities

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

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

**EASTERN METROPOLITAN REGIONAL COUNCIL
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14. BORROWINGS

The EMRC does not have any loans or borrowings.

There were no new borrowings during the 2022/2023 financial year.

There were no unspent loans during the 2022/2023 financial year.

SIGNIFICANT ACCOUNTING POLICIES

Borrowing costs

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

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

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

Risk

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

EASTERN METROPOLITAN REGIONAL Council
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

15. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

	2023	2022
	\$	\$
Current provisions		
Employee benefit provisions		
Annual Leave	1,029,203	903,955
Long Service Leave	814,947	775,239
Other Employee Leave Provision	30,221	26,132
	1,874,371	1,705,326
Other provisions		
Employment on-costs	265,467	223,691
	265,467	223,691
Total current employee related provisions	2,139,838	1,929,017
Non-current provisions		
Long Service Leave	153,258	79,463
	153,258	79,463
Other provisions		
Employment on-costs	17,534	12,594
	17,534	12,594
Total non-current employee related provisions	170,792	92,057
Total employee related provisions	2,310,630	2,021,074

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

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

Note	2023	2022
	\$	\$
Amounts are expected to be settled on the following basis:		
Less than 12 months after the reporting date	1,324,534	1,317,525
More than 12 months from reporting date	986,096	703,549
	2,310,630	2,021,074

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

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

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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16. OTHER PROVISIONS

	Site Rehabilitation Provision	Environmental Monitoring Provision	City of Belmont Payout Provision	Total
	\$	\$	\$	\$
Opening balance at 1 July 2022				
Current provisions	0	0	0	0
Non-current provisions	4,509,687	2,107,483	21,000,517	27,617,687
	4,509,687	2,107,483	21,000,517	27,617,687
Additional provision	0	0	0	0
Amounts used	(419,766)	(215,479)	0	(635,245)
Unused amounts reversed	0	0	0	0
Charged to profit or loss - unwinding of discount	173,397	81,033	0	254,430
Balance at 30 June 2023	4,263,318	1,973,037	21,000,517	27,236,872
Comprises				
Current	0	0	21,000,517	21,000,517
Non-current	4,263,318	1,973,037	0	6,236,355
	4,263,318	1,973,037	21,000,517	27,236,872

Other provisions

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

Site rehabilitation provision

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

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

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

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

Environmental monitoring provision

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

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

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

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

City of Belmont Payout Provision

Refer to Note 22 for further details.

Provisions

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

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

**EASTERN METROPOLITAN REGIONAL COUNCIL
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17. REVALUATION SURPLUS

	2023 Opening Balance	Revaluation Increment/ (decrement)	Revaluation Writeback on disposals*	2023 Closing Balance	2022 Opening Balance	Revaluation Increment/ (decrement)	Revaluation Writeback on disposals*	2022 Closing Balance
	\$	\$		\$	\$	\$		\$
Revaluation surplus - Land - freehold land	26,804,789	0	0	26,804,789	26,804,789	0	0	26,804,789
Revaluation surplus - Buildings	1,290,137	0	(315,165)	974,972	1,290,137	0	0	1,290,137
Revaluation surplus - Furniture and fittings	23,400	0	0	23,400	23,400	0	0	23,400
Revaluation surplus - Plant and equipment	4,692,037	0	(57,982)	4,634,055	4,962,342	0	(270,305)	4,692,037
Revaluation surplus - Artworks	14,164	0	0	14,164	14,164	0	0	14,164
Revaluation surplus - Other structures	2,389,712	0	0	2,389,712	2,393,763	0	(4,051)	2,389,712
Revaluation surplus - Landfill cells and post closure asset	1,669,297	635,245	0	2,304,542	1,669,297	0	0	1,669,297
	36,883,536	635,245	(373,147)	37,145,634	37,157,892	0	(274,356)	36,883,536

***Revaluation writeback on disposals**

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

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

(a) Reconciliation of Cash

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

	Note	2023 Actual \$	2022 Actual \$
Cash and cash equivalents	3	28,624,162	24,320,110
Restrictions			
The following classes of financial assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:			
- Cash and cash equivalents	3	2,293,574	14,007,756
- Financial assets at amortised cost	4	50,278,787	42,736,323
		52,572,361	56,744,079
The restricted financial assets are a result of the following specific purposes to which the assets may be used:			
Restricted reserve accounts	28	52,231,361	56,729,632
Contract liabilities - Unspent Grant	13	341,000	14,447
Total restricted financial assets		52,572,361	56,744,079

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

Net result		6,279,143	6,006,893
Non-cash items:			
Depreciation/amortisation		3,969,028	4,896,630
(Profit)/loss on sale of asset		42,716	(63,074)
Expected credit losses		0	98,295
Expected credit losses reversed		(1,269)	(6,370)
Finance costs: unwinding of discount		254,430	150,740
Work in progress write off		51,915	0
Changes in assets and liabilities:			
(Increase)/decrease in trade and other receivables		(152,010)	(750,283)
(Increase)/Decrease in accrued interest earnings		(321,374)	(129,649)
(Increase)/decrease in other assets		7,419	4,343
(Increase)/decrease in inventories		(16,649)	20,123
Increase/(decrease) in trade and other payables		425,587	(6,881,339)
Increase/(decrease) in employee related provisions		289,556	125,111
Increase/(decrease) in other provisions		0	(159,512)
Increase/(decrease) in other liabilities		223,732	405,480
Net cash provided by/(used in) operating activities		11,052,224	3,717,388

(c) Undrawn Borrowing Facilities

Credit Standby Arrangements

Credit card limit		60,000	60,000
Credit card balance at balance date		(17,241)	(1,799)
Total amount of credit unused		42,759	58,201

**EASTERN METROPOLITAN REGIONAL COUNCIL
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 FOR THE YEAR ENDED 30 JUNE 2023**

19. CONTINGENT LIABILITIES

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

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

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

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

It is the opinion of the attorney representing the EMRC in this action that the claim will not be decided until post 2023.

20. CAPITAL COMMITMENTS

	2023	2022
	\$	\$
Contracted for:		
- capital expenditure projects	1,525,219	2,841,262
- plant & equipment purchases	1,732,600	1,113,976
	3,257,819	3,955,238
Payable:		
- not later than one year	3,257,819	3,955,238

**EASTERN METROPOLITAN REGIONAL COUNCIL
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21. RELATED PARTY TRANSACTIONS

(a) Elected Member Remuneration

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

	Note	2023 Actual \$	2023 Budget \$	2022 Actual \$
Councillors' meeting fees		75,768	97,416	89,495
Chairman's meeting fees		20,565	16,235	20,064
Deputy Councillors' meeting fees		1,952	12,343	1,428
Deputy Chairman's meeting fees		5,141	0	0
Chairman's Local Government fee		16,235	20,565	15,839
Deputy Chairman's Local Government fee		21,648	5,141	10,560
Travel and accommodation expenses		2,258	0	1,175
	21(b)	143,567	151,700	138,561

(b) Key Management Personnel (KMP) Compensation

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

	Note	2023 Actual \$	2022 Actual \$
Short-term employee benefits		1,108,068	935,098
Post-employment benefits		145,531	126,763
Employee - other long-term benefits		128,075	114,538
Council member costs	21(a)	143,567	138,561
		1,525,241	1,314,960

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

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

Termination benefits

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

Council member costs

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

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

21. RELATED PARTY TRANSACTIONS

Transactions with related parties

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

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

	2023 Actual	2022 Actual
	\$	\$
Member Councils		
Sale of goods and services	27,075,815	28,063,188
Purchase of goods and services	216,575	222,349
FOGO contribution adjustment to member councils	1,575,200	0
Amounts outstanding from related parties:		
Trade and other receivables	2,289,375	2,512,059
Amounts payable to related parties:		
Trade and other payables	0	0

Related Parties

The Council's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

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

iii. Entities subject to significant influence by the Council

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

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

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

Member Council	2023		2022	
	%	\$	%	\$
Town of Bassendean	4.69	8,328,620	4.72	8,057,038
City of Bayswater	20.37	36,194,706	20.27	34,616,969
City of Kalamunda	17.29	30,718,215	17.49	29,871,503
Shire of Mundaring	11.43	20,305,412	11.53	19,681,971
City of Swan	46.22	82,126,789	45.99	78,531,873
Total Equity	100.00	177,673,742	100.00	170,759,354

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

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

A provision of \$21,000,517 was made as at 30 June 2022 for the City of Belmont equity payment. No changes to the provision balance were noted as at 30 June 2023. This value will be adjusted once the final payment value has been finalised in the next financial year. (Refer to Note 16).

The City of Kalamunda issued its Notice of Withdrawal from the EMRC on 22 November 2022. The effective date of the withdrawal is after the 30 June 2023. Consequently, the withdrawal takes effect from 1 July 2023. The financial report is prepared on the basis that the City of Kalamunda is a Participant of the EMRC as at balance date, 30 June 2023 and its share of the equity is represented in the notes to the accounts. The value of the City of Kalamunda's equity is indicative only and not necessary equal to the value it is entitled to in withdrawal. The City of Kalamunda's equity entitlement is subject to a different valuation methodology and process prescribed in the Establishment Agreement for withdrawing participants. At present, a separate process is in progress and the value is not finalised.

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23. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2023					
Cash and cash equivalents	1.16%	28,624,162	2,000,000	26,620,112	4,050
Financial assets at amortised cost - term deposits	3.10%	51,500,000	51,500,000	0	0
2022					
Cash and cash equivalents	0.42%	24,320,110	18,500,000	5,816,060	4,050
Financial assets at amortised cost - term deposits	0.55%	56,500,000	56,500,000	0	0

Sensitivity

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

	2023	2022
	\$	\$
Impact of a 1% movement in interest rates on profit or loss and equity*	266,201	58,161

* Holding all other variables constant

Borrowings

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

The Council does not have any borrowings or loans.

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

(b) Credit risk

Trade and Other Receivables

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

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

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

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

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

The expected loss rates are based on the payment profiles of trade and other receivables over a period of 36 months before 1 July 2022 or 1 July 2023 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of users to settle the receivables.

The loss allowance as at 30 June 2023 and 30 June 2022 was determined as follows for trade and other receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2023					
Trade and loan receivables					
Expected credit loss	0.00%	0.00%	0.00%	99.93%	
Gross carrying amount	3,860,098	344,933	550	1,287,545	5,493,126
Loss allowance	0	0	0	1,286,676	1,286,676
Other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	36,474	0	0	0	36,474
Loss allowance	0	0	0	0	0
30 June 2022					
Trade and loan receivables					
Expected credit loss	0.24%	1.66%	100.00%	99.93%	
Gross carrying amount	3,540,605	519,190	8,268	1,263,594	5,331,657
Loss allowance	8,379	8,600	8,268	1,262,698	1,287,945
Other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	45,933	0	0	0	45,933
Loss allowance	0	0	0	0	0

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

(b) Credit risk

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

	Trade receivables		Other receivables	
	2023 Actual	2022 Actual	2023 Actual	2022 Actual
	\$	\$	\$	\$
Opening loss allowance as at 1 July	1,287,945	1,196,020	0	0
Increase in loss allowance recognised in profit or loss during the year	0	98,295	0	0
Receivables written off during the year as uncollectible	(269)	0	0	0
Unused amount reversed	(1,000)	(6,370)	0	0
Closing loss allowance at 30 June	1,286,676	1,287,945	0	0

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

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

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23. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables

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

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<u>2023</u>					
Trade and other payables	6,168,848	0	0	6,168,848	6,168,848
	<u>6,168,848</u>	<u>0</u>	<u>0</u>	<u>6,168,848</u>	<u>6,168,848</u>
<u>2022</u>					
Trade and other payables	5,743,261	0	0	5,743,261	5,743,261
	<u>5,743,261</u>	<u>0</u>	<u>0</u>	<u>5,743,261</u>	<u>5,743,261</u>

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

There have been no significant events after the reporting period that are required to be included in the 2022/2023 Annual Financial Report.

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

a) Goods and services tax (GST)

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

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Interest revenue

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

i) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

j) Impairment of assets

In accordance with Australian Accounting Standards the Council's assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

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

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

26. FUNCTION AND ACTIVITY

(a) Service objectives and descriptions

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

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

**EASTERN METROPOLITAN REGIONAL COUNCIL
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26. FUNCTION AND ACTIVITY (Continued)

(b) Income and expenses

	2023 Actual	2022 Actual
	\$	\$
Income excluding grants, subsidies and contributions		
Governance	0	492
General purpose funding	3,001,624	560,138
Community amenities	46,033,765	39,644,035
Other property and services	249,346	214,411
	49,284,735	40,419,076
Grants, subsidies and contributions		
Governance	52,731	22,102
Community amenities	2,258,157	1,596,915
Other property and services	248,458	348,117
	2,559,346	1,967,134
Total Income	51,844,081	42,386,210
Expenses		
Governance	(1,610,315)	(1,006,071)
Community amenities	(40,575,822)	(32,775,407)
Other property and services	(3,336,085)	(2,660,913)
Total expenses	(45,522,222)	(36,442,391)
Increase/ (Decrease)	6,321,859	5,943,819
Disposal of assets		
Profit on Sale	0	63,074
Loss on Sale	(42,716)	0
Profit/ (Loss) on disposals	(42,716)	63,074
Net result for the period	6,279,143	6,006,893
(c) Total Assets		
Governance	10,648,554	10,571,273
General purpose funding	33,536,748	30,432,324
Community amenities	132,090,834	135,333,086
Unallocated - Work In Progress	37,743,168	30,210,173
	214,019,304	206,546,856

**EASTERN METROPOLITAN REGIONAL COUNCIL
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FOR THE YEAR ENDED 30 JUNE 2023**

27. DETERMINATION OF SURPLUS OR DEFICIT

Note	2022/23	2022/23	2021/22
	(30 June 2023 Carried Forward)	Budget (30 June 2023 Carried Forward)*	(30 June 2022 Carried Forward)
	\$	\$	\$
(a) Non-cash amounts excluded from operating activities			
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> .			
Adjustments to operating activities			
Less: Profit on asset disposals	0	0	(63,074)
Less: Expected credit losses reversed	(1,269)	0	(6,370)
Add: Loss on disposal of assets	42,716	0	0
Add: Depreciation	3,969,028	0	4,896,630
Add: Expected credit losses	0	0	98,295
Add: Finance costs: unwinding of discount	254,430	0	150,740
Add: Work in progress write off	51,915	0	0
Add: Movement in liabilities associated with restricted cash	326,553	0	0
Non-cash movements in non-current assets and liabilities:			
Employee benefit provisions	134,266	0	10,838
Other provisions	(21,381,332)	0	20,991,745
Non-cash amounts excluded from operating activities	(16,603,693)	0	26,078,804
(b) Surplus or deficit after imposition of general rates			
The following current assets and liabilities have been excluded from the net current assets used in the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.			
Adjustments to net current assets			
Less: Reserve accounts	28 (52,231,361)	0	(56,729,632)
Total adjustments to net current assets	(52,231,361)	0	(56,729,632)
Net current assets used in the Statement of Financial Activity			
Total current assets	84,995,182	0	85,207,247
Less: Total current liabilities	(29,938,415)	0	(8,077,758)
Less: Total adjustments to net current assets	(52,231,361)	0	(56,729,632)
Surplus or deficit after imposition of general rates	2,825,406	0	20,399,857

*The name of the Rate Setting Statement was changed to the Statement of Financial Activity in the second tranche of *Local Government (Financial Management) Regulations 1996* amendments that were gazetted on 30 June 2023. The EMRC 2022-2023 Annual Budget which was adopted the previous year on 23 June 2022 did not include a Rate Setting Statement as the EMRC does not have rate payers and do not have general rates information and accordingly there is nothing to disclose in the budget column of the Statement of Financial Activity.

**EASTERN METROPOLITAN REGIONAL COUNCIL
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28. RESERVE ACCOUNTS

	2023 Actual Opening Balance	2023 Actual Transfer to	2023 Actual Transfer (from)	2023 Actual Closing Balance	2023 Budget Opening Balance	2023 Budget Transfer to	2023 Budget Transfer (from)	2023 Budget Closing Balance	2022 Actual Opening Balance	2022 Actual Transfer to	2022 Actual Transfer (from)	2022 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restricted by council												
(a) Plant and Equipment Reserve	2,207,862	4,062,712	(4,923,119)	1,347,455	2,247,152	2,547,529	(4,784,000)	10,681	749,822	2,919,545	(1,461,505)	2,207,862
(b) Site Rehabilitation Reserve - Post Closure	4,509,687	135,590	(381,959)	4,263,318	4,454,935	509,994	0	4,964,929	2,943,263	1,566,424	0	4,509,687
(c) Future Development Reserve	20,460,811	438,045	(11,861,908)	9,036,948	25,459,842	188,990	(12,514,000)	13,134,832	11,460,995	9,043,895	(44,079)	20,460,811
(d) Environmental Monitoring Reserve	2,107,483	63,364	(197,810)	1,973,037	2,059,936	241,000	0	2,300,936	1,349,161	758,322	0	2,107,483
(e) Environmental Insurance Reserve	0	0	0	0	0	0	0	0	59,639	127	(59,766)	0
(f) Risk Management Reserve	0	0	0	0	0	0	0	0	15,813	34	(15,847)	0
(g) Class IV Reserve	742,057	695,183	(1,397,003)	40,237	741,806	287,546	(150,000)	879,352	600,945	143,612	(2,500)	742,057
(h) Secondary Waste Reserve	17,764,498	4,555,176	(14,404,391)	7,915,283	17,914,815	2,905,426	(4,533,457)	16,286,784	41,177,833	5,179,392	(28,592,727)	17,764,498
(i) Class III Reserve	2,535,770	911,416	(1,068,677)	2,378,509	2,535,661	653,103	(1,068,677)	2,120,087	1,158,161	1,980,705	(603,096)	2,535,770
(j) Building Refurbishment Reserve	0	0	0	0	0	0	0	0	79,842	170	(80,012)	0
(k) EastLink Relocation Reserve	5,345,394	160,717	0	5,506,111	5,343,168	0	0	5,343,168	5,325,000	20,394	0	5,345,394
(l) Committed Capital Expenditure Reserve	0	18,663,605	0	18,663,605	0	0	0	0	0	0	0	0
(m) Long Service Leave Reserve	1,056,070	50,788	0	1,106,858	1,055,638	30,976	0	1,086,614	1,033,136	22,934	0	1,056,070
	56,729,632	29,736,596	(34,234,867)	52,231,361	61,812,953	7,364,564	(23,050,134)	46,127,383	65,953,610	21,635,554	(30,859,532)	56,729,632

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

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

Name of reserve account	Purpose of the reserve account
(a) Plant and Equipment Reserve	to finance the replacement of major items of plant and equipment.
(b) Site Rehabilitation Reserve - Post Closure	to finance the rehabilitation of the Red Hill waste disposal site at time of decommissioning.
(c) Future Development Reserve	to finance future developments being undertaken by the EMRC. The reserve is also utilised to provide funds for projects that the EMRC is investigating and undertaking for the purpose of the long term future direction in the area of waste management for the benefit of the region.
(d) Environmental Monitoring Reserve	to provide funds for environmental monitoring after decommissioning of the Red Hill Waste disposal site.
(e) Environmental Insurance Reserve	to provide funds to enable the EMRC to immediately respond to the need for repairs to, or rectification of damage to the environment surrounding the Red Hill waste disposal site as a result of any incident not covered by the EMRC's existing insurance policies.
(f) Risk Management Reserve	to receive surpluses from the Risk Management Service and to fund future requirements of the service in subsequent financial years.
(g) Class IV Reserve	to finance the construction of future Class IV cells and associated works at the Red Hill waste disposal site.
(h) Secondary Waste Reserve	to accumulate and to make provision for Secondary Waste Treatment Technology in the future.
(i) Class III Reserve	to finance the construction of future Class III cells and associated works at the Red Hill waste disposal site.
(j) Building Refurbishment Reserve	to accumulate and provide funds for the expenditure to maintenance of buildings.
(k) EastLink Relocation Reserve	to accumulate and provide funds for the relocation of EMRC's buildings and structures that will be impacted by the EastLink alignment route through the EMRC's Red Hill site.
(l) Committed Capital Expenditure Reserve	to accumulate and provide funds for the committed projects.
(m) Long Service Leave Reserve	to accumulate and provide funds to enable the EMRC to fund staff long service leave.

**EASTERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

29. TRUST FUNDS

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

	1-Jul-22	Amounts Received	Amounts Paid	30 June 2023
	\$	\$	\$	\$
Green Deal Alliance	235,310	328,468	(223,498)	340,280
	235,310	328,468	(223,498)	340,280



Auditor General

INDEPENDENT AUDITOR'S REPORT 2023 Eastern Metropolitan Regional Council

To the Council of the Eastern Metropolitan Regional Council

Opinion

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

- the Statement of Financial Position at 30 June 2023, and the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Statement of Financial Activity for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial report is:

- based on proper accounts and records
- presents fairly, in all material respects, the results of the operations of the EMRC for the year ended 30 June 2023 and its financial position at the end of that period
- in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Basis for opinion

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

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

Other information

The Chief Executive Officer (CEO) is responsible for the preparation and the Council for overseeing the other information. The other information is the information in the entity's annual report for the year ended 30 June 2023, but not the financial report and my auditor's report.

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

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

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

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

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

- keeping proper accounts and records
- preparation and fair presentation of the financial report in accordance with the requirements of the Act and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards
- managing internal control as required by the CEO to ensure the financial report is free from material misstatement, whether due to fraud or error.

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

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the Eastern Metropolitan Regional Council for the year ended 30 June 2023 included in the annual report on the EMRC's website. The EMRC's management is responsible for the integrity of the EMRC's website. This audit does not provide assurance on the integrity of the EMRC's website. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to contact the EMRC to confirm the information contained in the website version.

Grant Robinson
Assistant Auditor General Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
October 2023



AUDIT CONCLUDING REPORT

Eastern Metropolitan Regional Council

Audit for the Year Ended
30 June 2023



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Executive Summary

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

We have performed an audit of the financial report of the Eastern Metropolitan Regional Council (the Council) for the year ended 30 June 2023 in accordance with Australian Auditing Standards ('ASAs').

The purpose of the audit is to express an opinion as to whether the Council's financial report fairly represents, in all material respects, the financial transactions of the Council for the period ended 30 June 2023 and its financial position at the end of that period in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Australian Accounting Standards.

Key Audit Risks or Focus Areas

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

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

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

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

- Valuation of property, plant and equipment and infrastructure assets
- Accounting for landfill site, environmental monitoring and employee related provisions
- Revenue recognition
- Completeness of liabilities and expenses
- Disclosures in the financial report
- Fraud risk and management override of controls

Audit Opinion

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

Significant Audit and Accounting Issues

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

Accounting Policies

The 30 June 2023 financial report has been prepared in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Australian Accounting Standards. The accounting policies are consistent with those applied in the financial report for the 30 June 2022 year.

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

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

Adoption of changes to Accounting Standards

We have also considered changes that have occurred in Australian Accounting Standards and other relevant parts of the regulatory framework as part of our audit. There are no significant changes that impacted on the accounting results and disclosure requirements of the Council for the year ended 30 June 2023.

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

Judgmental Matters and Estimations

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

In relation to the Council, our assessment is that no account balance (other than as noted below) is critically affected by management judgments or accounting estimates. Given the nature of the Council's revenue, expenses, assets and liabilities - accounting for them is not overly complex nor affected by contentious accounting practices.

Major accounts affected by management judgments or accounting estimates are:

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

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

Key Audit Risks and Focus Areas

Valuation of property, plant and equipment and infrastructure assets

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

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

Key audit procedures performed were:

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

Based on procedures performed, we are satisfied that property, plant and equipment and infrastructure assets are reasonable and fairly stated as at 30 June 2023.

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

The Council operates the Red Hill Landfill Site. There is a present obligation to rehabilitate/make good at the end of the asset's useful life. The Council's liabilities also include employee-related annual leave and long service leave provisions. As at 30 June 2023 the total provision value is \$8.5mil which represents 23% of the total liabilities value of \$36.3mil. Provisions involve a degree of management estimation and uncertainty in their calculation in respect of present value inputs (inflation rates, discount factors, work costs), timing and probabilities of settlement.

Key audit procedures performed were:

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

Based on procedures performed, we are satisfied that the landfill site rehabilitation, environmental monitoring and employee related provisions are reasonable and fairly stated as at 30 June 2023.

Revenue recognition

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

Key audit procedures performed were:

- Reviewed and tested the application of the Council's revenue recognition policies for application under AASB 15 and 1058;
- Reviewed and updated documented system procedures and performed a walkthrough for the revenue cycles;
- Sample tested revenue streams to supporting grant agreements, tax invoices and bank statement receipts; and
- Sample tested the recognition of contract liabilities to ensure proper accounting in accordance with AASB 15 and AASB 1058.

Based on procedures performed, we are satisfied that revenue has been recognised appropriately for the year ended 30 June 2023.

Completeness of Liabilities and Expenses

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

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

From the work performed, we are satisfied that transactions have been recognised in the correct accounting periods and therefore expenditure is accurately stated for the year ended 30 June 2023.

Disclosures in the Financial Report

The Council is required to disclose information in relation to:

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

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

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

Fraud Risk and Management Override of Controls

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

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

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

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

Significant Representations by Management

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

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

Audit Adjustments

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

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

	Effect on net result increase/(decrease) \$'000s
Factual / Projected / Judgmental	
Nil	

There are no adjusted audit differences.

Internal Controls

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

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

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

The following matters were noted during the final audit:

Finding	Rating		
	Significant	Moderate	Minor
Annual review of residual values and useful lives of non-financial assets was not performed			✓
Statement of financial activity			✓

A management letter has been provided to Management for comment and consideration prior to our submission to the OAG for final issuance.

Other Key Matters

Withdrawal of Member Councils

City of Belmont

The City of Belmont withdrew from the Council on 1 July 2021. The City's equity entitlement is subject to a valuation methodology and process prescribed in the Establishment Agreement for withdrawing participants. As at 30 June 2022, a separate process was in progress and so the value could not be finalised. Therefore, a provision for the equity payment of \$21 million was recognised based on management's best estimate as at 30 June 2022. Due to unforeseen delays, this exercise could not be completed by 30 June 2023. As a result, management adopted a prudent approach and opted not to adjust the provision until the equity entitlement has been finalised. This is expected to occur during the 2023/24 financial year. Furthermore, the provision amount has been quarantined.

City of Kalamunda

The City of Kalamunda issued its Notice of Withdrawal from the Council on 22 November 2022 (effective date 1 July 2023). Appropriate disclosures about the withdrawal and its impact on the Council have been reflected in the annual financial report.

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

Non-Compliance with Laws and Regulations or Fraudulent Activity

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

Auditor's Responsibility to Consider Fraud

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

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

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

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

Liaison with Management

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

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

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

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

Independence

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

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

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

Confidentiality

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

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

Conflicts of Interest

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

Outstanding items

The following items remain outstanding at the time of writing:

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

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

Dated 22 September 2023

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HELPING YOU THRIVE IN A CHANGING WORLD

11.2 EASTERN METROPOLITAN REGIONAL COUNCIL (EMRC) 2023/2024 BUDGET STATEMENT OF FINANCIAL ACTIVITY

D2023/39263

PURPOSE OF REPORT

The purpose of this report is to present an additional Statement of Financial Activity forming a part of the 2023/2024 Draft Annual Budget for Council adoption.

KEY POINT(S)

- The 2023/2024 Annual Budget was adopted by Council at the Ordinary Meeting of Council held on 22 June 2023.
- During the current audit of the 2022/2023 Annual Financial Report, we were advised by the external auditors that following consultation with the Department of Local Government, Sport and Cultural Industries, all regional local governments are also to produce a Statement of Financial Activity.
- The name of the Rate Setting Statement was changed to the Statement of Financial Activity in the second tranche of the *Local Government (Financial Management) Regulations 1996* amendments that were gazetted on 30 June 2023.
- The EMRC has not produced the Rate Setting Statement in the past as it related to rate setting information and the EMRC as a regional local government does not have rate payers.
- To enable the EMRC to report on the Statement of Financial Activity each month and at the end of financial year as required by the Act and regulations, the attached Statement of Financial Activity forming an addition to the previously approved 2023/2024 Annual Budget is now tabled for Council's adoption.

AC RESOLUTION(S)

That:

1. The Audit Committee endorses the 2023/2024 Budget Statement of Financial Activity forming a part of EMRC 2023/2024 Annual Budget.
2. The Statement of Financial Activity be referred to Council for adoption at its 23 November 2023 meeting.

AC RECOMMENDATION(S)

That:

1. Council, by absolute majority, in accordance with section 6.2(1) of the *Local Government Act 1995* and *Local Government (Financial Management) Regulations 1996*, adopts the 2023/2024 Budget Statement of Financial Activity forming a part of the previously adopted EMRC 2023/2024 Annual Budget.
2. In accordance with Regulation 33 of the *Local Government (Financial Management) Regulations 1996*, a copy of the Statement of Financial Activity forming a part of the 2023/2024 Annual Budget be submitted to the Departmental CEO, Department of Local Government, Sport and Cultural Industries, within 30 days of its adoption by Council.

SOURCE OF REPORT

Chief Financial Officer

BACKGROUND

1 The 2023/2024 Annual Budget was adopted by Council at the Ordinary Meeting of Council held on 22 June 2023, where Council resolved:

THAT:

1. *COUNCIL, BY ABSOLUTE MAJORITY, IN ACCORDANCE WITH SECTION 6.2(1) OF THE LOCAL GOVERNMENT ACT 1995 AND LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996, ADOPTS THE EMRC 2023/2024 ANNUAL BUDGET AND SUPPORTING SCHEDULES WHICH HAVE BEEN PREPARED IN COMPLIANCE WITH THE AUSTRALIAN ACCOUNTING STANDARDS.*
2. *FOR THE 2023/2024 FINANCIAL YEAR A MATERIAL VARIANCE PERCENTAGE OF 10% OF THE APPROPRIATE BASE, OR A DOLLAR VALUE OF \$20,000, WHICHEVER IS THE GREATER, BE ADOPTED FOR REPORTING VARIANCES IN THE STATEMENTS OF FINANCIAL ACTIVITY.*
3. *IN ACCORDANCE WITH REGULATION 33 OF THE LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996, A COPY OF THE 2023/2024 ANNUAL BUDGET BE SUBMITTED TO THE DEPARTMENTAL CEO, DEPARTMENT OF LOCAL GOVERNMENT, SPORT AND CULTURAL INDUSTRIES, WITHIN 30 DAYS OF ITS ADOPTION BY COUNCIL.*

REPORT

2 During the audit process for the 2022/2023 Annual Financial Report, it was brought to our attention by our auditors that the Office of Auditor General (OAG) required a Statement of Financial Activity following its recent consultation with the Department of Local Government, Sport and Cultural Industries (the Department).

3 The Statement of Financial Activity came about due to a change from its previous name, the Rate Setting Statement in the second tranche of the *Local Government (Financial Management) Regulations 1996* (the Regulations) amendments which was gazetted on 30 June 2023.

4 It is noted the date of gazettal was following the adoption of the EMRC 2023/2024 Annual Budget.

5 Per the Department, the Rate Setting Statement will identify the budget deficiency and the rate yield required to be raised in setting the general rates for rate payers.

6 As the EMRC does not have any ratepayers, the EMRC have not produced such a statement in its annual budgets which have been submitted to the Department annually.

7 Other than a confirmation of the receipt of the annual budgets, no communication was received whether there was a deficiency nor that the EMRC was required to produce such Rate Setting Statement.

8 In accordance with r.22(d) of the Regulations as amended, the form and content of the annual budget include a Statement of Financial Activity.

9 However it also states in r.22(e) of the Regulations to be "...in relation to the rates proposed to be imposed by the local government, the information set out in regulation 23."

10 A review of the regulation 23 of the Regulations spells out what are the rates information required. In this case, none of them applies to the EMRC for r.23(a) to (d).

11 In an email correspondence from the Department to the OAG, it was contended that the Department's position was that Statement of Financial Activity (along with its predecessor, the Rate Setting Statement) would apply to all local governments including regional local governments.

- 12 Despite this, we have not previously received any advice from the Department with regards to such a position nor any deficiency in our previously submitted budget over the years. Additionally, this was never identified as an issue in previous external audits.
- 13 Due to the above position held by the Department, the external auditors have advised that it is anticipated that the EMRC will have a minor finding in the 2022/2023 Annual Financial Audit.
- 14 To ensure this is addressed going forward, we have now tabled a draft 2023/2024 Budget Statement of Financial Activity as attached, forming an addition to the previously adopted 2023/2024 Annual Budget.
- 15 This will allow us to report the Statement of Financial each month in accordance with r.34(4) of the Regulations as well as in the next Annual Financial Report
- 16 The draft 2023/2024 Budget Statement of Financial Activity sources all its financial details from the approved 2023/2024 Annual Budget.

STRATEGIC/POLICY IMPLICATIONS

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

FINANCIAL IMPLICATIONS

- 18 As detailed in the attachment to this report.

SUSTAINABILITY IMPLICATIONS

- 19 Nil

RISK MANAGEMENT

Risk – Non Compliance with Financial Regulations		
Consequence	Likelihood	Rating
Moderate	Unlikely	Moderate
Action/Strategy		
<ul style="list-style-type: none"> ➤ The financial report is scrutinised by the EMRC Council to ensure that all statutory requirements are met. ➤ Internal Audit reviews to ensure compliance with Financial Regulations. ➤ External Audit confirms compliance. 		

MEMBER COUNCIL IMPLICATIONS

Member Council	Implication Details
Town of Bassendean	} As per budget implications
City of Bayswater	
Shire of Mundaring	
City of Swan	

ATTACHMENT(S)

2023/2024 Budget Statement of Financial Activity (D2023/39266)

VOTING REQUIREMENT

Absolute Majority

AC RESOLUTION(S)

That:

1. The Audit Committee endorses the 2023/2024 Budget Statement of Financial Activity forming a part of EMRC 2023/2024 Annual Budget.
2. The Statement of Financial Activity be referred to Council for adoption at its 23 November 2023 meeting.

AC RESOLUTION(S)

MOVED CR SUTHERLAND

SECONDED CR MACWILLIAM

THAT:

1. THE AUDIT COMMITTEE ENDORSES THE 2023/2024 BUDGET STATEMENT OF FINANCIAL ACTIVITY FORMING A PART OF EMRC 2023/2024 ANNUAL BUDGET.
2. THE STATEMENT OF FINANCIAL ACTIVITY BE REFERRED TO COUNCIL FOR ADOPTION AT ITS 23 NOVEMBER 2023 MEETING.

CARRIED UNANIMOUSLY

RECOMMENDATION(S)

That:

1. Council, by absolute majority, in accordance with section 6.2(1) of the *Local Government Act 1995* and *Local Government (Financial Management) Regulations 1996*, adopts the 2023/2024 Budget Statement of Financial Activity forming a part of the previously adopted EMRC 2023/2024 Annual Budget.
2. In accordance with Regulation 33 of the *Local Government (Financial Management) Regulations 1996*, a copy of the 2023/2024 Budget Statement of Financial Activity forming a part of the 2023/2024 Annual Budget be submitted to the Departmental CEO, Department of Local Government, Sport and Cultural Industries, within 30 days of its adoption by Council.



AC RECOMMENDATION(S)

MOVED CR SUTHERLAND

SECONDED CR MACWILLIAM

That:

1. Council, by absolute majority, in accordance with section 6.2(1) of the *Local Government Act 1995* and *Local Government (Financial Management) Regulations 1996*, adopts the 2023/2024 Budget Statement of Financial Activity forming a part of the previously adopted EMRC 2023/2024 Annual Budget.
2. In accordance with Regulation 33 of the *Local Government (Financial Management) Regulations 1996*, a copy of the 2023/2024 Budget Statement of Financial Activity forming a part of the 2023/2024 Annual Budget be submitted to the Departmental CEO, Department of Local Government, Sport and Cultural Industries, within 30 days of its adoption by Council.

CARRIED UNANIMOUSLY

COUNCIL RESOLUTION(S)

MOVED CR ELLERY

SECONDED CR BOWMAN

THAT:

1. COUNCIL, BY ABSOLUTE MAJORITY, IN ACCORDANCE WITH SECTION 6.2(1) OF THE *LOCAL GOVERNMENT ACT 1995* AND *LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996*, ADOPTS THE 2023/2024 BUDGET STATEMENT OF FINANCIAL ACTIVITY FORMING A PART OF THE PREVIOUSLY ADOPTED EMRC 2023/2024 ANNUAL BUDGET.
2. IN ACCORDANCE WITH REGULATION 33 OF THE *LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996*, A COPY OF THE 2023/2024 BUDGET STATEMENT OF FINANCIAL ACTIVITY FORMING A PART OF THE 2023/2024 ANNUAL BUDGET BE SUBMITTED TO THE DEPARTMENTAL CEO, DEPARTMENT OF LOCAL GOVERNMENT, SPORT AND CULTURAL INDUSTRIES, WITHIN 30 DAYS OF ITS ADOPTION BY COUNCIL.

CARRIED UNANIMOUSLY

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

	2024 Budget	2023 Forecast	2023 Budget
NOTE	\$	\$	\$
OPERATING ACTIVITIES			
Revenue from operating activities			
Fees and charges	46,234,883	41,605,292	41,484,401
Grants, subsidies and contributions	2,739,095	2,278,719	1,892,021
Interest revenue	2,030,365	3,032,056	879,453
Other revenue	3,955,714	2,411,585	2,558,840
Profit on asset disposals	187,938	0	115,513
	<u>55,147,995</u>	<u>49,327,652</u>	<u>46,930,228</u>
Expenditure from operating activities			
Employee costs	(14,057,260)	(10,690,873)	(11,862,596)
Materials and contracts	(12,327,927)	(10,249,802)	(11,056,755)
Utility charges	(377,077)	(358,501)	(364,023)
Depreciation	(4,505,745)	(3,699,157)	(4,286,463)
Insurance	(427,647)	(372,924)	(377,272)
Other expenditure	(20,996,858)	(18,380,855)	(16,405,750)
Loss on asset disposals	0	(45,520)	0
	<u>(52,692,514)</u>	<u>(43,797,632)</u>	<u>(44,352,859)</u>
Non-cash amounts excluded from operating activities	11(a) (15,765,450)	25,806,169	26,970,116
Amount attributable to operating activities	<u>(13,309,969)</u>	<u>31,336,189</u>	<u>29,547,485</u>
INVESTING ACTIVITIES			
Inflows from investing activities			
Proceeds from disposal of assets	422,000	363,000	360,000
	<u>422,000</u>	<u>363,000</u>	<u>360,000</u>
Outflows from investing activities			
Purchase of property, plant and equipment	(15,742,871)	(13,858,346)	(15,680,885)
Purchase and construction of infrastructure	(12,666,758)	(3,832,059)	(10,010,021)
	<u>(28,409,629)</u>	<u>(17,690,405)</u>	<u>(25,690,906)</u>
Amount attributable to investing activities	<u>(27,987,629)</u>	<u>(17,327,405)</u>	<u>(25,330,906)</u>
FINANCING ACTIVITIES			
Inflows from financing activities			
Transfers from reserve accounts	28,220,137	30,579,897	23,050,134
	<u>28,220,137</u>	<u>30,579,897</u>	<u>23,050,134</u>
Outflows from financing activities			
Transfers to reserve accounts	(12,499,893)	(20,387,260)	(7,364,564)
	<u>(12,499,893)</u>	<u>(20,387,260)</u>	<u>(7,364,564)</u>
Amount attributable to financing activities	<u>15,720,244</u>	<u>10,192,637</u>	<u>15,685,570</u>
MOVEMENT IN SURPLUS OR DEFICIT			
Surplus or deficit at the start of the financial year	22,612,402	(1,589,019)	89,038
Amount attributable to operating activities	(13,309,969)	31,336,189	29,547,485
Amount attributable to investing activities	(27,987,629)	(17,327,405)	(25,330,906)
Amount attributable to financing activities	15,720,244	10,192,637	15,685,570
Surplus or deficit after imposition of general rates	11(b) <u>(2,964,952)</u>	<u>22,612,402</u>	<u>19,991,187</u>

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

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

11. DETERMINATION OF SURPLUS OR DEFICIT

	2023/24 Budget	2022/23 Forecast	2022/23 Budget
Note	30 June 2024	30 June 2023	30 June 2023
	\$	\$	\$
(a) Non-cash amounts excluded from operating activities			
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> .			
Adjustments to operating activities			
Less: Profit on asset disposals	(187,938)	0	(115,513)
Add: Loss on disposal of assets	0	45,520	0
Add: Depreciation	4,505,745	3,699,157	4,286,463
Non-cash movements in non-current assets and liabilities:			
Provisions	(20,083,257)	22,061,492	22,799,166
Non-cash amounts excluded from operating activities	(15,765,450)	25,806,169	26,970,116
(b) Surplus or deficit after imposition of general rates			
The following current assets and liabilities have been excluded from the net current assets used in the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.			
Adjustments to net current assets			
Less: Reserve accounts	(30,816,750)	(46,536,994)	(46,127,383)
Total adjustments to net current assets	(30,816,750)	(46,536,994)	(46,127,383)
Net current assets used in the Statement of Financial Activity			
Total current assets	36,001,544	77,271,545	74,240,719
Less: Total current liabilities	(8,149,746)	(8,122,149)	(8,122,149)
Less: Total adjustments to net current assets	(30,816,750)	(46,536,994)	(46,127,383)
Surplus or deficit after imposition of general rates	(2,964,952)	22,612,402	19,991,187

11.3 INTERNAL AUDIT REPORT – 2023 PROGRAMME

D2023/33580

PURPOSE OF REPORT

The purpose of this report is to present the Audit Committee (AC) with the internal audit report of the 2022/2023 internal audit programme.

KEY POINT(S)

- At the June 2020 meeting, Council endorsed a new internal audit programme to be spread over a three year (plus three year) cycle to coincide with the new requirements of the *Local Government (Financial Management) Regulations 1996* and consisting of 22 auditable areas.
- This year (2022/2023) represents the third year of the three year (plus three year) programme.
- The internal audit programme for this year commenced in May 2023 for the 11 auditable areas as set out in this report.
- The audits were finalised by September 2023 and internal audit reports are now ready to be presented to Council.
- All 11 auditable areas have achieved or mostly achieved their overall risk rating outcomes. The audit made findings against the Contract Management and Waste Management – Hazelmere Resource Recovery Park (Wood Waste, Community Recycling Centres and other processing/transfer stations) auditable areas.
- A summary of the findings, recommendations and business improvements for the various auditable areas is set out in the table contained within this report.
- The IT General Controls audit is a follow up of the status of the previous IT General Controls audit from 2021/2022.
- The OH&S Systems Review and OH&S Reporting and Remedial Actions audits were carried out separately however, the audit results have been combined into one internal audit report.

RECOMMENDATION(S)

That Council notes the internal audit reports forming attachments 1 to 10 to this report.

SOURCE OF REPORT

Chief Executive Officer

BACKGROUND

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

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

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

REPORT

- 3 The internal audit programme for the 2022/2023 financial year commenced in May 2023 for the following audit areas:
- Accounts Payable (Masterfile);
 - Contract Management;
 - Human Resource Management;
 - Investment Policies;
 - IT General Controls;
 - OH&S Systems Review;
 - OH&S Reporting and Remedial Actions;
 - Payroll (Masterfile and Compliance);
 - Plant and Equipment;
 - Taxation (GST and FBT Focus); and
 - Waste Management – Hazelmere Resource Recovery Park (Wood Waste, Community Recycling Centres and other processing/transfer stations).
- 4 The last set of internal audits (2021/2022) were presented at the October 2022 round of Audit and Council meetings.

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

Auditable Area	Overall Risk Rating Outcomes	Summary of Findings	Recommendations	Business Improvements
Accounts Payable (Masterfile)	Achieved	None	None	None
Contract Management	Achieved/Mostly Achieved	Audit found that a mistake had been overlooked that led to non-compliance with the <i>Local Government (Functions and General) Regulations 1996</i> . Contract RFQ 2022-110 for a walking-floor trailer was mistakenly awarded to Allroads Transport Engineers even after the value of the contract had been identified to exceed the tendering threshold of \$250,000 (ex GST) i.e. \$255,313.14 ex GST.	Audit recommends EMRC puts in place procedures to ensure compliance with the <i>Local Government (Functions and General) Regulations 1996</i> and in this instance the RFQ should have been cancelled and tenders should have been invited for the project.	<ol style="list-style-type: none"> Audit suggests that two checks to be embedded into the current RFQs report as additional control measures to ensure that any quotation with a value over \$250,000 ex GST will be investigated further. Audit suggests that a Chief Executive Officer Request Form to be drafted for all contract variations to ensure proper authorisation from executives.
Human Resource Management	Achieved	None	None	None
Investment Policies	Achieved	None	None	It is suggested that Council could consider amending the Management of Investments Policy to ensure that if EMRC is investing in Authorised Deposit-taking Institutions (ADIs), that they may be free to invest in any ADIs that are offering the best return on investment (highest interest rate).
IT General Controls	<ol style="list-style-type: none"> The EMRC has made sufficient progress on all of the business improvements raised which will help with the EMRC's alignment with best practice. The EMRC are implementing a cyber security framework which will assist the EMRC to improve its information systems security against threats. 	This audit is a follow up of the status of the previous IT General Controls Audit (2021/2022).	None	Audit suggests that the EMRC considers adding a status column and indicator (using a legend or scale) in the Essential Eight spreadsheet to show the level of alignment with maturity level one and progress towards level two and three.

Auditable Area		Overall Risk Rating Outcomes	Summary of Findings	Recommendations	Business Improvements
OH&S Systems Review		Achieved	No findings were raised* (*note: In the Waste Management (Wood Waste, Community Recycling and Other Processing Transfers) audit report, it was found from the WHS Incident Reporting Register that one Incident and Injury Report Form was not available for review, three incidents were not recorded within the respective Action Worksheet, and one did not have the action complete date specified and then closed).	None	Audit suggests that a weekly outstanding actions close-out list to be sent to each operational site manager to sign-off and advise the new close-out date.
OH&S Reporting and Remedial Actions		Achieved	No findings were raised* (*note: In the Waste Management (Wood Waste, Community Recycling and Other Processing Transfers) audit report, it was found from the WHS Incident Reporting Register that one Incident and Injury Report Form was not available for review, three incidents were not recorded within the respective Action Worksheet, and one did not have the action complete date specified and then closed).	None	Audit suggests that a weekly outstanding actions close-out list to be sent to each operational site manager to sign-off and advise the new close-out date.
Payroll (Masterfile and Compliance)		Achieved	None	None	None

Auditable Area	Overall Risk Rating Outcomes	Summary of Findings	Recommendations	Business Improvements
Plant and Equipment	Achieved	None	None	1. Audit suggests that the EMRC considers developing policy / procedure / flowchart in relation to stocktake of assets, including (but not limited to): <ul style="list-style-type: none"> ➤ Assets stocktake process ➤ Responsible employees ➤ Reporting components (e.g., asset number, asset name, stocktake date, asset condition, location, responsible staff, etc.). 2. Audit suggests that the EMRC considers developing policy / procedure / flowchart in relation to assets disposal, including (but not limited to): <ul style="list-style-type: none"> ➤ Asset disposal process ➤ Responsible employees ➤ Disposal criteria (e.g., asset condition, missing, stolen, damage, etc) ➤ Disposal method.
Taxation (GST and FBT Focus)	Achieved	None	None	1. Audit suggests that EMRC removes draft from the BMS – GST Processing Procedure if it is in final form. 2. Audit suggests that EMRC removes draft from the BMS – GST Processing Procedure if it is in final form.
Waste Management – Hazelmere Resource Recovery Park (Wood Waste, Community Recycling Centres and other processing/transfer stations)	Achieved/Mostly Achieved	Audit found from the WHS Incident Reporting Register that one of the Incident and Injury Report Forms was not available for review, three incidents were not recorded within the respective Action Worksheet and one did not have the action complete date specified and then closed.	Audit recommends EMRC complies with its Occupational Health and Safety Policy and the associated Management Guideline – Accident and Incident Reporting and Investigation for Injury Report Forms, Action Worksheets and closing actions in a timely manner.	Audit suggests that EMRC refers to condition 29 in their conclusions in future iterations of the Hazelmere Resource Recovery Park Annual Environmental Report & Annual Audit Compliance Report.

- 6 The audit results of each of the auditable areas are covered in attachments 1 to 10 as part of this report.
- 7 The EMRC is reviewing all the suggested business improvement opportunities highlighted in the final audit report.

STRATEGIC/POLICY IMPLICATIONS

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

FINANCIAL IMPLICATIONS

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

SUSTAINABILITY IMPLICATIONS

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

RISK MANAGEMENT

Risk – The EMRC must continue to improve financial and asset management practices and to report on any audit findings regularly.		
Consequence	Likelihood	Rating
Moderate	Likely	High
Action/Strategy		
➤ Council to note the internal audit reports.		

MEMBER COUNCIL IMPLICATIONS

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

ATTACHMENT(S)

1. Internal Audit Report: Accounts Payable (Masterfile) (D2023/39290)
2. Internal Audit Report: Contract Management (D2023/39294)
3. Internal Audit Report: Human Resource Management (D2023/39299)
4. Internal Audit Report: Investment Policies (D2023/39300)
5. Internal Audit Report: IT General Controls (D2023/39306)
6. Internal Audit Report: OH&S Systems Review Reporting and Remedial Actions (D2023/39307)
7. Internal Audit Report: Payroll (Masterfile and Compliance) (D2023/39315)
8. Internal Audit Report: Plant and Equipment (D2023/39316)
9. Internal Audit Report: Taxation (GST and FBT Focus D2023/39317)
10. Internal Audit Report: Waste Management – Hazelmere Resource Recovery Park (Wood Waste, Community Recycling Centres and other processing/transfer stations) (D2023/39318)

VOTING REQUIREMENT

Simple Majority

RECOMMENDATION(S)

That Council notes the internal audit reports forming attachments 1 to 10 to this report.

The external auditors were thanked for their attendance and left the Chambers at 6:23pm.

The internal auditor remained to speak to item 11.3 and discussed the highlights and actions of each audible area and pointed out that overall there were no dramatic findings and the strong controls currently in place align with the EMRC's top 20 best Local Governments standing.

The Presiding Member made a closing statement that in the last two years the organisation has improved and developed and every year there are more controls and better systems in place and staff are onboard. The CEO and staff were thanked.

The Deputy Chairperson invited the internal auditor Mr James Cottrill to speak to the internal audit report.

Mr James Cottrill provided an overview of the audit observations and improvement opportunities.

AC RECOMMENDATION(S)

MOVED CR SUTHERLAND SECONDED CR MACWILLIAM

That Council notes the internal audit reports forming attachments 1 to 10 to this report.

CARRIED UNANIMOUSLY

COUNCIL RESOLUTION(S)

MOVED CR ELLERY SECONDED CR BOWMAN

THAT COUNCIL NOTES THE INTERNAL AUDIT REPORTS FORMING ATTACHMENTS 1 TO 10 TO THIS REPORT.

CARRIED UNANIMOUSLY



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Eastern Metropolitan Regional Council Accounts Payable (Masterfile)

Internal Audit

July 2023

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1. EXECUTIVE SUMMARY

Introduction

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

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

As part of the Strategic Internal Audit Plan 2020/2021 – 2025/2026 an audit of Accounts Receivable is conducted every second year. This is a core financial related audit that would be expected to be relied upon by the Office of the Auditor General, Western Australia. The audit will cover the period 1 July 2022 to 30 April 2023. This audit will examine reliability and integrity of information, compliance and safeguarding of assets.

Audit Objective:

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

The specific objectives of this audit are as follows:

Reliability and Integrity of Information

- Determine whether adequate controls exist to provide reasonable assurance that only authorised suppliers are set up in the Accounts Payable system.
- Determine whether adequate controls exist to provide reasonable assurance that payments will only be made to approved creditors
- Ensure that adequate controls exist to prevent fraudulent modification to supplier details, in particular bank accounts.

Compliance

- Determine whether there is an adequate process in place to ensure that suppliers have a valid ABN.

Safeguarding of Assets

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

Risks Identified

- Creditor information may be incorrect or incomplete
- Non-compliance with legislation (ABN, Tax withholding)
- Unauthorised changes to Masterfile data.

Scope of works

The audit period will be 1 July 2022 to 30 April 2023.

2. OVERALL AUDIT OUTCOMES AGAINST AUDIT SCOPE OF WORKS

Overall Risk Rating

Scope Report Reference	Audit Scope	Outcomes	Risk Rating
8.1	Determine whether adequate controls exist to provide reasonable assurance that only authorised suppliers are set up in the Accounts Payable system.	Achieved	N/A
8.2	Determine whether adequate controls exist to provide reasonable assurance that payments are only made to approved creditors.	Achieved	N/A
8.3	Ensure that adequate controls exist to prevent fraudulent modification to supplier details, in particular bank accounts.	Achieved	N/A
8.4	Determine whether there is an adequate process in place to ensure that suppliers have a valid ABN.	Achieved	N/A
8.5	Determine whether there are adequate procedures in place to mitigate the risk of fraudulent payments	Achieved	N/A

3. SUMMARY OF FINDINGS

1. No findings were made.

4. RECOMMENDATIONS

1. No recommendations were made.

5. BUSINESS IMPROVEMENTS

1. There were no business improvements raised.

6. OVERALL COMMENTS

Eastern Metropolitan Regional Council - Management Comments

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

Stantons - Audit Management Comments

Stantons would like to thank the Finance team for all their assistance with the audit. It was pleasing that no issues were noted, nor any business improvements suggested.

7. RISK RATING AND DEFINITIONS

Risk Ratings and Interpretations

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

DISCLAIMER, BASIS OF AUDIT AND LIMITATIONS

DISCLAIMER

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

BASIS OF AUDIT

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

INHERENT LIMITATIONS

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation.

Report Release

Released by (Name): James Cottrill

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

Signature:



Date: 25 July 2023

8. DETAILED AUDIT ASSESSMENT

8.1 DETERMINE WHETHER ADEQUATE CONTROL EXIST TO PROVIDE REASONABLE ASSURANCE THAT ONLY AUTHORISED SUPPLIERS ARE SET UP IN THE ACCOUNTS PAYABLE SYSTEM.

Overall Outcome	Review identified that controls exist to provide reasonable assurance that only authorised suppliers are set up in SynergySoft Accounts Payable Masterfile, although the process and controls in place for adding/modifying supplier details within the system have not been formally documented.
------------------------	---

New suppliers are authorised by either the Finance Team Leader (FTL) or the Manager Financial Services (MFS), although all staff within the Finance team can initiate a new supplier within SynergySoft. EMRC has a Management Guideline - New Supplier Background Checks which was last reviewed and adopted by the Executive Leadership Team in June 2022.

Aside from the Management Guideline - New Supplier Background Checks, EMRC does not have any formal documentation to detail the process for setting up a new supplier. Through a discussion with the FTL, we identified the process to be as follows:

- 1) A Supplier Details Form is given to the creditor to fill in
- 2) After the creditor completes and returns the form then an ABN check is carried out
- 3) A Creditor Watch check is performed
- 4) A member of the Finance team will enter the details into the SynergySoft system
- 5) Once all is completed, the FTL and MFS will authorise it.

We selected a sample of five (5) new creditors to test to ensure that the procedure outlined above was appropriately conducted. Upon review, we noted one (1) of the five (5) application forms sampled did not have the name and date of the person setting up the creditor reflected on the document as was the case for the other four, however, this was not considered an issue as the system records this information within the audit log.

Once the staff member has initiated the new supplier within the SynergySoft system, the Supplier Details Form is loaded into Content Manager for the FTL to check the accuracy of the information on the system, approve, and lock the document so that no one else can access the files.

A Finance Procedure – Maintenance of Creditor Banking Details is in place. When a request for change of bank account details is received from an existing supplier, the Finance team member who is processing the change is required to assess if the request for change is a genuine request from the supplier and not of a fraudulent nature. Changes via a written request, or new details on a creditor invoice are validated via email and telephone (details recorded), contact details sourced from SynergySoft or the supplier website with further verification performed by the FTL.

On a monthly basis an Audit Trail Report is generated from the SynergySoft system and sent to the MFS, detailing changes to the Creditors master file for both new and existing creditors. The MFS examines the report for anything abnormal and signs it as reviewed, although it is noted that the review date can be up to a month after the period that is being reported has concluded.

Based on the testing conducted, there is sufficient evidence to demonstrate that controls are in place to provide reasonable assurance that only authorised suppliers are set up in the Accounts Payable System.

No issues were noted.

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

Overall Outcomes	Audit reviewed the process and noted that adequate controls exist to ensure that payments from SynergySoft are made only to approved creditors existing within the Accounts Payable Masterfile.
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The Management Guideline - New Supplier Background Checks requires a background check to be obtained on new suppliers before entry into the SynergySoft creditors system.

The Guidelines specifies that an ASIC company extract or a report from a credit agency must be obtained to review the shareholders' and directors' details of the company. These checks are to serve as an anti-fraud control and are to be used to assist in identifying whether current or past employees, councillors and/or their associates are listed as a shareholder or director of the company.

EMRC undertakes a new supplier background check through the generation of a Creditor Watch – Credit Report which provides details in relation to the creditor such as:

- ABR Data
- ASIC Data
- RiskScore
- Creditor Enquiries
- Risk Data.

If the background check reveals a current or past employee and/or associate, Councillor and/or associate listed as a shareholder or director of the company, prior authorisation must be obtained from the Chief Financial Officer (CFO) before they are added into the SynergySoft creditors system.

Documentation relating to the background checks is to be retained as supporting documentation with the "Supplier Details Form" and filed for record-keeping purposes.

Review of the documentation for the five (5) new suppliers included in the 8.1 sample above, noted that all had a Creditor Watch – Credit Report background check conducted.

Based on the testing conducted, there is sufficient evidence to demonstrate that controls are in place to provide reasonable assurance that payments are made only to approved creditors setup in the SynergySoft masterfile.

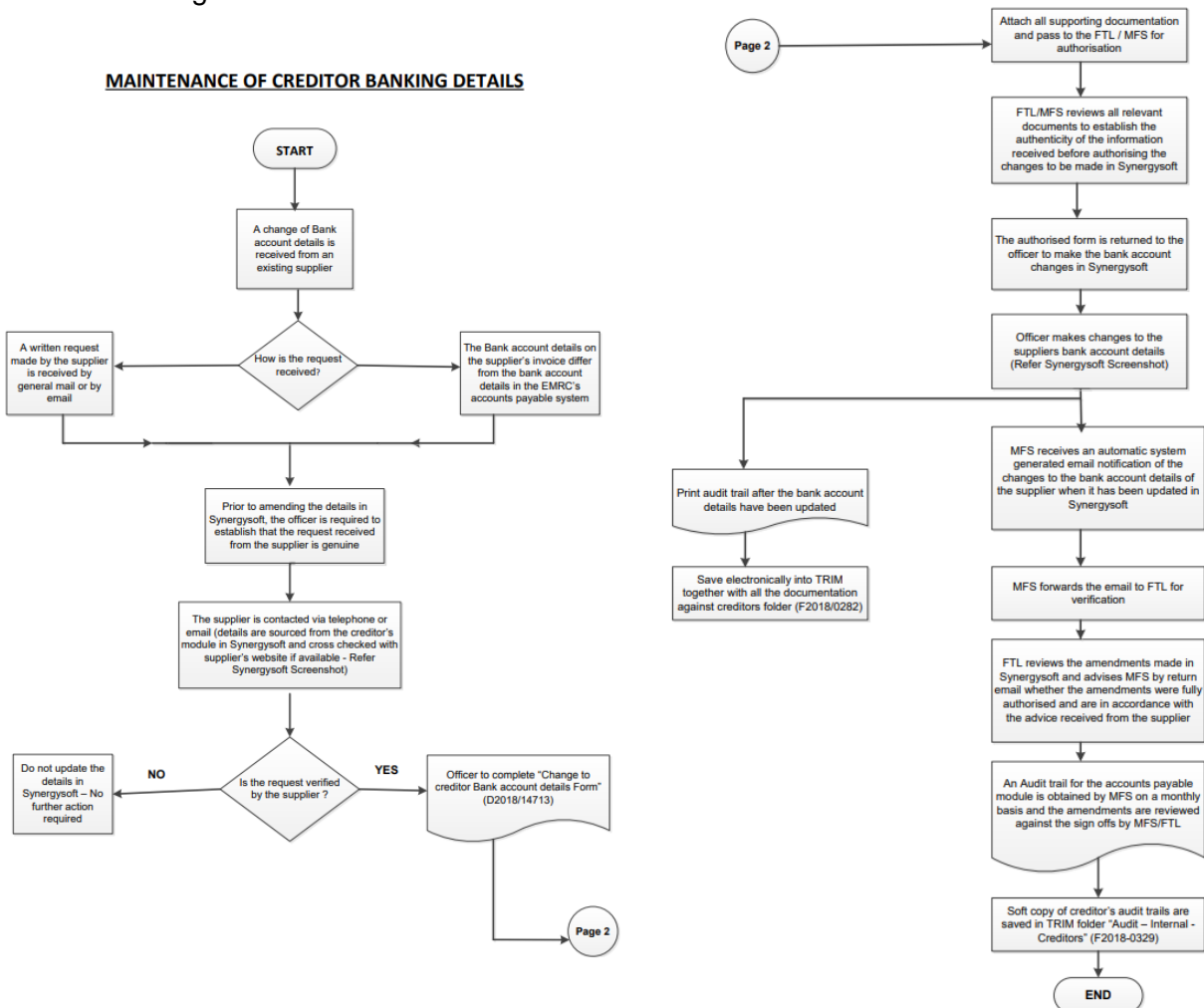
No issues were noted.

8.3 ENSURE THAT ADEQUATE CONTROL EXIST TO PREVENT FRAUDULENT MODIFICATION TO SUPPLIER DETAILS, IN PARTICULAR BANK ACCOUNTS.

Overall Outcome	Audit reviewed EMRC's controls that help prevent fraudulent modification to supplier details, particularly bank details and noted satisfactory controls exist.
------------------------	--

EMRC does not have a segregation of duties policy whereby staff who process payments cannot initiate a new vendor within the system, although there is a defined process that is followed and an audit trail within SynergySoft of all additions/changes made to the Creditor Masterfile

Through discussion with the FTL, Audit obtained an understanding of the processes that EMRC has in place to prevent fraudulent behaviour in the modification of supplier details within the accounts payable Masterfile. The process has been depicted within the Maintenance of Creditor Banking Details flowchart detailed below.



Audit performed a walkthrough of the authorisation process and reviewed the audit trails which were generated.

If bank details for suppliers have changed as per the invoice, or by advice from the supplier via post or email, the Finance team will validate by calling the supplier per their official company number that has been recorded on the system or as detailed on the internet. The Finance team

will seek the authorised person from the supplier to verify changes and request confirmation in writing (if not already received).

The Finance team will then complete a Change to Creditor Bank Account Details – Official Form based on the correspondence of the required changes. The form is then sent to the FTL who will then call the supplier again and speak to a different representative to confirm all changes including any bank account changes. The details are only changed on the system after the FTL has checked the details with the supplier for the final time.

Any modification to the Masterfile (such as changes to bank details) will automatically send an email to the MFS who will then forward the email to the FTL to finalise the confirmation of changes. An email will be sent out to the supplier after approval to inform them of the changes. Audit trails are created for any changes made to the Masterfile which are attached to the corresponding supplier or payment documentation.

No issues were noted.

8.4 DETERMINE WHETHER THERE IS AN ADEQUATE PROCESS IN PLACE TO ENSURE THAT SUPPLIERS HAVE A VALID ABN.

Overall Outcome	Review confirmed that the ABN is reflected on the Supplier Details Form submitted by the supplier, which is validated by EMRC through an ABN Lookup.
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The Supplier Details Form includes provision for the new supplier to record their Australian Business Number (ABN), however, the Management Guideline – New Suppliers Background Checks does not specify the requirement for an ABN Lookup to be completed by EMRC to confirm that the supplier ABN specified is valid.

Review of the five (5) new suppliers from the sample contained in 8.1, we noted that four (4) of the suppliers had an ABN check completed by the Finance Team, however, the fifth (Creditor # 6016) did not have an ABN Lookup included within the supplier verification documentation maintained in Content Manager.

No issues were noted.

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

Overall Outcome	Audit reviewed the process of payments made by EMRC’s Finance Team and noted that adequate controls exist to ensure that payments are made only in accordance with approved policy.
------------------------	---

We confirmed with EMRC’s FTL that there are audit trails as part of the procedures which apply to all payments and suppliers to mitigate the risk of fraudulent payments. There is also the requirement of two signatories for all payments made which also helps mitigate fraudulent payments.

As noted per EMRC “Management Guideline – Cheque Signatories and On-Line (EFT) Supplier Payments”, signatures authorising cheque payments of the EMRC, unless otherwise waived by the Chief Executive Officer, are to consist of any two of the following signatories:

- Chief Executive Officer
- Chief Financial Officer
- Chief Sustainability Officer
- Manager, Financial Services.
- Manager, Information Services
- Finance Team Leader
- Management Accountant

Where possible, payment of EMRC suppliers of goods and/or services to be paid on-line via Electronic Funds Transfers (EFT). Unless otherwise waived by the CFO, any two of the following officers, can authorise the process of EFT payments:

- Chief Executive Officer
- Chief Financial Officer
- Chief Sustainability Officer
- Manager, Financial Services.
- Manager, Information Services
- Finance Team Leader
- Management Accountant

Audit noted that an updated guideline is currently in development and awaiting endorsement from the Executive Leadership Team. Audit has confirmed that there were some minor changes in the list of signatories from previously and this is reflected above.

No issues were noted.



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Eastern Metropolitan Regional Council

Contract Management

August 2023

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1. EXECUTIVE SUMMARY

Introduction

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

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

As part of the Strategic Internal Audit Plan 2020/2021 – 2025/26 an audit of Contract Management is conducted every second year. This is a core financial related audit that would be expected to be relied upon by the Office of the Auditor General, Western Australia. The audit will cover the period 1 July 2022 to 30 April 2023. This audit will examine reliability and integrity of information, compliance and safeguarding of assets.

The audit objectives and scope of the works are provided below.

Audit Objective:

The primary objective of the audit was classified as an assurance audit with a focus on controls. We will use a combination of walk throughs, interviews, process observation, and sampling to assess controls.

The specific objectives of this audit are to ascertain that there are adequate controls over key areas.

Reliability and Integrity of Information

- Determine whether contracts information is recorded accurately and in a timely manner
- Identify whether contracts are renewed on a timely basis
- Determine whether contract management reports assist in timely decision making.

Compliance

- Determine whether contracts are managed in accordance with the contract requirements
- Determine whether contract requirements are in accordance with applicable legislation
- Identify the processes in place to manage contract variations.

Safeguarding of Assets

- Determine whether contracts are required to have adequate insurance coverage in place for the duration of the contract
- Verify that procedures are in place to ensure quality of goods/services provide comply with contractual obligations.

Risks Identified

- Compliance with *Local Government Act* and Regulations
- Contract approval and advice to tenders
- Variations to contracts
- Terms and conditions
- Insurances – Termination of coverage and renewals
- Health Safety and Environment and quality control monitoring of contractor requirements
- Contracts Register
- Contracts expiring prior to us going out to tender.

Scope of works

The audit period was 1 July 2022 to 30 April 2023.

2. OVERALL AUDIT OUTCOMES AGAINST AUDIT SCOPE OF WORKS

Overall Risk Rating

Scope Report Reference	Audit Scope	Outcomes	Risk Rating
8.1	Determine whether contracts information is recorded accurately and in a timely manner.	Achieved	NA
8.2	Identify whether contracts are renewed on a timely basis.	Achieved	NA
8.3	Determine whether contract management reports assist in timely decision making.	Achieved	NA
8.4	Determine whether contracts are managed in accordance with the contract requirements.	Mostly Achieved	Minor
8.5	Determine whether contracts requirements are in accordance with applicable legislation.	Achieved	NA
8.6	Identify the processes in place to manage contract variations.	Achieved	NA
8.7	Verify that procedures are in place to ensure quality of goods/services provided comply with contractual obligations.	Achieved	NA

3. SUMMARY OF FINDINGS

1. Audit found that a mistake had been overlooked and led to non-compliance with the *Local Government (Functions and General) Regulations 1996*. Contract RFQ 2022-110 for a walking-floor trailer was mistakenly awarded to Allroads Transport Engineers even after the value of the contract had been identified to exceed the tendering threshold of \$250,000.

4. RECOMMENDATIONS

1. Audit recommends EMRC puts in place procedures to ensure compliance with *Local Government (Functions and General) Regulations 1996* and in this instance the RFQ should have been cancelled and tenders should have been invited for the project.

5. BUSINESS IMPROVEMENTS

1. Audit suggests that two checks to be embedded into the Current RFQs Report as additional control measures to ensure that any quotation with value over \$250,000 will be investigated further.
2. Audit suggests that a Chief Executive Officer Request Form to be drafted for all contract variations to ensure proper authorisation from executives.

6. OVERALL COMMENTS

Eastern Metropolitan Regional Council (EMRC) - Management Comments

The identified issue was around the awarding of a Request for Quote (RFQ) to the value of \$255,353.14. Unfortunately, this amount was not inclusive of GST, which meant that the value exceeded the threshold of \$250,000 under the *Local Government (Functions & General) Regulations 1996*.

While this amount is only slightly over the tender threshold, this has served as a timely reminder that no matter how strong the controls are already in place, stringent controls will be required to be added to ensure that such oversights do not occur in the future.

Effective immediately, the EMRC officers have taken on board and have implemented the auditor's business improvement suggestion that two checks are to be embedded into the current RFQs recommendation report as additional control measures to ensure that any quotation with a value over \$250,000 ex GST will be investigated further.

Additional vigilance will be reinforced for any quotes that are close to the tender thresholds and fall outside of the WALGA panel of suppliers regime.

Contract variations will also be reviewed and recommended by the appropriate Senior executives for final approval.

Stantons - Audit Management Comments

We acknowledge the management comments and steps EMRC officers have taken on board to implement the business improvement suggestion regarding two checks in the current RFQs recommendation report as additional control measure. We would like to thank all the staff in contract management for their assistance with the audit.

7. RISK RATING AND DEFINITIONS

Risk Ratings and Interpretations

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

DISCLAIMER, BASIS OF AUDIT AND LIMITATIONS

DISCLAIMER

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

BASIS OF AUDIT

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

INHERENT LIMITATIONS

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation.

Report Release

Released by (Name): James Cottrill

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

Signature:



Date: 8 August 2023

8. DETAILED AUDIT ASSESSMENT

8.1 DETERMINE WHETHER CONTRACTS INFORMATION IS RECORDED ACCURATELY AND IN A TIMELY MANNER.

Overall Outcome	Audit reviewed EMRC's contracts information recording process and tested 10 samples of contracts. Audit noted that the information was accurately recorded and performed in a timely manner.
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Audit interviewed the Manager Procurement & Governance to get an understanding of the process for recording new contracts information. The Manager advised the following steps:

1. A stakeholder within EMRC will identify if any goods or services are needed.
2. The stakeholder will notify the Procurement team of their intention and provide the necessary information
3. The Procurement team will assist in preparing a Request for Tender (RFT) or Request for Quotation (RFQ). The new information will be recorded in the current RFQs or RFTs report with a unique ID number
4. Once a successful quote or tenderer has been identified, a letter of award (signed by the CEO) will be sent to the contractor and the contractor's signature constitutes a contract between the two parties
5. The Procurement team will then update the Contract Register to reflect the new contract.

Audit obtained a list of new contracts from the Contract Register for the current period FY2022-2023 and randomly selected ten samples to review the contracts information. Audit examined the RFT or RFQ, letter of award and all other relevant supporting documents for the selected samples. The following test was conducted in relation to the sample selected:

- Ascertain the contract value
- Review tender details and title
- Was a request for tender or quotation including specifications prepared?
- Was the tender advertised or expressions of interest invited?
- Were the tenders or quotations appropriately assessed?
- Was the contract approved by the proper authority?
- Were all tenderers informed of the outcome?
- Did the contract include the standard general terms and conditions or were there specific conditions for that contract?
- Does the contract contain a pricing mechanism?
- Does the contract allow for variations?
- Does the contract require adequate insurance coverage in place for the duration of the contract and was there evidence of this?
- Does the contract have any specific requirements for making payment claims?
- Does the contract include a grievance process?

Audit found that all tests were satisfied for all ten samples. All the necessary information was recorded in the Contract Register accordingly. The RFT or RFQ documents, letter of award and all other attachments were saved into relevant folders on EMRC system.

Audit was satisfied that contracts information was recorded accurately and in a timely manner.

Overall, no issues were noted.

8.2 IDENTIFY WHETHER CONTRACTS ARE RENEWED ON A TIMELY BASIS.

Overall Outcomes	Audit reviewed EMRC's contract renewal process and tested a sample of ten contracts. Audit found that contracts were renewed on a timely basis.
-------------------------	---

Audit interviewed the Manager Procurement & Governance to get an understanding of the contract renewal process:

1. The Procurement team will check the Contract Register at the beginning of each month for any contracts that are going to expire in six weeks
2. The Procurement team will communicate to the stakeholder of the expiring contracts and require a Contractor Performance Assessment Form to be filled out and returned to the team
3. There is a section in the Contractor Performance Assessment Form for the stakeholder to indicate if a contract should be renewed
4. Once received, the Procurement team will prepare a Chief Executive Officer Request Form and send it to the CEO for authorisation
5. Once authorised, the Procurement team will contact the contractor by phone or email to let them know of the intention for renewal. The team will also update the Contract Register to record the renewal.

Audit also discussed with the Manager Procurement & Governance to assess the process in place for a situation where a contract is due to expire prior to the next contract tender. The Manager advised that the Procurement team checked the Contract Register regularly, and called the relevant contract stakeholder when a contract was nearly expired. The Manager advised that a contract expiring prior to the next contract tender would happen usually when there was a budget issue. The contract stakeholder had no budget left to be allocated to the replacement contract. As a result, no tendering had proceeded. The Procurement Team would work with the stakeholder to identify any possible solutions. If the issue cannot be resolved, then it would be raised in a Council Meeting and required a Council Resolution for further action.

Audit randomly selected ten contract renewals from 1 July 2022 to 30 April 2023 from the Contract Register to test if contract renewals had been recorded correctly and in a timely manner. Audit obtained the Contractor Performance Assessment Form and the Chief Executive Officer Request Form for all samples to conduct the testing. Audit found that nine contract renewals tested were satisfactory. Audit noted that one sample was a contract under legal advice and not a contract renewal. Audit was satisfied that the contract renewal process at EMRC is adequate.

Overall, no issues were noted.

8.3 DETERMINE WHETHER CONTRACT MANAGEMENT REPORTS ASSIST IN TIMELY DECISION MAKING.

Overall Outcome	Audit reviewed the current contract management reports and noted that the reports assisted EMRC in performing timely decision making.
------------------------	---

Audit inquired with the Manager Procurement & Governance to ascertain the process for contract management reporting. Audit found that the following reports were being used by EMRC for contract management:

- Contract Register
- Current RFTs Report
- Current RFQs Report
- Creditor Report
- Late Purchase Order Report
- Councillor Report.

Audit noted that the Procurement team maintained a Contract Register in a Microsoft Excel spreadsheet and relied on filters to extract the reporting data required. This is a running report that included all the contracts of EMRC. Audit obtained a copy of the Contract Register and noted a variety of information was maintained including:

- Contract number
- PO number (if applicable)
- Contract title (summary of what the contract is for)
- Awarded company (if applicable)
- Business unit / Contract stakeholder
- Contract amount (excl GST)
- Contract status (active or closed)
- Contract duration
- Contract start date
- Contract end date
- Extension date
- CPI (if applicable).

Audit found that the Contract Register served as a Masterfile for all contract management activities at EMRC. It could be used for detection of contract renewals and contract variations. Hence, Audit concluded that this report assisted EMRC in performing timely decision making.

For the Current RFTs Report, Audit noted that this report contained all the Requests for Tender that are open at EMRC. Each request would be assigned a unique ID number and included the following information:

- RFT No.
- Project name
- Estimated project cost
- Scope of work finalised date
- Publishing date
- Submissions closing date
- Expected project commencement
- Current status
- Procurement team contact.

Audit obtained a copy and assessed the usefulness of the report. Audit found that the Current RFTs Report could be used to manage and monitor tenders effectively and efficiently. The report also ensured that all successful tenders had been recorded on the Contract Register.

For the Current RFQs Report, Audit noted that this report contained all the Requests for Quotations released by EMRC. Each request was also assigned a unique ID number and included the following information:

- RFQ No.
- Description
- Value
- Site
- Status
- Project owner
- Procurement team contact.

Audit obtained a copy and found that the report was useful for managing quotations. However, Audit noted that this report could be better utilised to ensure compliance with legislation. According to the *Local Government (Functions and General) Regulations 1996*, if a contract that is more than \$250,000 then tenders are to be publicly invited unless there is an exemption. Audit recommended that two more checks to be added to the Current RFQs Report to ascertain if the value is more than \$250,000 and if there is an exemption available. The extra checks would enable the Procurement team to investigate further if tenders should be invited instead of quotation.

Suggested Business Improvement	1. Audit suggests that two checks to be embedded into the Current RFQs Report as additional control measures to ensure that any quotation with value over \$250,000 will be investigated further.
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The Creditor Report summarised the invoiced amount of all purchase orders created within the reporting period. The amounts were totalled for each Creditor and included in the report if the total was \$30,000 or greater. Audit obtained a copy of the report and found that it could be used to monitor the payments for contracts and manage the budget.

The Late Purchase Order Report captured any invoices that had been received by EMRC without a purchase order. The Manager advised that this report was provided monthly to the CEO for review. An action plan will be drafted and communicated to the stakeholder to ensure that similar late purchase would not happen again. Audit reviewed the Late Purchase Order report for April 2023 and found six invoices that were below \$10,000. Audit concluded that this report assisted in in performing timely decision making.

The Councillor Report was drafted on a case-to-case basis according to the Manager. This report was used to inform Councillors of any issues or variations to the contract and seek authorisation in form of a Council Resolution. Audit obtained an example and found that the Council was asked to award the RFT 2022-009 to Appala Holdings Pty Ltd and authorise the CEO to enter the contract on behalf of EMRC. Audit noted that the Council Resolution passed unanimously. Audit was satisfied that this report was used to assist EMRC in entering contract in a timely manner and in compliance with relevant legislation.

Overall, no issues were noted.

8.4 DETERMINE WHETHER CONTRACTS ARE MANAGED IN ACCORDANCE WITH THE CONTRACT REQUIREMENTS.

Overall Outcome	Audit found that the controls for contract management at EMRC was adequate however there was a minor risk of non-compliance of legislation due to one contract exceeding the tendering threshold of \$250,000.
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Audit interviewed the Manager Procurement & Governance who informed us that when contracts were drafted, they were assessed by EMRC to ensure they were in accordance with EMRC contractual requirements and the appropriate legislation. This process was usually performed in house by the Procurement team, however, if the drafted contract required clauses beyond the expertise of in-house staff, the drafted contract would be referred to third party legal advisors to be assessed and updated. Audit conducted the following tests on a random selection of five EMRC contracts:

- Was the contract value over \$250,000?
- If not tendered, is there an exemption available?
- Is the contractor a WALGA Preferred Supplier?
- Was a request for tender including specifications prepared?
- Was it advertised, expressions of interest invited and local notices at libraries?
- Were the tenders assessed?
- Was the contract approved by the proper authority?
- Were all tenderers informed of the outcome?
- Did the contract include general terms and conditions or were there specific conditions required?
- Are there pricing mechanisms?
- Does the contract allow variations?
- Was insurance coverage required for the duration including validation of currency?
- Are there specific requirements for making payment claims as well as dealing with any grievances?

From a sample of five (5), Audit found that four were managed in accordance with the contract requirements and legislation. However, Audit found that contract number 2022-110 for a walking-floor trailer had not been tendered but instead a RFQ had been sent to four suppliers (not on the WALGA Preferred Supplier list):

- Allroads Transport Engineers
- Barker Trailers
- Vawdrey
- Pumpa Manufacturing.

Only one supplier - Allroads Transport Engineers - replied with a quote of \$255,000 (excl GST) on 12 September 2022 which was over the \$250,000 threshold for tendering. Nonetheless, the contract was awarded to Allroads Transport Engineers on 12 October 2022.

The Manager advised that the CEO had been informed of the non-compliance. The Manager explained that due to the amount was only marginal (\$5,000) higher than the threshold, it was overlooked by the Procurement team. The Manager also stated that not many suppliers were available in the market. Consequently, it was highly possible that the same supplier would be selected even if the tenders were invited.

Finding 1	Audit found that a mistake had been overlooked and led to non-compliance with the <i>Local Government (Functions and General) Regulations 1996</i> . Contract RFQ 2022-110 for a walking-floor trailer was mistakenly awarded to Allroads Transport Engineers even after the value of the contract had been identified to exceed the tendering threshold of \$250,000. Audit noted that the RFQ should have been cancelled and tenders should have been invited for the project.
Risk Rating	Minor
Recommendation 1	Audit recommends EMRC puts in place procedures to ensure compliance with Local Government (Functions and General) Regulations 1996 and in this instance the RFQ should have been cancelled and tenders should have been invited for the project.

Audit also interviewed the Manager Procurement & Governance to understand the process of managing insurance obligations for the duration of the contract at EMRC. The Manager advised that it was the contract stakeholder's responsibility to monitor insurance obligations for their own contracts. The Manager stated that there was a section in the RFT or RFQ for contractor to declare their insurance policies, and it was up to the stakeholder to decide if those were sufficient. The Procurement team would ask the contractor to provide a certificate of currency for each of the required insurance policies. The certificates of currency would be saved in relevant folders on the EMRC system.

In the case of insurance policies expiring before the end of contract, it was the responsibility of the contract stakeholder to communicate with the contractor to ensure the renewal of those policies. The Procurement team also monitored the insurance policies regularly by checking the saved copy of certificates. If a policy was close to the expiry date, the team would email the contract stakeholder to request for a new certificate.

Audit examined five contracts as per below to test that insurance obligations had been met and insurances were still current:

- RFQ 2022-108 WWTE Construction
- RFT 2022-004 Solar power to Redhill
- RFT 2022-005 Transport services
- RFT 2022-006 Upgrade to CCTV network
- RFT 2022-008 Mattress collection and recycling service.

Audit found that the Procurement team kept copies of certificate of currency of all insurance policies declared in RFTs or RFQs, and all of them were still current at the time of audit.

8.5 DETERMINE WHETHER CONTRACTS REQUIREMENTS ARE IN ACCORDANCE WITH APPLICABLE LEGISLATION.

Overall Outcome	Audit reviewed the contract requirements and confirmed that they align with applicable legislation.
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Audit found that the following documents were deemed to form part of the contract at EMRC:

- A Request for Quotation (RFQ) or Request for Tender (RFT)
- A Letter of Award
- Term and Conditions
- Initial RFQ or RFT submission by the contractor
- Any communications between the two parties that contained relevant information.

Audit obtained and reviewed the RFT Tender Template to assess whether contracts requirements were in accordance with applicable legislation. The template included all the information of the project, and what type of goods and/or services were required from the tenderer. The tender evaluation processes and selection criteria were detailed in this document to assist tenderers in their submissions. The template also contained notes for each relevant section to indicate compliance with the *Local Government (Functions and General) Regulations 1996 (WA)*. There was detailed information regarding the pricing basis, schedule and milestone of the tender, the terms and conditions of the tender, alterations, risk assessments, environmental protection. In addition, the template included a section for the tenderer's offer with a form for the tenderer to fill in. At the end of the template, there are checklists provided for the tenderer to indicate their ability to comply with relevant requirements and legislations such as insurance, health and safety, environment impact and timeliness of contract delivery. Audit found that the template document was in accordance with the legislation.

Audit reviewed the Terms and Conditions of Contract for Consultancy Services. This document contained standard terms and conditions for whenever EMRC entered into a contract for consultancy services. The key points of this document are the following:

- The Consultant shall always perform and carry out the Services in a conscientious, expeditious and workmanlike fashion. Where the Consultant is required to provide or utilise equipment, such equipment shall be suitable for the Services and shall be maintained by the Consultant in good and proper working condition
- Consultant must warrant the competency of their employees and the principal holds the right to remove an employee of the consultancy from said job at any time required
- Services must be completed by the deadline as specified in the contract; in case of any unforeseen circumstances the consultant is able to apply for an extension in writing within 14 days after occurrence
- The Contract shall not be assigned, transferred, sublet, subcontracted, mortgaged, charged, encumbered, or dealt with in any way by either party without the prior written consent of the other party
- Payments must be made in time in accordance with the contract
- Safety rules must be followed by the contracted consultant otherwise the Principal is entitled to suspend the whole or part of the performance of the consultant's obligations
- Unless mentioned in the contract, the Principal is not liable to reimburse the consultant for any expenses incurred by the performance of provided service
- The GST must be accounted for and included within the contract correctly
- The Consultant must procure and maintain public liability insurance and product liability insurance, which is for an amount not less than \$10 million, or such other amount as specified in the Principal Request.

- Unless otherwise agreed in writing by the Principal, the Consultant must procure and maintain workers' compensation insurance
- Where specified in a Principal Request or otherwise reasonably requested by the Principal, the Consultant must procure and maintain professional indemnity insurance
- The Consultant warrants that any supply by it of the Goods and/or Services and any designs, documents or methods of working provided by it to the Principal in doing so does not infringe any Intellectual Property Right.

Audit also reviewed the Terms and Conditions of Contract for Goods and Services. This document contained the standard clauses for EMRC whenever they entered a contract for goods or services. The key points of this document summarised as the following:

- The Contractor must ensure that all Goods: comply with the requirements of the relevant Order and conform to any samples provided; are in accordance with relevant Australian Standards or, where no Australian Standard exists, any relevant ISO Standard; are properly, safely, and securely packaged and labelled for identification; and are of merchantable quality and fit for their intended purpose
- The Contractor must supply to the Principal the Goods in the quantity specified in the relevant Order
- The Contractor must ensure that the Services provided by the Contractor: match the description of the Services set out in the Order or otherwise in the Contract; are fit for their intended purpose; where they relate to design, the works or goods being designed are fit for their intended purpose; are performed with the professional skill, care and diligence expected of a person with the skills, experience, expertise and resources necessary to competently provide the Services; and are provided in accordance with any Specification
- The Contractor must provide written notice to the Principal as soon as possible if the Contractor is unable to provide the Goods and/or Services and the period of time for which the Contractor will be so unable
- The Contract Price shall be firm and not subject to rise and fall.
- The Parties may agree in writing to extend the term for an agreed period of time
- The Contractor must: do all things reasonably necessary to ensure that the Goods and/or Services are provided in a manner that is safe and not likely to cause injury or illness to any person; and perform all relevant functions and fulfil all relevant duties under all relevant OSH Laws required of an employer or otherwise applicable to the role of the Contractor under the Contract including notification of incidents as may be required under OSH Laws
- The Contractor must procure and maintain the Insurances with the minimum level of cover set out in this Document, or otherwise specified by the Principal in the Principal Request.

Audit found that both Terms and Conditions documents were in accordance with relevant legislations.

Overall, no issues were noted.

8.6 IDENTIFY THE PROCESSES IN PLACE TO MANAGE CONTRACT VARIATIONS.

Overall Outcome	Audit reviewed the current contract variations in a sample of EMRC contracts and confirmed the processes in place was adequate to manage contract variations.
------------------------	---

Audit interviewed the Manager Procurement & Governance to understand the contract variations process at EMRC. The Manager advised that the responsibility to detect any contract variations was shared by the contract stakeholder and the Procurement team. In some instances, the stakeholder detected a variation (usually by a phone call or email from the contractor) and reported it to the Procurement team for assistance. In other cases, the Procurement team detected contract variations by their routine scrutinisation of the Contract Register. After a contract variation had been detected, EMRC followed the steps below:

1. The Procurement team reviewed the Terms and Conditions of the contract to identify possible options
2. Communications between the contractor, the stakeholder, and the team to decide the best course of actions to be taken
3. The team then drafted a Chief Executive Officer Request Form and sent to the CEO to inform the contract variation and the recommended course of actions
4. The CEO reviewed the form and authorised for actions to be taken.

Audit planned to review five samples of contract variations, however, the team advised that there were only three variations from 1 July 2022 to 30 April 2023:

- RFQ 2022-103 – 20T Wheel Loader (RHWMF)
- RFQ 2022-112 – Material Handling Wheeled Excavator (HRRP)
- RFT 2023-006 – CCTV Network Upgrade (RHWMF).

Audit assessed the three contract variations and noted the reason for the variation, communications between the parties and liaison to the executives. Audit found that contract variations had been managed accordingly for RFQ 2022-103. For RFQ 2022-112 and RFT 2023-006, executives had been informed and both parties had reached agreement on contract variations for extension of time. However, Chief Executive Officer Request Form had not been drafted and sent for proper authorisation.

Suggested Business Improvement	2. Audit suggests that a Chief Executive Officer Request Form to be drafted for all contract variations to ensure proper authorisation from executives.
---------------------------------------	---

No other issues were noted.

8.7 VERIFY THAT PROCEDURES ARE IN PLACE TO ENSURE QUALITY OF GOODS/SERVICES PROVIDED COMPLY WITH CONTRACTUAL OBLIGATIONS.

Overall Outcome	Audit reviewed the procedures in place to ensure the quality of goods/services provided comply with contractual obligations.
------------------------	--

Audit interviewed the Manager Procurement & Governance to gain an understanding of the quality controls for goods and services at EMRC. The Manager advised that requirements or specifications for goods and services were included in RFQs or RFTs. Those requirements or specifications were drafted by the contract stakeholder according to their needs. Hence, the contract stakeholder was responsible for checking if the goods or services received met the contractual obligations. The stakeholder would contact the contractor directly if there were any issues with the goods or services. After the contract completion, the stakeholder was required to fill out a Contractor Performance Assessment Form and sent it back to the Procurement team. This form served as a written record of the quality of goods or services provided by the contractor. The form allowed EMRC to decide if the contractor could be relied on for future businesses.

Audit also found that EMRC have a set of standard terms and conditions of contract for goods and services which applies to all EMRC contracts. The terms and conditions align with relevant legislations. However, if needed, the terms and conditions may be customised for a particular contract. The letter of award will clearly indicate to the successful vendor what standards are being followed in the contract. The contract will indicate if EMRC terms or conditions are in effect or if any other terms and conditions are in use for the contract.

Audit selected five random contracts and reviewed the Contractor Performance Assessment Form to assess the quality of goods and services provided:

- Contract 2018-002 IT Support Services
- Contract 2018-004 Laboratory Analysis
- Contract 2018-012 Green waste shredding and transport services
- Contract 2018-006 Alternative Daily Cover
- Contract 2018-008 Management of Air Powered Leachate Pumping Systems.

Audit found that all goods and services were complied with contractual obligations according to the Contractor Performance Assessment Forms.

Overall, no issues were noted.



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Eastern Metropolitan Regional Council

Human Resource Management

August 2023

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1. EXECUTIVE SUMMARY

Introduction

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

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

As part of the Strategic Internal Audit Plan 2020/2021 – 2025/26 an audit of Human Resource Management is conducted every second year. This is a core financial related audit that would be expected to be relied upon by the Office of the Auditor General, Western Australia. The audit will cover the period 1 July 2022 to 30 April 2023. This audit will examine reliability and integrity of information, compliance and safeguarding of assets.

The audit objectives and scope of the works are provided below.

Audit Objective:

The primary objective of the audit was classified as an assurance audit with a focus on controls. We will use a combination of walk throughs, interviews, process observation, and sampling to assess controls.

The specific objectives of this audit are to ascertain that there are adequate controls over two key areas.

Compliance

- Assess mechanisms in place to ensure that policies and procedures are revised in line with changes to legislative or regulatory requirements
- Assess whether procedures are in place to provide adequate assurance that personnel processes comply with documented and approved policies and procedures
- Determine whether personnel policies are transparent, impartial, and capable of review
- Determine whether processes are in place to allow for objective and confidential action in the event of reported discrimination, harassment, or other grievances
- Assess awareness of policies and procedures
- Identify adequacy and gaps in internal controls and information security
- Assess rigour and consistency of incident follow-up process.

Strategic

- Determine whether the workforce plan is developed and monitored in accordance with best practice
- Assess effectiveness of staff retention strategies.

Risk Identified

- Compliance with legislation
- Lack of awareness
- Not having appropriate policies in place
- High churn rate
- Security
- Completeness of information.

Scope of works

The audit period was 1 July 2022 to 30 April 2023.

2. OVERALL AUDIT OUTCOMES AGAINST AUDIT SCOPE OF WORKS

Overall Risk Rating

Scope Report Reference	Audit Scope	Outcomes	Risk Rating
8.1	Assess mechanisms in place to ensure that policies and procedures are revised in line with changes to legislative or regulatory requirements.	Achieved	N/A
8.2	Assess whether procedures are in place to provide adequate assurance that personnel processes comply with documented and approved policies and procedures.	Achieved	N/A
8.3	Determine whether personnel policies are transparent, impartial, and capable of review.	Achieved	N/A
8.4	Determine whether processes are in place to allow for objective and confidential action in the event of reported discrimination, harassment, or other grievances.	Achieved	N/A
8.5	Assess awareness of policies and procedures.	Achieved	N/A
8.6	Identify adequacy and gaps in internal controls and information security.	Achieved	N/A
8.7	Assess rigour and consistency of incident follow-up process.	Achieved	N/A
8.8	Determine whether the workforce plan is developed and monitored in accordance with best practice.	Achieved	N/A
8.9	Assess effectiveness of staff retention strategies.	Achieved	N/A

3. SUMMARY OF FINDINGS

1. There were no findings noted.

4. RECOMMENDATIONS

1. There were no recommendations made.

5. BUSINESS IMPROVEMENTS

1. There were no business improvement suggestions made.

6. OVERALL COMMENTS

Eastern Metropolitan Regional Council (EMRC) - Management Comments

For clarification purposes on Page 19, paragraph 4 – “misconduct” refers to “misconduct” as defined in the Corruption and Crime Commission Act 2003 (CCC Act) and does not refer to general behavioural or performance issues that fall outside the scope of that definition.

Stantons - Audit Management Comments

We acknowledge on Page 19, paragraph 4 – “misconduct” refers to “misconduct” as defined in the *Corruption and Crime Commission Act (WA) 2003* and have added an additional sentence in the preceding paragraph of this final version of the report to make it clearer. We would like to thank all members of the HR team for their assistance during the audit.

7. RISK RATING AND DEFINITIONS

Risk Ratings and Interpretations

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

DISCLAIMER, BASIS OF AUDIT AND LIMITATIONS

DISCLAIMER

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

BASIS OF AUDIT

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

INHERENT LIMITATIONS

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation.

Report Release

Released by (Name): James Cottrill

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

Signature:



Date: 8 August 2023

8. DETAILED AUDIT ASSESSMENT

8.1 ASSESS MECHANISMS IN PLACE TO ENSURE THAT POLICIES AND PROCEDURES ARE REVISED IN LINE WITH CHANGES TO LEGISLATIVE OR REGULATORY REQUIREMENTS.

Overall Outcome	EMRC has set up a regular review schedule to ensure that policies and procedures, as well as Human Resources Management Guidelines are revised in line with changes to legislative or regulatory requirements.
------------------------	--

Through discussion with the Human Resource Team, it was noted that the EMRC Human Resources policies and procedures comply with public legislation and regulations, comprising:

- *Minimum Conditions of Employment Act 1993*
- *Industrial Relations Act 1979*
- Local Government Industry Award 2020
- National Employment Standards
- Fair Work Information Statement
- Casual Employment Information Sheet.

The EMRC has designed a four-year cycle for conducting regular review of the Council Policies, on top of any updates (not limited to):

- Legislative updates
- Changes to organisation process
- From an incident
- External or internal ethical influences
- When policies / procedures are needed to be reviewed.

The EMRC has also in place several Management Guidelines in relation to Human Resources, including managing disciplinary issues, misconduct investigations, etc. To ensure that each guideline is revised in line with changes to legislative or regulatory requirements, a review is conducted by the Executive Leadership Team either on an annual basis or as required.

No issues were noted.

8.2 ASSESS WHETHER PROCEDURES ARE IN PLACE TO PROVIDE ADEQUATE ASSURANCE THAT PERSONNEL PROCESSES COMPLY WITH DOCUMENTED AND APPROVED POLICIES AND PROCEDURES.

Overall Outcomes	EMRC has in place an Employee Handbook and Code of Conduct to ensure that personnel processes comply with documented and approved policies and procedures.
-------------------------	--

The EMRC has in place a variety of Human Resources Management Guidelines and templates, comprising Annual Leave, Education and Study Assistance, Higher Duties, Long Service Leave, etc, which are available on the Intranet, as well as contained within the Employee Handbook and Code of Conduct.

Audit obtained and reviewed the EMRC Employee Handbook and Code of Conduct, noting that the Handbook provides details of working conditions, benefits, and relevant EMRC guidelines and policies. All the EMRC employees are expected to comply with the Code of Conduct, EMRC’s policies, management guidelines, and Business Management System.

The Code of Conduct provides consistent guidelines for an acceptable standard of professional conduct and sets out principles in relation to ethical and professional behaviour. All the EMRC employees are required to:

- Act with reasonable care and diligence
- Act with honesty and integrity
- Act lawfully
- Avoid damage to the reputation of the local government
- Be open and accountable to the public
- Base decisions on relevant and factually correct information
- Treat others respect and fairness
- Not be impaired by mind affecting substances.

At the end of Employee Handbook and Code of Conduct, all the employees are required to sign the Employee Acknowledgement page confirming that they acknowledge the Employee Handbook and Code of Conduct requirements.

No issues were noted.

8.3 DETERMINE WHETHER PERSONNEL POLICIES ARE TRANSPARENT, IMPARTIAL, AND CAPABLE OF REVIEW

Overall Outcome	EMRC's personnel policies are transparent, impartial, and capable of review.
------------------------	--

Audit obtained and reviewed the EMRC Handbook and Code of Conduct, noting that all the EMRC employees are expected to comply with the Code of Conduct and EMRC's policies, management guidelines, and Business Management System, which are available on EMRC's Intranet. The Employee Handbook has outlined all the aspects of personnel policies, comprising:

- Employment terms, conditions, and payment of remuneration
- Level entitlements – employee leave
- Communication and IT systems
- Motor vehicles and equipment
- Standards of conduct and equal opportunity
- Health and safety in the workplace and security
- Employee files (personal information)
- Employee benefits
- Performance and conduct management
- EMRC policies and procedures
- Office protocol
- Miscellaneous information.

Audit also obtained and reviewed the New Employee – Human Resource Induction, noting that the Senior HR Advisor is required to send copies of relevant documentation to new employees prior to commencement, comprising:

- Employment contract & letter of offer
- Position description
- Tax file number declaration
- Personal details form
- EMRC's default super fund information & application
- Motor vehicle driver's declaration
- Salary sacrifice superannuation acknowledge form
- Employee Manual and Code of Conduct
- Officer's nominated driver form
- Fair work information statement
- Photography consent form
- Mobile phone usage acknowledgement form
- Employee assistance program
- Request for contributory private use of council vehicle.

Audit selected three (3) new employees appointed during the period 01/07/2022 – 30/04/2023 from the employee list, comprising:

- A452 – Ganga Devi Balasubramaniam – Senior Procurement Officer
- R225 – Benjamin Colompar – Plant Operator
- A460 – Joe Michael Styles – Environmental Officer – Waste and Compliance.

Audit verified that all the new employees have signed the acknowledgement page of the Employee Handbook and Code of Conduct, as well as provided all the documentation required within the New Employee Induction Checklist. Audit identified that EMRC's personnel policies are transparent, impartial, and capable for review.

In terms of recruiting new employees, review of the Management Guidelines – Recruitment and Selection noted that applicants must be Australian citizens, permanent residents, or other persons holding an authorised working visa to be eligible for EMRC employment. All the applicants are provided with the same information and opportunity to make an application. Critical competencies, knowledge, qualifications, and experiences required for competent performance have been considered for selection criteria.

No issues were noted.

8.4 DETERMINE WHETHER PROCESSES ARE IN PLACE TO ALLOW FOR OBJECTIVE AND CONFIDENTIAL ACTION IN THE EVENT OF REPORTED DISCRIMINATION, HARASSMENT, OR OTHER GRIEVANCES.

Overall Outcome	The EMRC has in place the Equal Employment Opportunity Management Plan which has set out equal employment opportunity outcomes, as well as Management Guidelines in relation to preventing / managing / reporting discrimination, harassment, and other grievances.
------------------------	---

The EMRC has in place the Equal Employment Opportunity Management Plan, which has set out four (4) outcomes to be achieved during the period of the plan, comprising:

- The organisation values EEO and diversity and the work environment is free from sexual and racial harassment
- Workplaces are free from employment practices that are biased or discriminate unlawfully against employees or potential employees
- Employment programs and practices recognise and include strategies for EEO groups to achieve workforce diversity
- Maintain a relevant and achievable EEO Management Plan through communication, review / amendment, and evaluation.

The EMRC has also in place Management Guidelines in relation to preventing / managing / reporting discrimination, harassment, and other grievance, comprising:

- Workplace Anti-Bullying and Anti-Harassment
- Equal Employment Opportunity and Diversity
- Employee Grievance, Resolution, Complaints
- Managing Disciplinary Issues.

Review of the Management Guideline – Workplace Anti-Bullying and Anti-Harassment noted that all the EMRC employees are expected:

- Not to engage in harassment, bullying or workplace violence
- Not to aid, abet or encourage others to engage in harassment, bullying or workplace violence
- To behave in a responsible and professional manner
- Treat others in the workplace with courtesy and respect
- Listen and respond appropriately to the views and concerns of others
- To be fair and honest in their dealings with others.

Per the Management Guideline – Equal Employment Opportunity and Diversity, the EMRC applies zero tolerance to racial harassment, racial vilification, victimisation, and bullying. Discrimination is unlawful on the following grounds:

- Race
- Impairment
- Sex
- Age
- Gender history
- Pregnancy etc.

Review of the Management Guideline – Employee Grievance, Resolution, and Complaints noted that three (3) informal ways are encouraged by the EMRC to resolve workplace issues directly and promptly, comprising:

- Approaching the people involved
- Seeking guidance from team leader

- Seeking guidance from Human Resources.

If the grievance is not able to be effectively resolved informally, or for cases of bullying, harassment, discrimination and victimisation, a formal complaint is able to be raised with Human Resources by providing the following information:

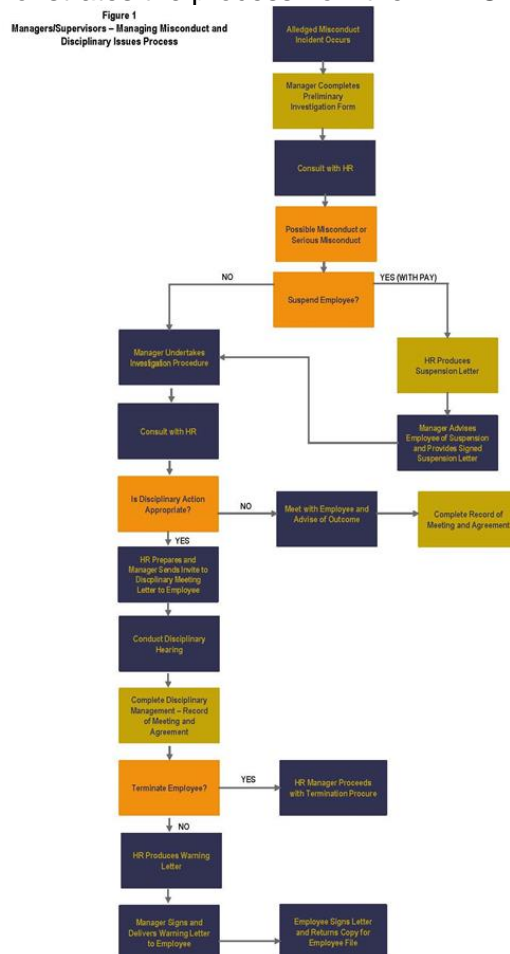
- The name of the person making the complaint
- The name of the person/s the complaint is about
- Details relating to the conduct / incident including the date, time, location, and witnesses
- The desired outcome sought by the complainant.

Grievances and complaints are required to be managed in a manner that is confidential, respectful, fair, and impartial, supportive, and prompt.

Per the Management Guideline – Managing Disciplinary Issues, formal disciplinary actions can be undertaken by the EMRC after an employee is found to have engaged in inappropriate behaviour or misconduct, comprising:

- Verbal warning
- Written warning
- Final written warning
- First and final written warning
- Suspension
- Termination.

The diagram below demonstrates the process how the EMRC manage disciplinary issues:



Through discussion with the Human Resources Team, Audit was informed that there is no misconduct noted / reported during the period 01/07/2022 – 30/04/2023.

No issues were noted.

8.5 ASSESS AWARENESS OF POLICIES AND PROCEDURES.

Overall Outcome	EMRC has in place the EMRC Handbook and Code of Conduct, as well as the New Employee Induction Checklist to ensure employees' awareness of policies and procedures.
------------------------	---

Audit obtained and reviewed the EMRC Handbook and Code of Conduct, noting that the handbook provides new employees with details of working conditions, benefits, and relevant organisational guidelines and policies, whereas the Code of Conduct has set out consistent guidelines for an acceptable standard of professional conduct. All the new EMRC employees are required to sign the acknowledgement page and return to Human Resources Team, as shown in the extract below.

EMRC

Employee Acknowledgment

I sign below in acknowledgment that:

- I understand that the EMRC has prepared this Employee Handbook and Code of Conduct as a guide to assist me during my employment;
- I agree to read and abide by the policies, guidelines, procedures and Code of Conduct as set forth in the handbook;
- I accept and understand that these guidelines should not be construed as a contract or other such legal document;
- I understand that the EMRC reserves the right to make changes in content or application as it deems appropriate;
- I understand that the EMRC Employee Handbook and Code of Conduct is located in electronic format on the EMRC's Intranet; and
- I acknowledge that I have been given the opportunity to read the handbook and discuss any issues with the appropriate person in the EMRC.

Employee Name:

Employee Signature:

Date:

Please complete the details requested in the Employee Acknowledgement and RETURN THIS PAGE ONLY to Human Resources Team.

Please retain the handbook for your future reference.

Review of the New Employee Human Resources Induction noted that the Senior HR Advisor is required to provide electronic copies of relevant documentation to new employees, including Employee Manual and Code of Conduct. As per the New Employee Induction Checklist, new employees are requested to review EMRC's, the Code of Conduct, Policies, and management guidelines, as well as familiarise with the Intranet and EMRC's corporate website, etc.

Audit obtained and reviewed the employee list for the period 01/07/2022 – 30/04/2023, noting that a total of twenty-nine (29) employees were appointed during the period, comprising nine (9) casual, nineteen (19) full-time, and one (1) part-time, six (6) of which have already left EMRC.

Audit randomly selected three (3) new employees from the employ list for the period 01/07/2022 – 30/04/2023, comprising:

1. # A452 – Ganga Devi Balasubramaniam – Senior Procurement Officer
2. # R225 – Benjamin Colompar – Plant Operator
3. # A60 – Joe Michael Styles – Environmental Officer – Waste and Compliance.

Audit conducted testing on these samples and verified that the acknowledgement page of the EMRC Handbook and Code of Conduct has been signed by the new employees, and the New Employee - Human Resources Induction and New Employee - Induction Checklist have been completed by the Human Resources Team and line managers respectively.

No issues were noted.

8.6 IDENTIFY ADEQUACY AND GAPS IN INTERNAL CONTROLS AND INFORMATION SECURITY.

Overall Outcome	EMRC has in place adequate internal Human Resources controls and information security.
------------------------	--

EMRC has a Management Guideline – Privacy in the Workplace that specifically relates to protecting the privacy of an individual’s personal information. The Guideline specifies requirements in relation to:

- Collection and Storage of Personal Information
- Use and Disclosure
- Accuracy of Information.

Audit obtained and reviewed the employee list for the period 01/07/2022 – 30/04/2023, noting that there are four (4) employees appointed in the Human Resources division, comprising:

- Human Resources Administration
- Human Resources Officer
- Senior Human Resources Advisor
- Manager Human Resources.

Review of Position Description for Human Resources Officer and Senior Human Resources Advisor noted that the Human Resources Officer is responsible for maintaining accurate and up-to-date personnel records and HR databases to ensure security and confidentiality of records at all times, managing work experience placements within the EMRC to ensure compliance with internal guidelines, etc, whereas the Senior Human Resources Adviser is responsible for ensuring organisational compliance with employment related legislation, providing specialist advice in relation to the interpretation of Awards and industrial legislation, ensuring employee records are accurate and up-to-date, etc.

Audit also obtained and reviewed Manager Human Resources Position Description, noting that the Manager Human Resources is responsible for managing the induction process for new employees to ensure information provided is relevant and current, developing, implementing, reviewing, and promoting Human Resources policies, guidelines, and procedures, etc.

Through discussion with the Human Resources Team, Audit noted that employee information is managed by the Payroll Officer via SynergySoft, whereas all the employee personal files are stored in the shared folder by the Human Resources Team to provide appropriate segregation of duties. Hardcopy documents are not accepted by the Human Resources Team, as Human Resources files management are conducted fully online, so that they take a copy and save into the Content Manager (CM) while any hardcopy documents are expected to be returned to employees to retain.

No issues were noted.

8.7 ASSESS RIGOUR AND CONSISTENCY OF INCIDENT FOLLOW-UP PROCESS.

Overall Outcome	The EMRC has in place a rigorous and consistent incident (e.g., bullying, harassment, discrimination, etc.) follow-up process.
------------------------	--

Audit obtained and reviewed the Management Guideline – Employee Grievance, Resolution, and Complaints, noting that the matter is required to be raised formally with the Human Resources Team through a written complaint if the grievance is not able to be effectively resolved informally, or for case of bullying, harassment, discrimination, and victimisation. An employee can raise concerns in writing with decision makers if disagreeing with a decision that has been made in relation to employment.

In the case where a grievance or complaint is identified to be false or malicious and made with the intention of negatively affecting or bringing disrepute to another employee or the EMRC, the raising of the grievance or complaint will be considered as misconduct and disciplinary action may be undertaken.

Review of the Management Guideline – Managing Disciplinary Issues noted that a formal disciplinary hearing is required to be organised to discuss and confirm the disciplinary action (e.g., verbal warning, written warning, suspension, termination, etc) that is expected to be undertaken because of the misconduct investigation which is performed using the Management Guideline – Misconduct Investigations. This document also references the *Public Interest Disclosure Act 2003* and the *Corruption and Crime Commission Act (WA) 2003*.

Through discussion with the Human Resources Team, Audit was informed that there is no misconduct noted / reported during the period 01/07/2022 – 30/04/2023.

In terms of incidents relating to workplace safety, this is covered within the Occupational Health and Safety Audit.

No issues were noted.

8.8 DETERMINE WHETHER THE WORKFORCE PLAN IS DEVELOPED AND MONITORED IN ACCORDANCE WITH BEST PRACTICE.

Overall Outcome	The EMRC has in place the Workforce Plan for the period 2019 to 2023 which complies with the <i>Equal Employment Opportunity Act 1984</i> and is monitored annually by managers and the Executive Team.
------------------------	---

Audit obtained the EMRC Workforce Plan 2019 to 2023 which is aligned to EMRC's 10 Year Strategic Plan (2017-2027) through the Key Result Area 3 – Good Governance. Review of the Workforce Plan 2019 to 2023, noted that the EMRC has undertaken an analysis of the previous Workforce Plan for the period 2013 – 2017 across the following six focus areas:

- People and leadership development
- Attraction and retention
- Knowledge management
- Performance management
- Planning for sustainability
- HR systems.

A workforce analysis has also been conducted on EMRC's existing demographics such as gender, age, work type by age, tenure, and generational distribution. The forecasting of workforce needs over the five (5) years, takes into consideration EMRC's strategic direction (including significant projects), perceived challenges (such as staff turnover), as well as services and skills requirements across the respective business units to deliver outcomes – including the new projects coming online comprising:

- Finalisation of the Waste Supply Agreement to divert waste to the new Resource Recovery Facility at East Rockingham
- Development of the Hazelmere Resource Recovery Park
- Ongoing operation and development of the Red Hill Waste Management Facility and new projects, including Food and Garden Organic waste (FOGO) and liquid waste facility
- Review of the EMRC Establishment Agreement
- Implementation of key projects to the benefit of the communities with Perth's Eastern Region
- Advocacy for investment into Perth's Eastern Region.

EMRC's proposed strategies to meet the challenges will focus on during the period 2019 – 2023 the following four (4) areas in relation to employees and the workplace:

- Equal Employment Opportunity
- High performance
- Attraction, recruitment, and retention
- Health, safety, and wellbeing.

The EMRC Workforce Plan for the period 2019 to 2023 is developed in compliance with the *Equal Employment Opportunity Act 1984*, and regularly monitored by the EMRC via annual reports presented to Managers and the Executive Team.

No issues were noted.

8.9 ASSESS EFFECTIVENESS OF STAFF RETENTION STRATEGIES.

Overall Outcome	The EMRC has in place adequate staff retention strategies.
------------------------	--

Based on Workforce Plan 2019-2023 Focus Area Three – Attraction, Recruitment and Retention, the strategies that EMRC uses to retain staff are:

- Continuing to provide benefits, e.g., flexible working arrangement, employment assistance program, health and wellbeing programs, study assistance, salary packaging, additional superannuation, etc.
- Developing strategies to meet generational and diversity needs
- Analysing exit interview data and identify trends, learn, and implement improvements, where required
- Developing and implementing a remuneration strategy to be competitive with market and other local governments, including other Regional Councils
- Providing a variety of flexible work arrangement designed, comprising:
 - Part-time work
 - Job share arrangements
 - Working at home
 - Phased retirement
 - Deferred leave option
- Providing career development opportunities through higher duties and cross functional project participation
- Continuing the Service Recognition Program
- Investigating staff retention incentives, including incentives to stay at the EMRC.

Audit obtained and reviewed the Employee Handbook and the Code Conduct, noting that the EMRC has offered several benefits for employees, comprising:

- Comprehensive internal training program which provides employees skills in using EMRC's systems
- Further education and Study Assistance
- Superannuation guarantee contributions in line with current superannuation legislation and additional 5% contribution for personal superannuation contributions
- Employee Assistance Program (EAP) which can assist with marital or family problems, financial or legal problems, stress, drug or alcohol abuse, emotional conflicts, and other personal problems
- Recognition of services awards which can be presented to employees upon completion of five (5) years continuous service and then upon successive five (5) anniversaries
- Extra Mile Recognition Certificate (EMRC) which is to recognise and reward the outstanding accomplishments, achievements, behaviours, and initiatives of employees
- Employee Suggestion Program (ESP) which provides an opportunity for employees to have a say and be listened to.

Through discussion with the Human Resources Team, Audit was informed that all the current EMRC employees can apply for vacant positions which have been advertised by the EMRC.

Audit also obtained and reviewed the Employee List for the period 01/07/2022 – 30/04/2023, noting that there are totalling fifty-seven (57) permanent employees working at the EMRC during the period 01/07/2022 – 30/04/2023, seventeen (17) of which were appointed for the year to 30/04/2023, whereas seven (7) of which have left the EMRC with six (6) employees who stayed at the EMRC for less than one (1) year. It appears that the staff retention strategies have been operated in an effective manner as most permanent employees have served / are willing to serve longer periods.

No issues were noted.



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**Eastern Metropolitan Regional Council
Investment Policies
Internal Audit**

July 2023

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1. EXECUTIVE SUMMARY

Introduction

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

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

As part of the Strategic Internal Audit Plan 2020/2021 – 2025/2026 an audit of Investment Policies is conducted every second year. This is a core financial related audit that would be expected to be relied upon by the Office of the Auditor General, Western Australia. The audit will cover the period 1 July 2022 to 30 April 2023. This audit will examine reliability and integrity of information, compliance and safeguarding of assets.

Audit Objective:

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

The specific objectives of this audit are as follows:

Reliability and Integrity of Information

- Determine whether there are adequate reporting processes in place to provide reasonable assurance that investment information is useful and received in a timely manner.

Compliance

- Identify whether an investments policy exists, is authorised and available to relevant staff.

Safeguarding of Assets

- Identify whether investments are authorised in accordance with approved policy.

Efficiency / Effectiveness

- Identify whether processes are in place to provide reasonable assurance that the Council is receiving the best possible return on investment.

Risks Identified

- Compliance with legislation
- Unauthorised investment
- Lack of return on investment.

Scope of works

The audit period will be 1 July 2022 to 30 April 2023.

2. OVERALL AUDIT OUTCOMES AGAINST AUDIT SCOPE OF WORKS

Overall Risk Rating

Scope Report Reference	Audit Scope	Outcomes	Risk Rating
8.1	Determine whether there are adequate reporting processes in place to provide reasonable assurance that investment information is useful and received in a timely manner.	Achieved	N/A
8.2	Identify whether an investments policy exists, is authorised and available to relevant staff.	Achieved	N/A
8.3	Identify whether investments are authorised in accordance with approved policy.	Achieved	N/A
8.4	Identify whether processes are in place to provide reasonable assurance that the Council is receiving the best possible return on investment.	Achieved	N/A

3. SUMMARY OF FINDINGS

1. No findings were made.

4. RECOMMENDATIONS

1. No recommendations were made.

5. BUSINESS IMPROVEMENTS

1. It is suggested that Council could consider amending the Management of Investments Policy to ensure that if EMRC is investing in Authorised Deposit-taking Institutions (ADIs), that they may be free to invest in any ADIs that are offering the best return on investment (highest interest rate).

6. OVERALL COMMENTS

Eastern Metropolitan Regional Council - Management Comments

The Investment Policy has evolved since the EMRC was exposed to the losses from its investment in Collateralised Debt Obligations (CDOs) following the Global Financial Crisis, balancing and maximising returns with appropriate credit risk management. The current policy restricts the exposure investing in a single entity up to a maximum of 35% subject to the credit risk rating of the respective ADIs and the risk grouping. With the consolidation of the banking industry over the last decade or so, this has limited the opportunities available to the EMRC. We will consider the business improvement recommendation and assess it in consultation with our Financial Advisor at the next review of the Investment Policy following the Ordinary Elections in October 2023.

Stantons - Audit Management Comments

We acknowledge the management comment and consideration of the suggested business improvement and would like to convey our thanks to all the EMRC team members who assisted with the audit.

7. RISK RATING AND DEFINITIONS

Risk Ratings and Interpretations

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

DISCLAIMER, BASIS OF AUDIT AND LIMITATIONS

DISCLAIMER

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

BASIS OF AUDIT

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

INHERENT LIMITATIONS

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

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

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

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Report Release

Released by (Name): James Cottrill

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

Signature: 

Date: 25 July 2023

8. DETAILED AUDIT ASSESSMENT

8.1 DETERMINE WHETHER THERE ARE ADEQUATE REPORTING PROCESSES IN PLACE TO PROVIDE REASONABLE ASSURANCE THAT INVESTMENT INFORMATION IS USEFUL AND RECEIVED IN TIMELY MANNER.

Overall Outcome	Investment reporting processes are in place to provide reasonable assurance that investment information is useful and received in a timely manner.
------------------------	--

The Manager Financial Services and CFO currently receive monthly reports from Prudential Finance which provides a summary of EMRC's investment portfolio. Prudential Finance presents the reports to EMRC showing compliance with EMRC Investment Policy requirements. Audit obtained the monthly reports for the period of the audit noting that the reports consisted of the following:

- Executive Summary showing investment holdings (in Cash or Term Deposit), Investment Performance (interest percentage depicted in a graph) and Investment Policy Compliance (based on Total Credit Exposure, Individual Institutional Exposures and Term to Maturity)
- *Investment Holdings Report* showing details for individual Cash Account holdings and Term Deposit holdings in figures (\$) – including maturity date face value, current rate, institution, credit rating, purchase price and date, current value (with interest received) and accrued interest
- *Accrued Interest Report* showing interest received or accrued for the month in figures (\$)
- *Investment Performance Report* showing Portfolio Annualised Return against the AusBond BB Index Annualised Return over the last 12 both graphically (line chart) and in figures (%)
- *Environmental Commitments Report* showing breakdown of Fossil Fuel Lending ADIs against Non-Fossil Fuel Lending ADIs both in figures (\$ and %) and graphically (line and bar charts)
- *Investment Policy Compliance Report* showing Total Credit Exposure, Individual Institutional Exposures and Term to Maturity both graphically (bar chart) and in figures (\$ and %)
- *Individual Institutional Exposures Report* showing data in figures (\$ and %) as well as graphically (bar and pie charts)
- *Cashflows Report* showing actual cashflows for the month and forecast for the following month both in figures (\$) and graphically (bar charts).

The content of the monthly report, as listed above, ensures that EMRC are fully informed on the status of investments, as well as compliance with the EMRC Investment Policy. The report provides sufficient information for EMRC to determine whether to re-invest funds upon maturity or withdraw funds to meet upcoming Council cashflow requirements.

On this basis, Audit is satisfied that the reporting process is adequate and provides reasonable assurance that the investment information is useful and received in a timely manner for EMRC to make informed investment decisions.

No issues were noted.

8.2 IDENTIFY WHETHER AN INVESTMENT POLICY EXISTS, IS AUTHORISED AND AVAILABLE TO RELEVANT STAFF.

Overall Outcomes	The Management of Investment Policy has been authorised and is available to relevant staff and member Councils through the EMRC Website.
-------------------------	--

Audit obtained the “Council Policy 3.3 - Management of Investments Policy” which was last reviewed on 23 September 2021 and is available on the EMRC Website. The Policy is ratified by the Council with the new review indicated to be due to occur following the 2023 Ordinary Elections.

The Purpose of the Policy is specified as follows:

To provide for the investment of EMRC’s surplus funds at the most favourable rate of return whilst ensuring prudent consideration of risk and security for the investment type and that liquidity requirements are being met.

To ensure that investments are managed with care, diligence, and skill and that the management of the portfolio is carried out to safeguard the portfolio and not for speculative purposes.

Establish guidelines to ensure investments:

- *Meet legislative requirements;*
- *Optimise investment income and returns within acceptable risk parameters;*
- *Ensure that investments match the liquidity needs of the EMRC; and*
- *Are invested at the most favourable rate of interest available to it at the time whilst having due consideration of risk and security for that investment type.*

The Policy refers to the following legislation:

- *Local Government Act 1995 (sec 6.14) which specifies that the power to invest, EMRC will only invest money, which is in surplus, and when EMRC does not have any extra money, it will refrain from investing and use that money to pay any immediate expenses*
- *Local Government (Financial Management) Regulations 1996 (sec 19C) which specifies that EMRC only invests its money in Authorised Deposit-taking Institutions (ADIs) and nothing else. EMRC only invests in recognised banks with the appropriate credit rating before investing.*

The Policy Statement covers key aspects such as:

- *Delegation of Authority – whereby implementation of the Management of Investments Policy is delegated by Council to the CEO in accordance with the *Local Government Act 1995*. The CEO may in turn delegate the day-to-day management of Council’s investment portfolio to the Chief Financial Officer*
- *Reporting - whereby an investment report is to be prepared each month detailing compliance with the criteria outlined in this policy. The investment report is to be presented to Council at the next ordinary meeting of the Council following the end of the month to which the report relates.*
- *Investment Advisor - whereby the CEO has delegated authority to appoint an investment adviser when considered appropriate. The local government’s investment advisor must be licensed by the Australian Securities and Investment Commission*
- *Risk Management Guidelines - whereby investments are to comply with three key criteria relating to:*

Overall Portfolio Limits

To control the credit quality on the entire portfolio, the following credit framework limits the percentage of the portfolio exposed to any particular credit rating category.

S&P Long Term Rating	Portfolio Maximum %
AAA	100%
AA & A	100%
BBB	40%

Single Entity Exposure

Exposure to an individual institution will be restricted by its credit rating so that single entity exposure is limited, as detailed in the table below:

S&P Long Term Rating	Portfolio Maximum %
AAA	45%
AA & A	35%
BBB	20%

Term to Maturity

Term	Minimum %	Maximum %
Portfolio % \leq 1 year	40%	100%
Portfolio % $>$ 1 year \leq 3 year	0%	60%

No issues were noted.

8.3 IDENTIFY WHETHER INVESTMENTS ARE AUTHORISED IN ACCORDANCE WITH APPROVED POLICY.

Overall Outcome	Investments were identified to have been undertaken in accordance with the approved Investment Policy.
------------------------	--

EMRC provided each of the monthly Investment Reports during the period of the audit, in which Audit selected a sample of ten (10) investments (one investment from each month) to ensure that investments are in accordance with the approved policy.

Review of the sample of investments noted that EMRC complied with the approved policy requirements at the time of investment by:

1. Investing in Authorised Deposit-taking Institutions (ADIs) which met the Standard & Poor's credit rating
2. Restricting exposure to an individual institution by their credit rating
3. Not exceeding a term deposit maturity of greater than one year.

As a result, at the time of making the proposed investment, EMRC was compliant with the Policy. However, as term deposits mature and EMRC requires funds and were unable to re-invest, the portfolio was not compliant with the single entity exposure requirement which limits exposure of the funds to certain credit rating investments indicated within the Policy as listed below.

ADI Name	Standard & Poor's Credit Rating (Long/ Short)	EMRC Policy Limit per ADI Based on Short-Term Credit Rating Limits
ANZ Banking Group Ltd.	AA-	45%
Bank of Western Australia Ltd.	AA-	45%
Commonwealth Bank of Australia	AA-	45%
National Australia Bank Ltd.	AA-	45%
Westpac Banking Corp.	AA-	45%
Suncorp Metway Ltd	A+	35%
Macquarie Bank Ltd	A+	35%
ING Bank	A	35%
Bank of Queensland	BBB+	20%
Bendigo & Adelaide Bank	BBB+	20%
Rural Bank	BBB+	20%
Great Southern Bank (ex-CUA)	BBB	20%
ME Bank	BBB	20%
AMP Bank Ltd	BBB	20%

This non-compliance would occur when a term deposit matures and EMRC requires funds to meet expenses, as the percentage proportion changes for individual institutions when compared to the overall portfolio. This can only be resolved at maturity of future investments or if EMRC is able to reinvest additional funds. Audit acknowledges that this is normally a short-term situation and does not see it as a compliance issue.

No issues were noted.

8.4 IDENTIFY WHETHER PROCESSES ARE IN PLACE TO PROVIDE REASONABLE 'ASSURANCE THAT THE COUNCIL IS RECEIVING THE BEST POSSIBLE RETURN ON INVESTMENT.

Overall Outcome	The investment processes in place provide reasonable assurance that EMRC is receiving the best possible return on investment based upon the requirements contained within the Investment Policy.
------------------------	--

Audit obtained the Management Guideline – Investments (dated June 2022) which provides EMRC with the scope to manage the day to day operations and management of the investment policy being 3.3 Management of Investments Policy and ensure compliance.

The Guideline specifies that a Cash Flow Forecast must be prepared and updated at the beginning of each month, with the Manager Financial Services (MFS) taking into account the following:

- 1) The expected cash outflow: Capital expenditure needed and large periodic payments such as landfill levy and GST
- 2) Maturing Term Deposit
- 3) The amount to be invested and the maturity of the investment
- 4) Updates to capital expenditure must be reviewed with the responsible Managers
- 5) Confirm if there is any amount that is unspent in the previous months that is required to be carried forward to future months
- 6) Confirm any other movements in terms of timing for capital expenditure
- 7) Confirm if there is any cancellation of existing budgeted capital expenditure or reallocation to new capital items.

Based on the cash flow profile, a recommendation made by email is sent to the CEO (or his delegate the CFO) on the amount that is to be invested, the maturity of the investment, and the type of instrument the amount is to be invested in.

Once it is established that funds are to be invested or rolled over in a term deposit, a request is made to the contracted financial advisor (Prudential Financial) which on the morning of the investment provides the comparative rates for the various banks based upon the term of the maturity requested. The basis of the recommendation will factor in:

- The credit rating of the deposit-taking institution;
- The level of interest rates offered;
- The percentage of portfolio in the deposit taking institution; and
- The percentage of portfolio in the credit rating category.

and adherence to the three key criteria of the Investment Policy.

Once approval of the preferred investment has been confirmed by the CEO (or his delegate), the CFO will action the investment by emailing the MFS and FTL to carry out their duties with regards to the investment decision. This process allows the MFS, CFO and CEO to view the best rate of return at the time of investment from the available authorised deposit-taking institutions, however, due to the constraints that exist within the Investment Policy, this may inhibit EMRC from getting the best possible investment rate available on the day which may be offered by other ADIs.

To ensure oversight by the Council on investment decisions taken, a summary of the EMRC Monthly Investment Report (containing the latest monthly Overall Portfolio Limits, Single Entity Exposure, Term to Maturity and Fossil Fuel Divestment) is provided to the monthly Ordinary Meeting of Council for their review.

Suggested Business Improvement	1. It is suggested that Council could consider amending the Management of Investments Policy to ensure that if EMRC is investing in Authorised Deposit-taking Institutions (ADIs), that they may be free to invest in any ADIs that are offering the best return on investment (highest interest rate).
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No issues were noted.



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**Eastern Metropolitan Regional Council
IT General Controls Follow Up
Internal Audit**

August 2023

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1. EXECUTIVE SUMMARY

Introduction

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

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

As part of the Strategic Internal Audit Plan 2020/2021 – 2025/2026 an IT General Controls Follow-up has been scheduled.

Audit Objective:

This is classified as an assurance audit with a focus on controls. This audit is a follow-up of the status of the previous IT General Controls audit.

The following business improvements were raised in the previous IT General Controls Audit:

1. Audit noted that the following policies and guidelines need formal action to indicate they have been reviewed, even though they may still be current:
 - Management Guidelines - Data Security Policy
 - Management Guidelines - Email Policy
 - Business Continuity - Diversion of Phone Systems to Standby Message Bank.
2. Audit also suggests that the EMRC considers whether there is a case to justify implementing an Intrusion Detection System/Intrusion Prevention System that would integrate with the existing FortiGate devices.
3. Audit suggests that the EMRC has formal written contractual obligations for third parties to align with their Data Security Policy if they have providing outsourced IS services where there is access to EMRC systems.
4. Audit also suggests that the EMRC considers controls over the management of removable computer media such as USB drives, such as restricting use, providing guidance on use or enforcing encryption such as Bit-Locker over any EMRC data stored on these devices.
5. Audit suggests for major system changes that they are documented in a log with approval of the Manager Information Services.
6. Audit also suggests a formal technical review of major operating system changes like patches and updates, and this could be reflected in the log detailed in suggestion number five above.

Audit has followed up to assess the progress made regarding each business improvement raised from the previous IT General Controls Audit and at the request of EMRC has also examined the new Cyber Security Framework.

Scope of works

The audit was a point in time follow-up.

2. OVERALL COMMENTS**Eastern Metropolitan Regional Council - Management Comments**

We accept the findings of this audit and have added a status column and indicator to the Essential Eight spreadsheet. We thank Stantons for including our newly developed Cyber Security Framework in the audit.

Stantons - Audit Management Comments

We acknowledge acceptance of our business improvement to the Cyber Security Framework and would like to thank the Manager Information Services and his team for all their assistance with the audit.

DISCLAIMER, BASIS OF AUDIT AND LIMITATIONS**DISCLAIMER**

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Report Release

Released by (Name): James Cottrill

Signature:



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

Date: 30 August 2023

3. DETAILED AUDIT ASSESSMENT

3.1 FOLLOW-UP TO ASSESS THE PROGRESS MADE WITH REGARD TO EACH BUSINESS IMPROVEMENT RAISED FROM THE PREVIOUS IT GENERAL CONTROLS AUDIT

Overall Outcome	The EMRC has made sufficient progress on all the business improvements raised which will help their alignment with best practice.
------------------------	---

Audit performed an IT General Controls Audit over the EMRC in May 2021 and provided several business improvements formulated as per Local Government best practice.

Audit were informed by the Manager, Information Services that the following guidelines are currently under review:

- Management Guidelines – Data Security Policy
- Management Guidelines – Email Policy.

We acknowledge that a follow up regarding the Diversion of Phone Systems document is no longer applicable due to system changes.

Audit obtained and reviewed the Business Continuity Plan (BCP) which was updated on the 20 July 2023. The document includes a list of the Business Recovery Team and a summary of all the key actions to be taken if the EMRC's Ascot Place Building is destroyed or otherwise inhabitable. The BCP also contains the contact details of the responsible EMRC members with inclusion of name, position, mobile number, and their roles in case of an emergency. It also has details of key support services and provides alternative accommodation details for key staff and provides good guidance should Ascot Place become inhabitable.

We also reviewed the status of Intrusion Prevention System (IPS)/Intrusion Detection System (IDS) and reviewed a FortiAnalyzer Daily Summary report dated 27 July 2023. This report provides a snapshot of applications, threats, websites, incidents, and user bandwidths. Other supporting reports reviewed included threat and traffic reports and screenshots demonstrating the IPS in use. EMRC uses FortiGate F100 firewalls, the FortiAnalyzer appliance and SentinelOne IPS/IDS devices. This provides a strong security regime.

EMRC has also documented the status of various policy changes and updates in a Cyber Security Framework Action List spreadsheet. Several tasks are underway and are further described in the next section of this report.

We understand as per the Manager, Information Services, a formal and written External Stakeholder access obligation for third parties is being integrated into the new Data Security Policy. The access of external stakeholders can be a security risk for EMRC that could result in data delete or corruption. Therefore, EMRC has updated the Data Security Policy with the following:

- External stakeholders need to access to EMRC IT system which is to perform the maintenance, support, and development. Such as Web Developers, IT Consultants and Finance System support
- EMRC has provided least access to its stakeholders to perform their roles
- Stakeholders need written permission in documented form to gain access
- Passwords are to be changed periodically for all stakeholders.

These clauses would hold third party external stakeholders accountable for any Data Security breaches resulting from stakeholders negligence. They must also comply with the Data Security Management Guideline.

Removable devices have also been incorporated in the updated Data Security Policy dated 29 August 2023. To protect the sensitive data from accessing the removeable media, EMRC has updated the data security requirements. All removeable devices such as CDs, DVDs and backup tapes must be labelled. Transferring the data manually between the two systems belonging to different security domains, write-once media must be used unless read-only access has been provided. For the transfer of confidential or sensitive data, the updated policy recommends the use of OneDrive and the use of security options available such as expiring links and password protection to ensure reduction of use of removable devices. The contents must be zipped, and password protected if a USB drive is required. In the updated Data Security Policy EMRC has indicated that it does not have sensitive information stored on laptops that could jeopardise people's privacy, hence there has been no driver to deploy BitLocker. The risk level has been assessed and determined that BitLocker is not required.

Audit obtained and reviewed the IT System Changelog which contains all recent major changes within the system. The log contains the following information for each change:

- Date
- Category
- Version
- Change Title
- Who
- Change Description
- Manager Approval date.

The changes are logged appropriately and sorted accordingly by date. The category indicates where the change is made, such as to FortiGate or Active Directory etc. The versions for any updates or patches are also stated. The change title helps identify what the nature of the change is, and the change description explains the initial issue along with the remedy change in detail. The responsible person for the change is also identified in the log.

Overall, Audit have concluded that the EMRC has made further progress in addressing most of the business improvement suggestions since the last IT General Controls audit. We note that most policies are in the process of being finalised.

3.2 REVIEW OF CYBER SECURITY FRAMEWORK

Overall Outcome	EMRC are implementing a cyber security framework which will assist them to improve their information systems security against threats.
------------------------	--

At the request of EMRC, Audit has also examined the new Cyber Security Framework.

Audit obtained and reviewed the Cyber Security Framework that has been updated on 17 February 2023. To improve the protection against cyber threats, EMRC has made some changes in their security framework. These include:

- Improvement in Cyber Security activities and policy
- Reduce risk rate of cyber security incidents that can impact EMRC
- Previous year Internal Audit security report response
- Response to the Office of Auditor General Report.

We noted that the framework uses the Australian Cyber Security Centre's Information Security Manual (ISM) as a template for a best practice security framework. It refers to existing documentation where appropriate and highlights the status of practice and policy. There are also several supporting documents in relation to the framework including:

- Backup Retention Information February 2023 – this spreadsheet lists the backup and retention information pertaining to backups
- Disaster Recovery Technical Process updated 13/12/2022 - this document outlines the technical steps required to restore EMRC's production systems to service at the Recovery Site
- Electronic Records Management System Security Plan Updated 25/11/2022 - this plan has been developed to ensure that security risks relating to the use of the Micro Focus Content Manager application are adequately managed
- Supplier Cyber Security Requirements Policy Updated 03/11/2022 – this policy indicates that suppliers must ensure their information technology and other business systems meet the following requirements when providing their supply to the EMRC
- SynergySoft Security Plan Updated 24/02/2023 - this plan has been developed to ensure that security risks relating to the use of the SynergySoft application suite are adequately managed
- Cyber Incident Response Plan Updated 08/11/2022 – this plan determines how the EMRC will respond to a cyber security incident, educate, and define how the organisation will react and to limit damage, improve recovery times and help safeguard the business. It will also help define whether the incident requires reporting under the Notifiable Data Breach scheme and what steps should be taken in that event
- Cyber Security Incident Register – a spreadsheet to record incidents
- Essential Eight Matrix – a spreadsheet tracking EMRC's level of alignment against the Essential Eight from the Australian Cyber Security Centre (ACSC) for maturity level one with the control mechanisms in place to achieve the mitigation strategy. However, a status indicator would make it clearer if the maturity one requirements have been met as well as progress towards levels two and three
- High Level Network Diagram WAN – network diagram for the wide area network
- Disaster Recovery Plan Updated 1/12/2022 - this plan covers the aspects of the EMRC operations that requires more comprehensive planning to deal with an extended downtime associated with its ICT environment
- System Access Tracking Register – this spreadsheet is used to track non EMRC access to systems
- Vulnerability and Patching Management Updated 24/02/2023 – this document notes that vulnerability management is a continual process of identifying, categorising,

prioritising, and resolving vulnerabilities in operating systems, enterprise applications, browsers, end-user applications and equipment generally through patching, reconfiguration of insecure settings and scanning to detect weaknesses

- IT Risks March 2023 – this spreadsheet lists the current IT risks in place
- Network Documentation Updated 11/11/2022 - this document provides information about the EMRC's network and IT hardware and software infrastructure. It provides a reference for daily operations, IT consultants and business continuity.

Suggested Business Improvement 1	Audit suggests that the EMRC considers adding a status column and indicator (using a legend or scale) in the Essential Eight spreadsheet to show the level of alignment with maturity level one and progress towards levels two and three.
---	--

The Cyber Security Framework document is comprehensive and with its supporting documents provides a strong foundation for EMRC in relation to cyber security. Given the nature of cyber security threat landscape, an ongoing security regime is important to ensure appropriate mitigations are in place including the aspiration to move towards levels two and three of the Essential Eight Maturity Model.

No issues were noted.



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Eastern Metropolitan Regional Council

OH&S System Review/Reporting and Remedial Actions

August 2023

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1. EXECUTIVE SUMMARY

Introduction

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

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

As part of the Strategic Internal Audit Plan 2020/2021 – 2025/26 an audit of Occupational Health and Safety (OH&S) Systems Review and Reporting, and Remedial Actions is conducted every second year. These are core financial related audits that would be expected to be relied upon by the Office of the Auditor General, Western Australia. The audits will cover the period 1 July 2022 to 30 April 2023. These audits will examine reliability and integrity of information, compliance and safeguarding of assets.

The audit objectives and scope of the works are provided below.

Audit Objective:

The primary objective of the audit was classified as an assurance audit with a focus on controls. We will use a combination of walk throughs, interviews, process observation, and sampling to assess controls.

The specific objectives of this audit are as follows:

Occupational Health and Safety (OH&S) Systems Review Compliance

- Assess policies and procedures to provide adequate assurance that legislative and regulatory requirements will be met
- Assess whether procedures are in place to provide adequate assurance that OHS processes comply with documented and approved policies and procedures
- Assess awareness of policies and procedures
- Assess rigour and consistency of incident follow-up process.

Strategic

- Determine whether the OHS systems are monitored and updated in accordance with the changes in best practice.

Risks Identified

- Compliance with legislation
- Not having appropriate policies in place
- Security
- Completeness of information.

Occupational Health and Safety (OH&S) Reporting, and Remedial Actions
Compliance

- Managers receive reporting in both leading and lagging indicators
- Reporting is provided on near hits, medical treatment, and lost time injuries
- Assess awareness of reporting and remedial processes
- Assess rigour and consistency of incident follow-up process.

Risks Identified

- Compliance with legislation
- Not having appropriate policies in place
- Completeness of information.

Scope of works

The audit period was 1 July 2022 to 30 April 2023.

2. OVERALL AUDIT OUTCOMES AGAINST AUDIT SCOPE OF WORKS

Overall Risk Rating

Scope Report Reference	Audit Scope	Outcomes	Risk Rating
<i>Occupational Health and Safety (OH&S) Systems Review</i>			
8.1	Assess policies and procedures to provide adequate assurance that legislative and regulatory requirements will be met	Achieved	NA
8.2	Assess whether procedures are in place to provide adequate assurance that OHS processes comply with documented and approved policies and procedures	Achieved	NA
8.3	Assess awareness of policies and procedures	Achieved	NA
8.4	Assess rigour and consistency of incident follow-up process	Achieved	NA
8.5	Determine whether the OHS systems are monitored and updated in accordance with the changes in best practice	Achieved	NA
<i>Occupational Health and Safety (OH&S) Reporting, and Remedial Actions</i>			
8.6	Managers receive reporting in both leading and lagging indicators	Achieved	NA
8.7	Reporting is provided on near hits, medical treatment, and lost time injuries	Achieved	NA
8.8	Assess awareness of reporting and remedial processes to the Council and Senior Executive	Achieved	NA
8.9	Assess rigour and consistency of incident follow-up process by the Council and Senior Executive	Achieved	NA

3. SUMMARY OF FINDINGS

1. No findings were raised* (*note: In the Waste Management (Wood Waste, Community Recycling and Other Processing Transfers) audit report, we found from the WHS Incident Reporting Register that one Incident and Injury Report Form was not available for review, three incidents were not recorded within the respective Action Worksheet, and one did not have the action complete date specified and then closed).

4. RECOMMENDATIONS

1. There were no recommendations.

5. BUSINESS IMPROVEMENTS

1. Audit suggests that a weekly outstanding actions close-out list to be sent to each operational site manager to sign-off and advise the new close-out date.

6. OVERALL COMMENTS

Eastern Metropolitan Regional Council (EMRC) - Management Comments

EMRC WHS advisors will ensure that all incidents are reviewed against the action plan and that all actions are resolved. Additionally, all incident reporting documentations will be checked for completeness before the closure of each incident.

The target for completion of the review of the current WHS Incident Reporting Register is the end of August 2023. The EMRC WHS Coordinator is tasked with the responsibility of ensuring this is completed and are all in line with WHS standards.

Going forward, all actions are to be reviewed and discussed by WHS Coordinator with EMRC site operations. In addition to ongoing monthly reporting, discussions regarding the key insights and issues are to be raised at WHS team meetings.

Stantons International - Audit Management Comments

We acknowledge the management comments and would like to thank all members of the WHS team for their valuable assistance with the audit.

7. RISK RATING AND DEFINITIONS

Risk Ratings and Interpretations

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

DISCLAIMER, BASIS OF AUDIT AND LIMITATIONS

DISCLAIMER

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

BASIS OF AUDIT

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

INHERENT LIMITATIONS

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation.

Report Release

Released by (Name): James Cottrill

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

Signature:



Date: 8 August 2023

8. DETAILED AUDIT ASSESSMENT

8.1 ASSESS POLICIES AND PROCEDURES TO PROVIDE ADEQUATE ASSURANCE THAT LEGISLATIVE AND REGULATORY REQUIREMENTS WILL BE MET

Overall Outcome	Audit noted that there were adequate assurance that legislative and regulatory requirements were being met through EMRC policies and procedures.
------------------------	--

Audit obtained and reviewed the Council Policy 7.2 Occupational Health and Safety to assess how EMRC complied with the legislative and regulatory requirements. The objective of the Policy is to improve EMRC's culture, health, welfare, and safety. The policy was designed to align with the *Occupational Safety and Health Act 1984*. This policy listed the commitments and responsibilities of EMRC as an organisation towards ensuring that the legislative and regulatory requirements are met.

EMRC commitments in the policy include:

- Complying with all relevant OH&S legislation and other requirements placed upon the organisation
- Developing sustainable Safety Management Systems and Safety Management Plans for all workplaces
- Promoting a culture of continuous improvement in workplace health, safety, and wellbeing
- Risk Management processes and ensuring consistency with the nature of its workplace activities and assessment of risk
- Establishing measurable objectives and targets for occupational safety and health to ensure continuous improvement aimed at eliminating work-related injury and illness
- Establishing and maintaining communication and consultation processes that ensure employees are included in decision making processes that impact on health and safety in the workplace
- Ensuring employees are trained and competent to carry out their roles in a safe manner and to provide training where required to develop employees where required
- Implementing the provisions of this policy in all areas of EMRC's business activity and on all sites where its activities are undertaken.

The responsibilities of the Chief Executive Officer, supported by the management team, for providing a safe and healthy work environment include:

- Ensuring that there is close cooperation and consultation between management and employees regarding safety related matters (a consultative process such as the Safety Advisory Committee and the involvement of Safety and Health Representatives is seen as an essential feature of the program)
- The ongoing recognition and control of all hazards through a hazard identification and control process
- Ensuring formal training is conducted (includes the safety induction processes), to improve the health and safety related knowledge and skills of employees and contractors as relevant
- Ensuring plant and equipment is safe and suitable for the job, via effective purchasing, inspection, and maintenance systems
- Providing an effective system for accident / incident reporting, investigation, and recording.

- Ensuring systems are in place that minimise risk as low as reasonably practicable in the general work environment through elimination or the use of effective controls and where personal protective equipment and clothing is the last consideration for control
- Ensuring that Emergency Response Procedures are developed and implemented to protect anyone on council premises in the event of an emergency
- Providing health related information and encouraging activities that promote the health and wellbeing of employees, including the provision of an Employee Assistance Program (EAP) and a Health Promotion Program
- Ensuring EMRC develops and implements an effective and consistent injury management process if an employee should suffer a work-related injury
- Ensuring the EMRC Safety Management System complies with all relevant legislation.

EMRC employees and contractors are responsible for:

- Complying with EMRC policies and procedures
- Following all lawful instructions given by EMRC management
- Committing to their own safety and the safety of others in the workplace or effected by work carried out in EMRC activities
- Contributing to EMRC health and safety activities to ensure EMRC complies with its legislated requirements
- Reporting all injuries, incidents and hazards that may occur at the workplace.

The policy in place provided adequate assurance that legislative and regulatory requirements were being met, however the *Western Australian Occupational Safety and Health Act 1984* and *Western Australian Occupational Safety and Health Regulations 1996* have been repealed and replaced by the new *Work Health and Safety Act 2020* and the *Work Health and Safety (General) Regulation 2022*. As a result, EMRC was in the process and implementing and adopting new Work Health & Safety (WHS) policies and procedures to reflect the changes in legislation.

A new Work Health & Safety Management System has recently been created by EMRC which provides a Framework of WHS Policies and Procedures. The objective of this new document is to ensure the health, safety, and wellbeing of workers while at work and eliminate or mitigate risk in relation to the activities in which they are engaged, so far as is reasonably practicable. To achieve these continual improvement outcomes, EMRC is committed to:

- Ensure there are systems, resources, and clear responsibilities to implement and review the Work Health and Safety Policy and continuously improve its application
- Ensure measurable Health and Safety objectives and targets are established, and planning is undertaken to achieve objectives, and monitor results
- Implement risk management systems that identify existing and potential hazards, assess the associated risk, and implement effective control strategies to lower the risk to as low as reasonably practicable
- Ensure that all workers, volunteers, and contractors are fully informed, instructed, trained, supervised and or verified as competent in the tasks they are required to perform so as to ensure they are able to execute their duties in a safe and efficient manner
- Communicate and consult with Health and Safety Representatives, workers, and contractors in regard to safety and health related matters, to ensure feedback and involvement is sought from all personnel
- Ensure there are systems in place for the identification of legal and other requirements relevant to the EMRC's operations and processes established to monitor compliance

- Ensure all workers and contractors are fully aware of their responsibility to take reasonable care to safeguard their own health and safety at work and avoid adversely affecting the health and safety of others through any act or omission at work
- Regularly monitor the workplace for known risks that may likely present, including the application of higher order Hierarchy of Controls for which are reviewed on a reoccurring basis to ensure the effectiveness in maintaining a happy healthy and safe workplace environment
- Achieve the best level of recovery and return to the workplace for injured workers by implementing rehabilitation and injury management initiatives.

Audit identified that the new framework complied with the *Work Health and Safety Act 2020* and the *Work Health and Safety (General) Regulation 2022*. Audit noted that EMRC was in the process of updating WHS policies and procedures to reflect the change in legislation at the time of audit.

No issues noted.

8.2 ASSESS WHETHER PROCEDURES ARE IN PLACE TO PROVIDE ADEQUATE ASSURANCE THAT OHS PROCESSES COMPLY WITH DOCUMENTED AND APPROVED POLICIES AND PROCEDURES

Overall Outcomes	Audit reviewed EMRC's OH&S processes and found them to be adequate and in compliance with documented and approved policies and procedures.
-------------------------	--

Audit obtained and reviewed the Safety Management Plan to assess the compliance of OHS processes with approved policies and procedures. EMRC has developed the plan as a guideline for their OHS processes to ensure compliance with the *Western Australian Occupational Safety and Health Act 1984* and *Western Australian Occupational Safety and Health Regulations 1996* as far as reasonably practical. Due to the process of updating WHS policies and procedures not having been completed at the time of audit, the existing Safety Management Plan was still in effect but will soon be replaced by the new Work Health & Safety Management System noted below. The main elements of the Safety Management Plan are as follows:

1. Allocation of OS&H responsibilities;
2. Induction/Training;
3. Hazard Identification & Management;
4. Incident and Injury Reporting;
5. OS&H Communication/Consultation;
6. Emergency Response Planning and Implementation;
7. Contractor Management Process - OS&H;
8. Injury Management/Rehabilitation;
9. Purchasing and Procurement Process – OS&H;
10. Manual Task Management; and
11. Program Performance Evaluation (includes Monitoring & Auditing).

In the allocation of OS&H responsibilities, a detailed list of safety related responsibilities has been assigned to each level within EMRC:

- Safety Responsibilities of the Chief Executive Officer (Responsible Officer)
- Safety Responsibilities of the Occupational Safety and Health Coordinator
- Safety Responsibilities of Chiefs
- Safety Responsibilities of Managers and Supervisors
- Safety Responsibilities of Safety and Health Representatives
- Safety Responsibilities of All Employees.

Audit found that the Safety Management Plan contained processes that were compliant with approved policies and procedures.

EMRC also has a Management Guideline – Contractor Management. EMRC recognised that it has a duty of care for all employees and contractors to provide a safe working environment. This procedure ensured that when engaging a contractor to undertake work on EMRC property or on behalf of the EMRC, the scope of work is defined with all known risks and record keeping accounted for, in alignment with the EMRC Occupational Safety and Health (OSH) Policy, *Occupational Safety and Health Act* and Regulations. The documented procedure includes three steps:

1. Define the contract and the risk classification
2. Select the most appropriate contractor
3. Record keeping.

It also contained general requirements for all work completed by EMRC contractors such as contract supervision, insurances, vehicle and plant inspections, work permits, legislative compliance, site induction, contractors under the influence of alcohol or other drugs,

hazards/safe work procedures, admission to site, all accidents, and incidents to be reported, and communication with isolated employees. Audit found that the processes in the Management Guideline complied with the documented and approved policies and procedures.

In response to the change in legislation mentioned above and to improve health and safety procedures, EMRC had contracted an external advisory firm, Marsh, to develop a new Work Health & Safety Management System. This document was in the adoption stage in time of audit and would replace the Safety Management Plan in due course. The key elements of this management system are:

1. The EMRC's Safety Commitment
2. WHSMS Overview
3. Policy & Objectives
4. Key WHS Responsibilities
5. Site Security & Inductions
6. Consultation, Communication & Issue Resolution
7. Training & Competency
8. Hazard Management
9. General Hazards & Controls
10. Injury & Illness Management.

Each section in the new document included the purpose and scope, responsibility, procedure, related documents, and review date. In terms of structure and components, the new Work Health & Safety Management System was like the old Safety Management Plan. Audit noted a few changes in detail to reflect the changes in legislation. For instance, Audit found that WHS Committee Meeting frequency had changed from every two months to at least every three months.

No issues were noted.

8.3 ASSESS AWARENESS OF POLICIES AND PROCEDURES

Overall Outcome	Audit found that the awareness of policies and procedures at EMRC was adequate.
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Audit interviewed the Coordinator Work Health & Safety to assess awareness of WHS policies and procedures at EMRC. The Coordinator advised that EMRC employed all relevant Code of Practices from the Department of Mines, Industry Regulation and Safety. The Codes of Practices were incorporated into relevant work procedures as Safe Work Method Statement (SWMS) which were available to all staff on EMRC's intranet. Audit completed a walk-through with the coordinator to view the SWMS on the intranet.

Audit noted that each operational site has a different set of SWMSs according to the specific needs. The Coordinator advised that operational employees were required to sign off on relevant SWMS every day at the beginning of their shift. The Coordinator also advised that during staff induction, new staff would be given a challenge test for a specific task (operating machines or driving truck, etc.) to ensure that they were capable for the job. If a staff failed the test, the staff would be required to undergo formal training provided by EMRC before he or she was allowed to work on that specific task. Audit found that staff were aware of the relevant SWMS to each job when working.

In case of visitors or contractors at one of EMRC's sites, the Coordinator stated that the visitor or contractor was required to complete a Walk Around Induction Form. This form is a checklist to ensure that the visitor or contractor was aware of WHS policies and procedures at EMRC. The checklist included:

- Emergency planning
- PCBU/Employer duty of care
- Worker/Employee duty of care
- Heavy vehicle interaction safe work procedure
- WHS issue resolution
- Manual tasks
- Workplace behaviour
- Working outdoors
- Drugs and alcohol in the workplaces
- Smoke free workplace policy
- Vehicle safety
- Contractors
- Medical concerns.

Audit found that the Walk Around Induction form was adequate to ensure awareness of WHS policies and procedures for visitors and contractors.

According to the Coordinator, WHS communications to staff were usually in the form of meetings. A toolbox meeting would be held once a month at each site. The agenda of toolbox meeting were reporting on near misses/hits, lesson learnt, medical treatment and lost time injuries. The WHS Committee Meeting also met at least once every three months. The minimum quorum for meetings is five (5), comprising 50% worker representatives plus one (1), which includes at least one (1) Health and Safety Representative. Hard copies of the meeting minutes are placed on noticeboards at each site. Audit obtained and reviewed the meeting minutes for WHS Committee Meeting – March 2023. This meeting was attended by the Chief Operating Officer (COO), the Coordinator, WHS team, HR manager, Health and Safety Representative and worker. The agenda for the meeting was:

- Recent incidents at each site

- LTI & MTI stats
- Toolbox topics
- Site hazard inspection/actions list from go canvas
- Site Safety Improvements
- Safety Projects.

Audit found that the WHS communications were adequate to ensure awareness of relevant policies and procedures.

No issues were noted.

8.4 ASSESS RIGOUR AND CONSISTENCY OF INCIDENT FOLLOW-UP PROCESS

Overall Outcome	Audit reviewed the incident follow up procedure and found that it was consistent and adequate with good rigour demonstrated.
------------------------	--

Audit interviewed the Coordinator Work Health & Safety to assess the incident follow-up process at EMRC. The Coordinator advised that once the WHS team received an incident report form, they will update the incident register in the WHS Report – Incident Reporting. A formal investigation would be initiated usually led by the Coordinator to find out the root cause of the incident. If a worker was injured due to the incident, a worker compensation form would be filled out and sent to Human Resources (HR). A meeting between the site manager, WHS Coordinator and involved worker would be setup to decide the follow up actions, the accountable person, and the actions completion due date. The relevant site Actions List would be updated to reflect the remedial actions.

The Coordinator also advised that any incident happened would be included in the next toolbox meeting and WHS Committee Meeting. Any lesson learnt or remedial actions would be communicated to all staffs to avoid reoccurrence in the future.

Audit inquired with the Coordinator in relation to latest Worker Compensation Claims and randomly selected one claim to test the incident follow-up process. Incident number 2022-23/094 on 25 May 2023 related to a worker tore his left bicep when picking up 10L paint can in transfer station at Red Hill site. Audit observed the following:

- Recorded in Incident Register
- Remedial actions recorded in Actions List
- Incident and Injury Report Form
- Workers' Compensation Claim Form
- Workers' Compensation First Certificate of Capacity dated 25 May 2023
- Workers' Compensation Progress Certificate of Capacity dated 25 May 2023
- Workers' Compensation Progress Certificate of Capacity dated 25 May 2023
- Employer's (EMRC) Report Form (including wages information attachments) dated 30 May 2023
- St John of God ED Fracture Follow Up dated 25 May 2023
- St John of God Discharge Summary Referral dated 25 May 2023
- Referral to Tony Jeffries dated 29 May 2023.

Audit found that the incident was recorded and followed up in accordance with WHS policies and procedures. Additionally, Audit also crosschecked the Incident Register and the Action Lists for the current period. Audit noted that incidents were reported and recorded within 24 hours. The recorded incidents were assigned to relevant Action Lists at each site with recommended remedial actions. The accountable person and the action due date were also assigned to each action. Audit concluded that the incident follow-up process was rigorous and consistent.

We noted that as part of our work on the Waste Management (Wood Waste, Community Recycling and Other Processing Transfers) audit, we found from the WHS Incident Reporting Register that one of the Incident and Injury Report Forms was not available for review (ref. 2022-23/026), three incidents (ref. 2022-23/017, 026, and 058) were not recorded within the respective Action Worksheet, and one (ref. 2022-23/046) did not have the action complete date specified and then closed. As this has already been raised as a finding, it has not been replicated in this report.

Audit obtained and reviewed the Management Guidelines – Audiometric Testing to assess the follow-up process for preventing hearing loss at EMRC. According to the guideline, any employees who are exposed to a noise dose equivalent to 90dBA for eight (8) hours or more on a representative working day would qualify for ongoing audiometric testing. Any new staff had to take a Baseline test, and subsequent tests were offered every two years. EMRC identified the following positions were at risk of hearing loss:

- Mechanics/fitters;
- Full-time plant operators;
- Tip face traffic controllers; and
- Operators of wood Processing plants.

Audit obtained and reviewed the Health Surveillance Register maintained by the HR team to assess the follow-up of audiometric testing. Audit found that subsequent testing had been carried out every two years for relevant staff. Audit was satisfied that the follow-up process was consistent and in compliance with the Management Guidelines.

No issues were noted.

8.5 DETERMINE WHETHER THE OHS SYSTEMS ARE MONITORED AND UPDATED IN ACCORDANCE WITH THE CHANGES IN BEST PRACTICE

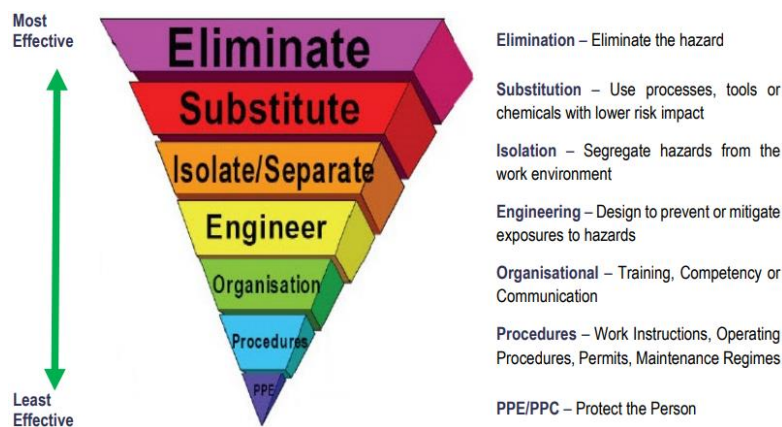
Overall Outcome	Monitoring of WHS systems was adequate and in accordance with changes in best practice.
------------------------	---

Through the interview with the Coordinator Work Health & Safety, Audit noted that each operational site at EMRC maintained a Site Hazard Risk Register. The objective of the register was to identify any potential risks and implement controls to mitigate the impact of such risks.

The Risk Register contained:

- Risk description.
- Risk ranking prior to implementation of controls.
- Risk controls.
- Risk ranking after implementation of controls.
- Responsible personnel.
- Documentations.
- Legislation.
- Monitoring or measurement.
- Status.
- Review date.

Audit reviewed the Site Hazard Risk Register for Hazelmere and Red Hill. Audit noted that the approach to implement controls was in accordance with Safety Management Plan:



The Coordinator also advised that the responsibilities of monitoring and updating the WHS system primarily lay with the WHS team. The team were currently conducting a WHS Gap Analysis to identify weaknesses and improve the WHS system since April 2023. Audit reviewed the Gap Analysis and found that the analysis contained the risks or gaps identified, the evaluated risk level and recommended actions. Audit noted that the responsible personnel, due date, and review date had not been determined at the time of audit.

Audit also noted that EMRC was in the process of updating its WHS policies and procedures to address the changes in legislation as mentioned previously. Audit was satisfied that the WHS system at EMRC were monitored and updated in accordance with the changes in best practice.

No issues were noted.

8.6 MANAGERS RECEIVE REPORTING IN BOTH LEADING AND LAGGING INDICATORS

Overall Outcome	Audit reviewed the Incident Report and found that Managers are receiving detailed reports on both leading and lagging indicators.
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Audit obtained and reviewed the WHS Report - Incident Reporting FY2022-23. Audit found that Managers received reporting in both leading and lagging indicators.

The leading indicators were found in the incident report which include:

- OH&S Inductions
- Competency/Licensing
- Incident Investigations
- Action Closeout
- Emergency Evaluation Drills
- OH&S Inspections.

The lagging indicators include:

- Injury Frequency Rate
- Medically - Treated Injury Frequency Rate.

Each of these indicators showed the objectives of the key performance and the target required to be achieved for the year. Audit held a discussion with the Coordinator to assess how each indicator was calculated or monitored.

For OH&S Inductions, the Coordinator advised that all employees and contractors were required to attend an induction on the first day of work. Hence, the target of 100% would always be upheld.

For Competency/Licensing, the Coordinator stated that all licenses of employees were recorded into an EMRC web-based system accessed via the Internet. If a license was expiring, a notification would be sent to relevant personnel to ensure that the license would be renewed on time. As a result, no employees were operating equipment without a valid competency to operate.

For Incident Investigations and Action Closeout, the target was to report all minor incidents within twenty-four hours, and all major incidents within two hours. Incidents would be closed out within seven working days for minor and two weeks for major incidents. The Coordinator advised that incidents reporting was meeting the target but not for actions close-out. The Coordinator also mentioned the difficulty in monitoring the actions close-out due to back-and-forth communications with each operational site.

Suggested Business Improvement	Audit suggests that a weekly outstanding actions close-out list to be sent to each operational site manager to sign-off and advise the new close-out date.
---------------------------------------	--

For Emergency Evaluation Drills and OH&S Inspections, the Coordinator advised that these KPIs were monitored in a separate report. For the two lagging indicators, the rates were calculated using the data input from the Incident Register. The indicators would be included in the reporting of WHS issues during the WHS Committee Meeting.

As per discussions with the Coordinator, Audit noted that all site supervisors were given safety KPIs (indicators as noted above) to be completed each month. These KPIs were monitored in a report named OSH Document – Corporate – KPIs – 2022-2023. Audit reviewed the report and found that the site supervisors at each site were required to conduct a target number of site inspections, behavioural based safety observations, pre-start meetings and toolbox meetings with the employees.

No issues were noted.

8.7 REPORTING IS PROVIDED ON NEAR HITS, MEDICAL TREATMENT, AND LOST TIME INJURIES

Overall Outcome	Audit noted that there was a detailed reporting process on near hits, medical treatment, and lost time injuries.
------------------------	--

Audit inquired with the Coordinator regarding the latest worker compensations claims. The Coordinator advised that there were three worker compensation claims as below:

- Worker lifted a 14kg paint tin and ruptured left bicep
- Forklift tyre dropped on workers foot and worker sustained an open wound fracture to left big toe
- Worker sustained lower back injury in 2019 – still under investigation and not closed.

Audit traced each case back to the Incident Register and confirmed that the incidents were recorded accordingly. Audit also checked the Action Lists and found that remedial actions had been planned for each incident.

Audit selected the first case for testing and obtained the relevant documents from the HR team as following:

- Workers' Compensation Claim Form
- Workers' Compensation First Certificate of Capacity dated 25 May 2023
- Workers' Compensation Progress Certificate of Capacity dated 25 May 2023
- Workers' Compensation Progress Certificate of Capacity dated 25 May 2023
- Employer's (EMRC) Report Form (including wages information attachments) dated 30 May 2023
- St John of God ED Fracture Follow Up dated 25 May 2023
- St John of God Discharge Summary Referral dated 25 May 2023
- Referral to Tony Jeffries dated 29 May 2023.

Audit found that all the above documents were sent to Local Government Insurance Scheme (LGIS) for processing. Audit was satisfied that reporting is provided on near hits, medical treatment, and lost time injuries.

No issues were noted.

8.8 ASSESS AWARENESS OF REPORTING AND REMEDIAL PROCESSES TO THE COUNCIL AND SENIOR EXECUTIVE

Overall Outcome	Audit reviewed the reporting and remedial process to the Council and Senior Executive and found that the processes were adequate.
------------------------	---

Audit obtained and reviewed the Risk Management Policy and found that it included a risk assessment and acceptance criteria as following:

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

Based on that assessment, EMRC calculated the risk matrix:

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

The policy assigned the responsibility for risk management to different management level:

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

Audit inquired with the Coordinator Work Health & Safety to ascertain the reporting and remedial processes to the Council and Senior Executive. The Coordinator advised that the WHS team did not report directly to the Council. The WHS team would inform the Senior Executive of WHS issues during the WHS Committee meeting which required attendance from one of the Senior Executive. The Senior Executive would then provide recommendations or feedbacks during the discussion of WHS issues.

The Coordinator also claimed that no incident with catastrophic consequences had ever happened that warrant direct communication to the CEO and Council as per above Risk Management Policy.

Audit reviewed the meeting minutes of the WHS Committee Meeting in March 2023 to assess the reporting and remedial process to Senior Executive. Audit noted that the meeting attendance list included one Senior Executive - the COO and other employees such as the Coordinator, WHS team, HR Manager and Health & Safety Representatives from each site. According to the meeting minutes, recent incidents, site hazard inspection and actions list were discussed at the meeting. Audit also reviewed the meeting attendance form and found that the COO signature was missing. However, Audit confirmed the COO attendance by email with the Coordinator who stated that the COO forgot to sign the form.

No issues were noted.

8.9 ASSESS RIGOUR AND CONSISTENCY OF INCIDENT FOLLOW-UP PROCESS BY THE COUNCIL AND SENIOR EXECUTIVE

Overall Outcome	Audit found that there was consistent follow-up process of incidents by Senior Executive.
------------------------	---

Audit interviewed the Coordinator Work Health & Safety to ascertain follow-up process of incidents by the Council and Senior Executive. The Coordinator advised that at least one Senior Executive would be presented at the WHS Committee Meeting which occurred every three months. During the meetings, the Senior Executive will be briefed the recent WHS incidents and remedial actions. The Senior Executive will also be informed of any outstanding actions from previous incidents. If necessary, the Executive will raise any questions or recommendations during the meeting.

In case of incident follow-up by the Council, the Coordinator stated that only incidents with catastrophic consequences such as fatality or permanent disability would be reported directly to the Council as per Risk Management Policy. The Coordinator indicated that no incidents had ever happened with such catastrophic consequences. Consequently, Audit noted there was no documents reflecting the follow-up process of incidents by the Council.

No issues were noted.



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Eastern Metropolitan Regional Council

Payroll (Masterfile & Compliance)

Internal Audit

July 2023

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1. EXECUTIVE SUMMARY

Introduction

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

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

As part of the Strategic Internal Audit Plan 2020/2021 – 2025/2026 an audit of Payroll (Masterfile and Compliance) is conducted every second year. This is a core financial related audit that would be expected to be relied upon by the Office of the Auditor General, Western Australia. The audit will cover the period 1 July 2022 to 30 April 2023. This audit will examine reliability and integrity of information, compliance and safeguarding of assets.

The audit objectives and scope of the works are provided below.

Audit Objective:

The primary objective of the audit was classified as an assurance audit with a focus on controls. We will use a combination of walk throughs, interviews, process observation, and sampling to assess controls.

The specific objectives of this audit are to ascertain that there are adequate controls over three key areas as follows:

Reliability and Integrity of Information

- Identify controls over adding new employees
- Identify controls over modifications to employee data
- Review process for role changes and ensure both HR and payroll data are being updated correctly.

Compliance

- Determine whether employee's rates are in accordance with applicable awards, contracts, and legislation.

Safeguarding of Assets

- Determine whether adequate security exists over employee records Identify whether the rate changes and allowances are appropriately authorised.

Risk Identified:

- Controls over creating or modifying employees records
- Compliance with awards and legislation

- Compliance with employment contracts.

Scope of works

The audit period was 1 July 2022 to 30 April 2023.

2. OVERALL AUDIT OUTCOMES AGAINST AUDIT SCOPE OF WORKS

Overall Risk Rating

Scope Report Reference	Audit Scope	Outcomes	Risk Rating
8.1	Identify controls over adding new employees.	Achieved	N/A
8.2	Identify controls over modifications to employee data.	Achieved	N/A
8.3	Review process for role changes and ensure both HR and payroll data are being updated correctly.	Achieved	N/A
8.4	Determine whether employee's rates are in accordance with applicable awards, contracts, and legislation.	Achieved	N/A
8.5	Determine whether adequate security exists over employee records.	Achieved	N/A
8.6	Identify whether the rate changes and allowances are appropriately authorised.	Achieved	N/A

3. SUMMARY OF FINDINGS

1. There were no findings noted.

4. RECOMMENDATIONS

1. There were no recommendations made.

5. BUSINESS IMPROVEMENTS

1. There were no business improvements made.

6. OVERALL COMMENTS

Eastern Metropolitan Regional Council (EMRC) - Management Comments

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

Stantons - Audit Management Comments

It was pleasing to note that there were no findings or business improvements raised. Stantons would like to thank the Finance team for all their assistance with the audit.

7. RISK RATING AND DEFINITIONS

Risk Ratings and Interpretations

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

DISCLAIMER, BASIS OF AUDIT AND LIMITATIONS

DISCLAIMER

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

BASIS OF AUDIT

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

INHERENT LIMITATIONS

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation.

Report Release

Released by (Name): James Cottrill

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

Signature:



Date: 25 July 2023

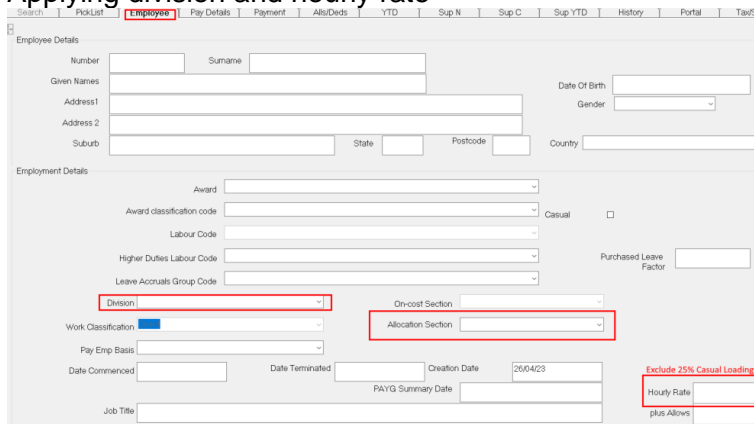
8. DETAILED AUDIT ASSESSMENT

8.1 IDENTIFY CONTROLS OVER ADDING NEW EMPLOYEES.

Overall Outcome	The EMRC has in place adequate controls over adding new employees.
------------------------	--

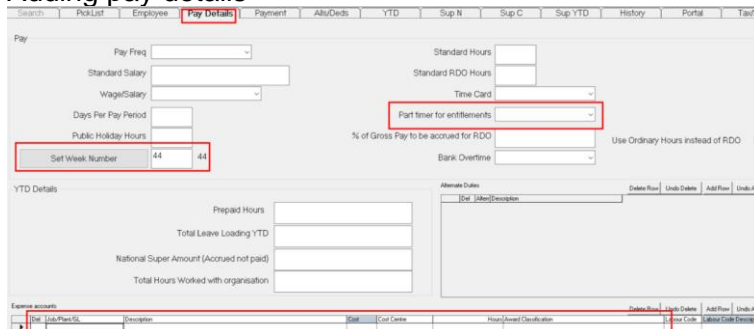
Audit obtained and reviewed the EMRC Payroll Procedure, noting that the procedure sets out a step-by-step process on how to add new employees' information on the SynergySoft software, as shown in the extracts below.

- Applying division and hourly rate



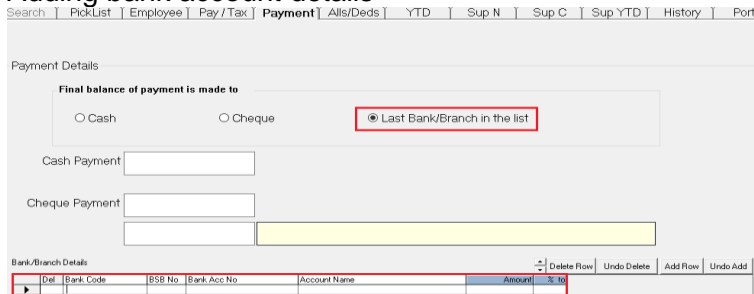
The screenshot shows the 'Employee Details' form in SynergySoft. Key fields highlighted with red boxes include: 'Division' (dropdown), 'On-cost Section' (dropdown), 'Allocation Section' (dropdown), 'Hourly Rate' (text field), and 'plus Allow' (text field). A red note 'Exclude 25% Casual Loading' is also visible near the 'Hourly Rate' field.

- Adding pay details



The screenshot shows the 'Pay Details' form in SynergySoft. Key fields highlighted with red boxes include: 'Set Week Number' (text field with value 44), 'Part timer for entitlements' (dropdown), and a table for 'Expense accounts' at the bottom.

- Adding bank account details



The screenshot shows the 'Payment Details' form in SynergySoft. Key elements highlighted with red boxes include: the radio button for 'Last Bank/Branch in the list', and a table for 'Bank/Branch Details' at the bottom.

- Applying allowances and deductions including salary sacrifice

Search | PickList | Employee | Pay / Tax | Payment | **Alls/Deds** | YTD | Sup N | Sup C | Sup YTD | History | Portal

Del	Allowance Code	Description	Allowance
Delete Row Undo Delete Add Row Undo Add			

Del	Incl	Description	Allowance YTD	Allowance
Delete Row Undo Delete Add Row Undo Add				

Del	Deduction Code	Description	Deduction
Delete Row Undo Delete Add Row Undo Add			

Del	Deduction Code	Description	Deduction YTD	Deduction
Delete Row Undo Delete Add Row Undo Add				

- Applying superannuation

Search | PickList | Employee | Pay / Tax | Payment | Alls/Deds | YTD | **Sup N** | Sup C | Sup YTD | History | Portal

National Scheme

Eligibility: No, Waiting for e, Yes

Reportable Percent: Annual Salary Effective Date:

Reportable Amount: Service Fraction Effective Date:

Del	Creditor	Name	Member no.	Plan name	USI	Contribution %	Contribution Ed
Member Funds: Delete Row Undo Delete Add Row Undo Add							

Del	CRS	Name	Member	USI	Plan	Amount
Member Funds-YTD: Delete Row Undo Delete Add Row Undo Add						

Del	BL	Description	Percent	Cost	Description
Accounts and Percentages: Delete Row Undo Delete Add Row Undo Add					

- Applying tax

Search | PickList | Employee | Pay Details | Payment | Alls/Deds | YTD | Sup N | Sup C | Sup YTD | History | Portal | **Sup N**

Tax Details

Tax File No:

Annual Tax Offset Amount:

Tax State:

Contractor ABRN:

STP Tax Treatment

Category:

Option: STSL: ML Surcharge: ML Exemption: ML Reduction:

STP Details

Employment Basis: Income Stream:

Exclude from STP Event File: Home Country:

Qualification Type: Finalised for current FY:

Pre-2011 Tax Details

Working Holiday Maker: Medicare (no variation / No. of children):

- Adding personnel details

Personnel details - RG1 Michael Francis Roller

Search | PickList | **Details** | Further Details | Memos | Emergency | Reminders

Create Employee | Skills and Training | Employment History | Medical Details | Workers Compensation | Performance Reviews

Personnel Id: Name:

Residential Addr 1: Res Suburb:

Residential Addr 2: Res State: Res PC:

Country:

Postal Addr 1: Post Suburb:

Postal Addr 2: Post State: Post PC:

Preferred Name: Gender:

Through discussion with the Finance Team, Audit was informed that the Payroll Officer is responsible for adding employee information within the SynergySoft, which will be reviewed by the Finance Team Leader.

Audit obtained and reviewed the Employee List for the period 01/07/2022 – 30/04/2023, noting that a total of twenty-nine (29) employees have been appointed during the period, comprising nine (9) casual, three (3) contract, and seventeen (17) permanent, six (6) of which has already left the EMRC. Audit randomly selected five (5) employees appointed during 01/07/2022 – 30/04/2023 from the employee list as a sample, comprising:

1. #R222 – Frederick Charles Boddington – Plant Operator
2. #R226 – Glen Cassidy – Plant Operator
3. #A448 – Trung Thanh Hoang – Senior Environmental Officer – Waste and Compliance
4. #R220 – Eparaima Manuirirangi – Beverage Container Refund Point Attendant
5. #R233 – Melina Mellino – Waste Education (Bin Tagger).

Audit conducted testing on this sample and verified that all the new employees' information has been updated within the SynergySoft system and paid in line with the signed contracts as well as the Local Government Industry Award.

Through discussions with the Finance Team, Audit was informed that there are four (4) officers in the Finance Services Division with access to add employee information on the SynergySoft system, comprising:

- Two (2) Accounts / Payroll Officers
- Management Accountant
- Finance Team Leader.

No issues were noted.

8.2 IDENTIFY CONTROLS OVER MODIFICATIONS TO EMPLOYEE DATA.

Overall Outcomes	The EMRC has in place adequate controls over modifications to employee data.
-------------------------	--

Audit obtained and reviewed the EMRC Payroll Procedure, noting that the Procedure has set out a step-by-step process on how to modify employee data on SynergySoft, including amending employment information and personnel details.

Through discussions with the Finance Team, it was noted that four (4) officers in the Financial Services Division can amend employees' information on the SynergySoft software, comprising two (2) Accounts / Payroll Officer, one (1) Management Accountant, and one (1) Finance Team Leader. The Payroll Officer is responsible for amending employee information within SynergySoft, which is reviewed by the Finance Team Leader. A monthly Audit Trail Report is generated for the Manager Financial Services to review.

Review of the Audit Trail Report for April 2023 noted that the monthly Audit Trail Report recorded every single change made by the Payroll Officer regarding pay rates and personnel information, and has been reviewed by the Manager Financial Services, as shown in the extracts below.

```

Audit Trail
507 LGIA 2010 INSIDE                               AWARDS.CLASS - Awards Classification file
Changed on 05.04.2023 at 13:23 by Nita Purwadi
Grades
  Grade Code                (1) (From) : 50701 (To) : 50701
  Grade Description        (1) (From) : A110 LGIA 7 Williamson (To) : A110 LGIA 9
Williamson
  Grade Gross Wage        (1) (From) : 3174.96 (To) : 3653.85
  Award Rate              (1) (From) : 0.0000 (To) : 0.0000
  Labour Code             (1) (From) : 094 094 A110 LGIA 9 Williamson (To) : 094 094
A110 LGIA 9 Williamson
  Leave labour code      (1) (From) : (To) :

Grade Description
  Grade Description        (1) (From) : A110 LGIA 7 Williamson (To) : A110 LGIA 9
Williamson

Grade Gross Wage
  Grade Gross Wage        (1) (From) : 3174.96 (To) : 3653.85
    
```

Extract (1) from the Audit Trail Report on Awards changes

```

A110 Williamson Zoe                               PAYMAS - Payroll Master File
Amount So Far Deduction (2) (From) : 0 (To) : 0
Deduction - USI         (2) (From) : 53226460365001 (To) : 53226460365001
Deduct plan name        (2) (From) : AWARE SUPER (To) : AWARE SUPER

National Super
  Nat. Gpcodes           (1) (From) : 172851/000GC (To) : 173982/010GC
  Nat. Percents          (1) (From) : 100.00 (To) : 100.00
  Nat Super JGs          (1) (From) : G (To) : G
  Nat Super Cost Centres (1) (From) : (To) :
  Nat Super Element Types (1) (From) : (To) :

Deduction Amount
  Deduction Amount       (2) (From) : 125.33 (To) : 158.75
    
```

Extract (2) from the Audit Trail Report on Masterfile changes

No issues were noted.

8.3 REVIEW PROCESS FOR ROLE CHANGES AND ENSURE BOTH HR AND PAYROLL DATA ARE BEING UPDATED CORRECTLY.

Overall Outcome	The EMRC has in place adequate controls over role changes to ensure correct updates.
------------------------	--

Through discussion with the Finance Team, Audit was informed that the process for role changes is the same as recruiting a new employee. Current EMRC employees who expect to switch to a new role are required to apply for vacant positions which have been advertised by the EMRC, and conduct interviews to be appointed for the new role. There was a total of seven (7) employees who have changed roles during the period 01/07/2022 – 30/04/2023, comprising:

- #A444 – Annabel Ansi – Administrative Officer
- #A329 – Sinead O’Neil - Administrative Supervisor
- #A355 – Mohammed Ashiq Rahman – Sustainability and Waste Education Officer
- #A110 – Zoe Williamson – Coordinator Administration
- #R164 – Axar Bhupendrabhai Patel – Manager Wood Waste to Energy Plant
- #R222 – Frederick Charles Boddington – Plant Operator (WTS)
- #A406 – Jade Lee Beresford – Weighbridge Officer.

Audit randomly selected two (2) employees who have switched to different roles during the period 01/07/2022 – 30/04/2023 as a sample, comprising:

- #A329 – Sinead O’Neil – Administration Supervisor
- #R222 – Frederick Charles Boddington – Plant Operator (WTS).

Audit conducted testing and verified that the selected two (2) employees have signed either a new contract or a variation to the original contract in relation to new roles and have been paid in accordance with the pay rates for the new roles. Both HR and Payroll data have been updated correctly.

No issues were noted.

8.4 DETERMINE WHETHER EMPLOYEE'S RATES ARE IN ACCORDANCE WITH APPLICABLE AWARDS, CONTRACTS, AND LEGISLATION.

Overall Outcome	EMRC's employees were paid in accordance with the applicable awards, contracts, and legislation.
------------------------	--

Through discussion with the Finance Team, Audit was informed that EMRC's employees were paid in compliance with the Local Government Industry Award. The extracts below demonstrate remuneration range for each level in terms of administration employees and operation employees.

Administration Employees

Classification	Base Salary Remuneration Range			
	Hourly Rate		Annual Salary	
	Minimum	Maximum	Minimum	Maximum
1	\$24.63	\$25.11	\$48,668	\$49,617
2	\$25.33	\$29.48	\$50,052	\$58,252
3	\$29.57	\$31.29	\$58,430	\$61,829
4	\$31.31	\$33.75	\$61,868	\$66,690
5	\$33.31	\$37.58	\$65,820	\$74,258
6	\$35.97	\$40.27	\$71,076	\$79,573
7	\$37.87	\$41.62	\$74,831	\$82,241
8	\$41.95	\$44.75	\$82,893	\$88,426
9	\$45.18	\$52.94	\$89,275	\$104,609

Operation Employees

Classification	Base Salary Remuneration Range				
	Hourly Rate		Annual Salary		
	Minimum	Maximum	Minimum	Maximum	
1	\$23.51	\$24.05	\$46,455	\$47,522	
2	\$24.71	\$29.77	\$48,826	\$58,825	
3	\$30.41	\$33.06	\$60,090	\$65,326	
4*	(check with HR for Plant Operator rates)	\$32.00*	\$36.34*	\$63,232*	\$71,808*
5	\$37.39	\$39.53	\$73,882	\$78,111	
6	\$40.79	\$44.80	\$80,601	\$88,524	
7	\$46.43	\$48.83	\$91,745	\$96,488	

We note based on enquiries with the HR Manager that EMRC already has in place a remuneration scale for all senior employees including Managers and Chiefs. Following the 2023 remuneration review the EMRC's pay bands will be reviewed and updated by the end of August 2023.

Audit obtained and reviewed the Employee List for the period 01/07/2022 – 30/04/2023, noting that there are a total of 110 employees currently working at the EMRC as at 30 April 2023, comprising eighteen (18) casual, thirty-nine (39) contract, two (2) part-time, fifty (50) permanent, and one (1) temporary. Audit randomly selected seven (7) current employees as at 30 April 2023 from the Employee List, comprising:

- #R201 – Binu Ekanaike – Waste Education (Bin Tagger) – Causal
- #R189 – Rita Armstrong – Waste Education (Bin Tagger) – Causal
- #R128 – John Charles Burton – Transfer Station Operator – Contract
- #R145 – Robert Wayne Chilcott – Heavy Duty Plant Mechanic – Contract
- #A200 – Jane Patricia Duncan – Gatehouse Operator – Permanent
- #A238 – Pooja Sriram Easwaran – Accounts / Payroll Officer – Permanent
- #A13 – David John Schmidt – Manager Information Services – Temporary.

Audit conducted testing on this sample and noted that there were no April 2023 payslips for R201 – Binu Ekanaike – Waste Education (Bin Tagger) and R189 – Rita Armstrong – Waste Education (Bin Tagger). Through discussion with the Finance Team, Audit was informed that both two employees are working as casuals and did not work during the first pay period in April 2023. Audit verified that the remaining permanent employees were paid in line with the Local Government Industry Award.

Audit also conducted sample testing against new employees in section 8.1 and verified that new employees have been paid in accordance with the applicable awards, contracts, and legislation.

No issues were noted.

8.5 DETERMINE WHETHER ADEQUATE SECURITY EXISTS OVER EMPLOYEE RECORDS.

Overall Outcome	The EMRC has in place adequate security over employee records.
------------------------	--

Audit obtained and reviewed the EMRC Payroll Procedure, noting that the EMRC has in place internal controls over employee records, comprising:

- Obtaining approvals from the Human Resources Department on payroll related documentation, including appointment, termination, and status changes
- Verifying details provided in the Offer of Employment Letter and the Contact of Employment and ensure conditions and entitlements in accordance with the Local Government Industry Award before entering them into the system
- Only allowing a change to an employee's status, bank account, tax withholding, allowances, or deductions if the employee has submitted a written and signed request form, and calling directly to the employee to confirm the changes in relation to employee's personal details
- Finance Team Leader to verify all changes on employee's record that the payroll officer made with documentation provided by the Human Resources Department before the pay run.

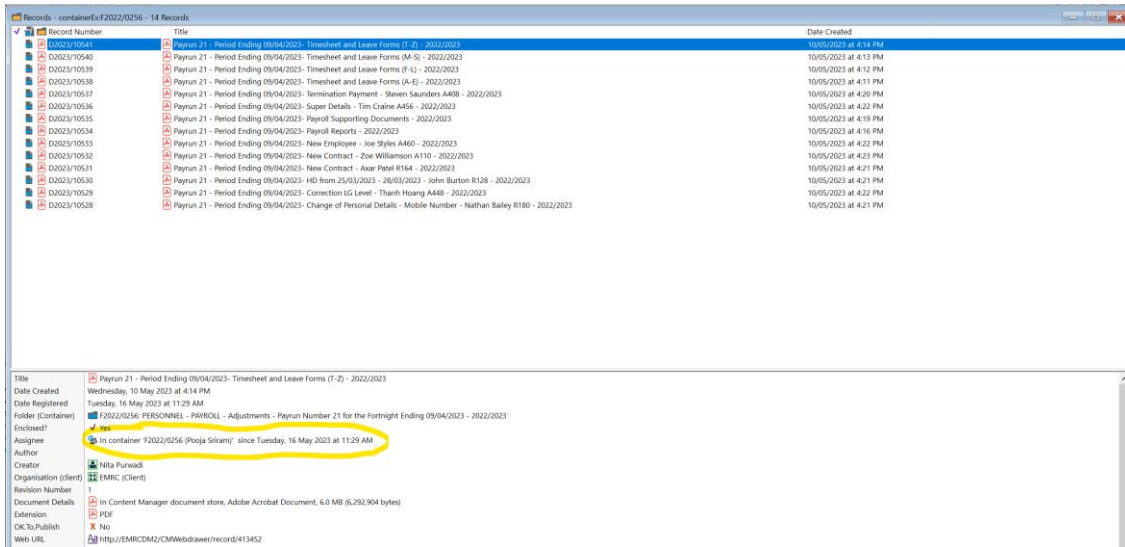
Through discussion with the Finance Team, Audit was informed that there are only four (4) employees who have access to adding / maintaining / modifying employee records, comprising two (2) Accounts / Payroll Officers, one (1) Management Accountant, and one (1) Finance Team Leader, with seven (7) employees that have view access to employee records, comprising:

- Human Resources Administration Officer
- Human Resources Officer
- Senior Human Resources Advisor
- Manager Human Resources
- Manager Financial Services
- Manager Information Services
- Chief Financial Officer

EMRC has a Management Guideline – Privacy in the Workplace that specifically relates to protecting the privacy of an individual's personal information. The Guideline specifies requirements in relation to:

- Collection and Storage of Personal Information
- Use and Disclosure
- Accuracy of Information.

Audit conducted sample testing against current employees as at 30 April 2023 in section 8.4 and verified appropriate storage of employee data with employee details securely stored within the SynergySoft and pay records securely stored within the Content Manager, as shown in the picture below.



Record Number	Title	Date Created
D2023/10541	Payrun 21 - Period Ending 09/04/2023- Timesheet and Leave Forms (T-Z) - 2022/2023	10/05/2023 at 4:14 PM
D2023/10540	Payrun 21 - Period Ending 09/04/2023- Timesheet and Leave Forms (M-S) - 2022/2023	10/05/2023 at 4:13 PM
D2023/10539	Payrun 21 - Period Ending 09/04/2023- Timesheet and Leave Forms (F-L) - 2022/2023	10/05/2023 at 4:12 PM
D2023/10538	Payrun 21 - Period Ending 09/04/2023- Timesheet and Leave Forms (A-E) - 2022/2023	10/05/2023 at 4:11 PM
D2023/10537	Payrun 21 - Period Ending 09/04/2023- Termination Payment - Steven Saunders A408 - 2022/2023	10/05/2023 at 4:30 PM
D2023/10536	Payrun 21 - Period Ending 09/04/2023- Saper Details - Tim Crane A456 - 2022/2023	10/05/2023 at 4:22 PM
D2023/10535	Payrun 21 - Period Ending 09/04/2023- Payroll Supporting Documents - 2022/2023	10/05/2023 at 4:19 PM
D2023/10534	Payrun 21 - Period Ending 09/04/2023- Payroll Reports - 2022/2023	10/05/2023 at 4:16 PM
D2023/10533	Payrun 21 - Period Ending 09/04/2023- New Employee - Ise Dyle A460 - 2022/2023	10/05/2023 at 4:22 PM
D2023/10532	Payrun 21 - Period Ending 09/04/2023- New Contract - Zoe Williamson A110 - 2022/2023	10/05/2023 at 4:23 PM
D2023/10531	Payrun 21 - Period Ending 09/04/2023- New Contract - Aaar Patel R164 - 2022/2023	10/05/2023 at 4:21 PM
D2023/10530	Payrun 21 - Period Ending 09/04/2023- HD from 25/03/2023 - 26/03/2023 - John Burton R128 - 2022/2023	10/05/2023 at 4:21 PM
D2023/10529	Payrun 21 - Period Ending 09/04/2023- Correction LG Leave - Thanh Hoang A448 - 2022/2023	10/05/2023 at 4:22 PM
D2023/10538	Payrun 21 - Period Ending 09/04/2023- Change of Personal Details - Mobile Number - Nathan Bailey R180 - 2022/2023	10/05/2023 at 4:21 PM

Title	Payrun 21 - Period Ending 09/04/2023- Timesheet and Leave Forms (T-Z) - 2022/2023
Date Created	Wednesday, 10 May 2023 at 4:14 PM
Date Registered	Tuesday, 16 May 2023 at 11:29 AM
Folder (container)	D2023/10536- PERSONNEL - PAYROLL - Adjustments - Payrun Number 21 for the Fortnight Ending 09/04/2023 - 2022/2023
Enclosed?	Yes
Assignee	In container '2022/10536 (Pooja Sitam)' since Tuesday, 16 May 2023 at 11:29 AM
Author	Nita Purwad
Creator	EMRIC (Client)
Revision Number	1
Document Details	In Content Manager document store, Adobe Acrobat Document, 6.0 MB (6,292,904 bytes)
Extension	PDF
OK to Publish	No
Web URL	http://EMRICDM2/CMWebd/wafer/records/413452

In addition, the Audit Trail Report is generated monthly by the Finance Team to monitor changes against employee data within the SynergySoft software.

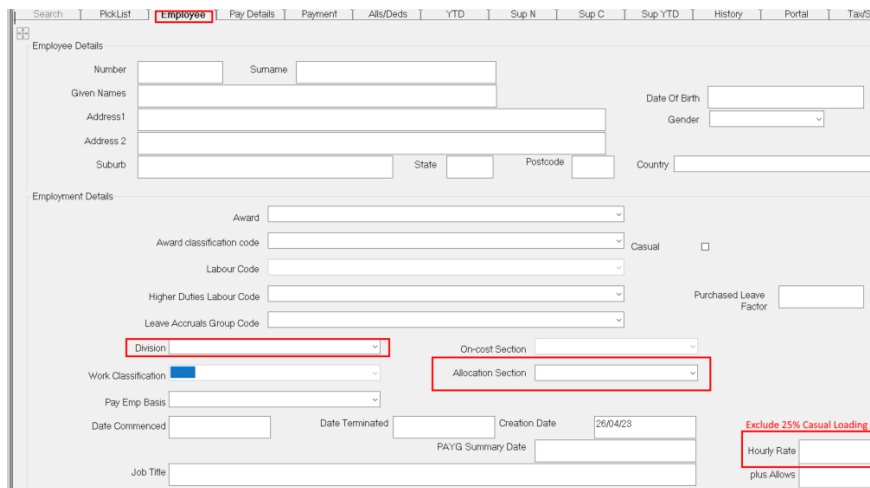
We noted that current paper records are stored in locked filing cabinets with access given only to the Payroll Officer and the Finance Team Leader. Historical records are also kept in locked filing cabinets with access given to Payroll Officer, Finance Team Leader, and the Records Officer.

No issues were noted.

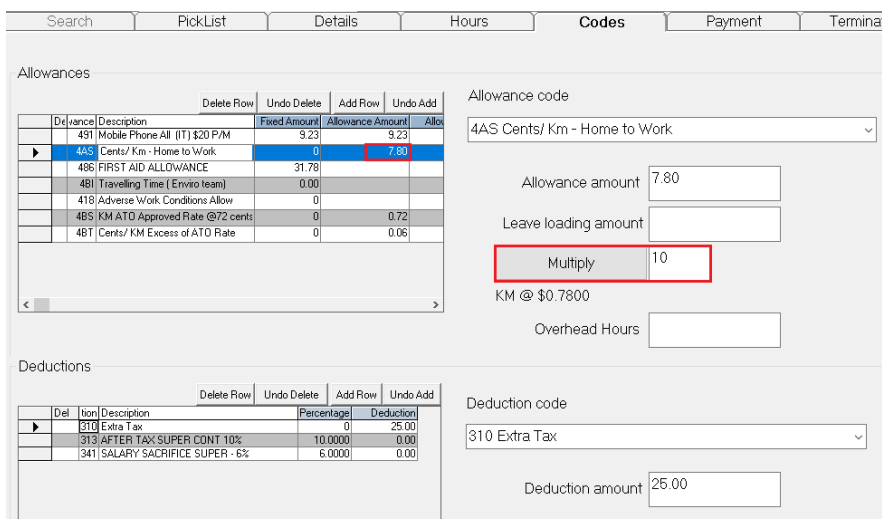
8.6 IDENTIFY WHETHER THE RATE CHANGES AND ALLOWANCES ARE APPROPRIATELY AUTHORISED.

Overall Outcome	The EMRC has set up adequate authorisation over rate changes and allowances.
------------------------	--

Audit obtained and reviewed the EMRC Payroll Procedure, noting that the Payroll Officer is responsible for entering and amending employee details, processing approved timesheets within SynergySoft, and ensuring the accuracy and integrity of EMRC's payroll, whereas the Finance Team Leader has the responsibility to review and verify payroll transactions for validity and reasonableness, and compare transactions with supporting documentation (e.g., employee timesheets, etc). All payroll transactions are required to be approved and finalised by both the Financial Team Leader and either the Manager Financial Services or the Chief Financial Officer. The extracts below demonstrate how the Payroll Officer enters pay rates and allowances into the SynergySoft software.



Extract (1) Adding / Amending Pay Rates



Del	Description	Fixed Amount	Allowance Amount	Allo
491	Mobile Phone All (IT) \$20 P/M	9.23	9.23	
485	Cents/ Km - Home to Work	0	7.80	
486	FIRST AID ALLOWANCE	31.78		
481	Travelling Time (Enviro team)	0.00		
418	Adverse Work Conditions Allow	0		
485	KM ATD Approved Rate @72 cents	0	0.72	
481	Cents/ KM Excess of ATD Rate	0	0.06	

Del	Ion	Description	Percentage	Deduction
310		Extra Tax	0	25.00
313		AFTER TAX SUPER CONT 10%	10.0000	0.00
341		SALARY SACRIFICE SUPER - 6%	6.0000	0.00

Extract (2) Adding Allowances / Deductions

Audit also obtained and reviewed the Audit Trail Report for April 2023, noting that the monthly report tracks actions undertaken by the Finance Team on employee data within the SynergySoft software, including adding / amending pay rates, adding allowances / deductions, etc, as shown in the extract below.

Allow

Allowance Codes	(1) (Added As) : 4EH 4EH Mobile Phone \$20 p/m - Coord
Allowance Amounts	(1) (Added As) : \$9.23
Nat. Allow Includ	(1) (Added As) : N

Allowance Amounts

Allowance Amounts	(1) (Added As) : \$9.23
-------------------	-------------------------

Nat. Allow Includ

Nat. Allow Includ	(1) (Added As) : N
-------------------	--------------------

Viewed on 05.04.2023 at 13:25 by Nita Purwadi

Viewed on 05.04.2023 at 13:16 by Nita Purwadi

Changed on 05.04.2023 at 13:16 by Nita Purwadi

Standard Hours	(From) : 60.00 (To) : 76.00
----------------	-----------------------------

Standard Salary	(From) : 2506.55 (To) : 3174.96
-----------------	---------------------------------

In addition, Audit conducted sample testing against employees who have switched roles during the period 01/07/2022 – 30/04/2023 in section 8.3, as well as current employees working at the EMRC as at 30 April 2023 in section 8.4 and verified that the rate changes and allowances were correctly applied in accordance with the Local Government Industry Award, contracts, and legislation.

No issues were noted.



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Eastern Metropolitan Regional Council

Plant & Equipment

July 2023

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1. EXECUTIVE SUMMARY

Introduction

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

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

As part of the Strategic Internal Audit Plan 2020/2021 – 2025/26 an audit of Plant & Equipment is conducted every second year. This is a core financial related audit that would be expected to be relied upon by the Office of the Auditor General, Western Australia. The audit will cover the period 1 July 2022 to 30 April 2023. This audit will examine reliability and integrity of information, compliance and safeguarding of assets.

The audit objectives and scope of the works are provided below.

Audit Objective:

The primary objective of the audit was classified as an assurance audit with a focus on controls. We will use a combination of walk throughs, interviews, process observation, and sampling to assess controls.

The specific objectives of this audit are to ascertain that there are adequate controls over two key areas as follows:

Reliability and Integrity of Information

- Determine the completeness and accuracy of the asset register and appropriateness of control in place
- Assess the adequacy and effectiveness of the stocktake of assets process
- Ascertain the adequacy of the asset acquisition process
- Assess the adequacy and effectiveness of the asset disposal and write-off process.

Compliance

- Determine adequate compliance with policy and procedures
- Determine compliance with applicable legislation
- Determine whether assets are accounted for in accordance with recognised accounting standards including depreciation and any revaluations.

Risk Identified:

- Non-compliance with legislative requirements
- Poor management of assets
- Details of assets not properly recorded

- Processes do not comply with relevant policies and procedures
- Assets not properly maintained due to absence or non-monitoring of assets
- Maintenance / replacement plants are not based on risk assessments
- No record of action plans.

Scope of works

The audit period was 1 July 2022 to 30 April 2023.

2. OVERALL AUDIT OUTCOMES AGAINST AUDIT SCOPE OF WORKS

Overall Risk Rating

Scope Report Reference	Audit Scope	Outcomes	Risk Rating
8.1	Determine the completeness and accuracy of the asset register and appropriateness of controls in place.	Achieved	N/A
8.2	Assess the adequacy and effectiveness of the stocktake of assets process.	Achieved	N/A
8.3	Ascertain the adequacy of the asset acquisition process.	Achieved	N/A
8.4	Assess the adequacy and effectiveness of the asset disposal and write-off process.	Achieved	N/A
8.5	Determine adequate compliance with policy and procedures.	Achieved	N/A
8.6	Determine compliance with applicable legislation.	Achieved	N/A
8.7	Determine whether assets are accounted for in accordance with recognised accounting standards including depreciation and any revaluations.	Achieved	N/A

3. SUMMARY OF FINDINGS

1. There were no findings noted.

4. RECOMMENDATIONS

1. There were no recommendations made.

5. BUSINESS IMPROVEMENTS

1. Audit suggests that the EMRC considers developing policy / procedure / flowchart in relation to stocktake of assets, including (but not limited to):
 - Assets stocktake process
 - Responsible employees
 - Reporting components (e.g., asset number, asset name, stocktake date, asset condition, location, responsible staff, etc.).
2. Audit suggests that the EMRC considers developing policy / procedure / flowchart in relation to assets disposal, including (but not limited to):
 - Asset disposal process
 - Responsible employees
 - Disposal criteria (e.g., asset condition, missing, stolen, damage, etc)
 - Disposal method.

6. OVERALL COMMENTS

Eastern Metropolitan Regional Council (EMRC) - Management Comments

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

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

Stantons - Audit Management Comments

It is pleasing that EMRC are developing the suggested business improvement items and we would like to thank the Finance team for all their assistance with the audit.

7. RISK RATING AND DEFINITIONS

Risk Ratings and Interpretations

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

DISCLAIMER, BASIS OF AUDIT AND LIMITATIONS

DISCLAIMER

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

BASIS OF AUDIT

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

INHERENT LIMITATIONS

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation.

Report Release

Released by (Name): James Cottrill

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

Signature:



Date: 25 July 2023

8. DETAILED AUDIT ASSESSMENT

8.1 DETERMINE THE COMPLETENESS AND ACCURACY OF THE ASSET REGISTER AND APPROPRIATENESS OF CONTROLS IN PLACE.

Overall Outcome	The EMRC has in place an adequate and accurate asset register, as well as internal controls over asset recording.
------------------------	---

Audit obtained and reviewed the BMS for Processing Assets and Depreciation in Synergy Software Procedure, noting that the EMRC has in place internal controls in relation to assets recording, comprising:

- A fixed asset register is maintained to record all capital purchases and disposals
- Updates to the fixed asset register are checked regularly
- Expenditure is capitalised based on the type of asset purchase
- Fixed asset registers are reconciled monthly to the Accounting records, including the General Ledger.

Audit obtained and reviewed the EMRC Asset Register as at 30 April 2023, noting that the Asset Register is categorised by asset groups, e.g., land, buildings, plant, equipment, furniture, and fittings, etc. The EMRC has recorded asset number, asset name, acquisition date, value, depreciation, etc within the Asset Register, as shown in the extract below.



Eastern Metropolitan Regional Council
 22/23 Asset Register by Group - Detailed

Apr23

Asset Code	Asset Name	Date Acquired	Opening Value	Additions	Revaluations	Disposals	Current Valuation	Current Year Depreciation	Depreciation on Disposals	Total Accum Depreciation	Written Down Value
Plant											
1391	P1391 Isuzu FVZ1400 with Hooklift - 1COB576 - Red Hill	12/06/2007	60,000.00	0.00	0.00	0.00	60,000.00	0.00	0.00	10,000.00	50,000.00
1392	P1392 Isuzu FVZ1400 - 1CMK965 - Red Hill	5/05/2007	65,000.00	0.00	0.00	0.00	65,000.00	0.00	0.00	10,000.00	55,000.00
1877	P1877 - Ride on Vacuum Sweeper KARCHER Model KM 100/100 Diesel - Baywaste Transfer Stat	1/04/2008	3,000.00	0.00	0.00	0.00	3,000.00	0.00	0.00	500.00	2,500.00
1808	P1808 Komtech Mustang Mobile Trommel - Red Hill	19/11/2008	66,666.67	8,119.00	0.00	0.00	74,785.67	2,722.11	0.00	8,613.91	66,171.76
1942	P1942 - Bomag BC1172RB-3 Compactor - Red Hill	9/07/2009	581,652.38	0.00	0.00	0.00	581,652.38	100,289.20	0.00	313,916.23	267,737.15
1972	P1972 HSM Horizontal Baling Press - Hazelmere	16/11/2009	25,000.00	0.00	0.00	0.00	25,000.00	3,123.24	0.00	10,623.12	14,376.88
2002	P2002 Isuzu Water Truck Reg 1DH0242- Hazelmere	17/02/2010	180,000.00	0.00	0.00	0.00	180,000.00	0.00	0.00	10,000.00	170,000.00

It appears that detailed location information has not been recorded within the Asset Register, however, assets can be traced via their asset number. Through discussion with the Finance Team, Audit noted that the Asset Register is maintained by the Finance Team, and only site information (e.g., Red Hill, Hazelmere, Mathieson Road, etc) is recognised as part of asset name within SynergySoft and its Asset Register.

Audit randomly selected six (6) items of plant and equipment from the Asset Register, conducted a walkthrough, and verified that all selected assets were sighted, comprising:

- # 3934 – Ford Ranger 2019 – Double PU XL – 1HPP187 – Red Hill – Diesel
- # 3685 – Ford Ranger 2020 – Single CC XL – 1HCL902 – Red Hill – Diesel
- # 3284 – Commercial and Industrial Waste Sorting Plant (C & I) – Hazelmere
- # 3579 – Security System – CCTV Surveillance Camera – New Weighbridge – Hazelmere
- # 3873 – Security – CCTV Surveillance – Admin / Workshop Building – Hazelmere
- # 3624 – Mandalay Weighbridge System – Red Hill.

No issues were noted.

8.2 ASSESS THE ADEQUACY AND EFFECTIVENESS OF THE STOCKTAKE OF ASSETS PROCESS.

Overall Outcomes	The EMRC has set up adequate asset stocktake processes despite no documented process in place.
-------------------------	--

Through discussion with the Finance Team, Audit noted that there is no documented policy / procedure / flowchart in relation to the stocktake of assets. The Accounts / Payroll Officer is responsible for conducting the stocktake every eighteen (18) months via physical sighting of assets against asset numbers.

Audit obtained and reviewed the Asset Stocktake Report for Red Hill site and Asset Stocktake List for Hazelmere site, noting that the Finance Team had conducted a stocktake against fixed assets at the Red Hill and Hazelmere sites respectively, as shown in the extract below. It appears that assets at the Ascot site were not covered during the stocktake. Through discussion with the Finance Team, Audit was informed that as the Ascot site is the administration office for the EMRC, assets were maintained by relevant divisions (e.g., IT, Finance, etc), and easily tracked.

Asset Co	Asset Name	Free Format Description	Memo Text	Serial Number	Date Acqui	Unit Cost	Audited
2242	Security System - CCTV DVR, UPS & Cabinet - Red Hill	Serial: 501251078 HW 13113102 22/11/2012 PO 12584 Location: Red Hill Admin Building. Note: This asset has been moved to the Admin Office. additional cost has also been incu Asset Type: Security Camera-Security	EMRC-137221	Administration Office	2242	21/04/2011	7075 17/02/2023 - in process of being replaced
2494	Security Lighting (new Admin Office) - Red Hill	SHUGS INV 1610 4/4/12 \$1994.00 (INSTALL WIRING AND SECURITY LIGHTS) & ALL DAT CONTRACTING INV 25 25/9/2011(INSTALL POLES AND CONDUITS) Location: Admin Office Red Hill Asset Type: Security Lighting-Security Equipment		Administration Office	2494	4/04/2012	8857.16 17/02/2023
2811	Sea Container - 20' with Lock for Archive Storage - Red Hill	SCP Group Invoice Number SCF036295Q dated 05/12/2013 for \$ 6402.00 P O 34619 S/N SCF02129998 Asset Type: 251 Red Hill Administration Buildings Location - Admin Office		Administration Office	2811	5/12/2013	5820 17/02/2023
2873	Server - HP-DL360p - Red Hill	Stothoare Invoice Number 0000110844 dated 29/05/2014 for \$ 11644.00. P O 35641 Replaces Asset # 2074 Asset Type: Server Serial/Model No: S/N 5410437065 Location: Red Hill - EMRC084 - Admin Office	Fans began operating at maximum capacity. Applied firmware updates to solve issue. 1 fan is showing as degraded in iLO.	Administration office	2873	1/06/2014	10586 17/02/2023
3094	Car Park - Asphalt - New Admin Building - Red Hill	Industrial Roadpavers Invoice Number 00002911 dated 01/01/2015 for \$ 29568.00. P O 37364 Asset Type: Car Park		Administration Office	3094	1/02/2015	26880 17/02/2023
3337	Container - 20ft A Grade Sea Container - Archive Storage # 2 - Red Hill	SCP Invoice Number SCF063171Q dated 14/09/2017 for \$ 8794.50. PO 44068 Location - Red Hill Asset Type: Sea Container		Administration Office	3337	1/04/2017	7995 17/02/2023

Suggested Improvement 1	Business	Audit suggests that the EMRC considers developing a policy / procedure / flowchart in relation to stocktake of assets, including (but not limited to): <ul style="list-style-type: none"> • Assets stocktake process • Responsible employees • Reporting components (e.g., asset number, asset name, stocktake date, asset condition, location, responsible staff, etc.).
--------------------------------	-----------------	--

No issues were noted.

8.3 ASCERTAIN THE ADEQUACY OF THE ASSET ACQUISITION PROCESS.

Overall Outcome	The EMRC has set up an adequate asset acquisition process despite there being no documented process in place.
------------------------	---

Per the BMS for Processing Assets and Depreciation in Synergy Software Procedure, noting that the EMRC has in place internal controls over asset acquisition, comprising:

- New capital assets are properly authorised and processed in accordance with the Purchasing Policy and Approval Limits
- Capital invoices are properly authorised and agreed with approved purchase order before record into the system
- Ensure new assets acquired during the year are insured by appropriate insurance policies.

Through discussion with the Finance Team, Audit noted that there is no documented policy / procedure / flowchart in relation to asset acquisition. However, there is a documented process relating to processing of asset invoices. The Accounts / Payroll Officer is responsible for updating new asset information within the Synergy software as well as the Asset Register and managing a listing of new acquired asset. Once authorised tax invoices have been provided to the Finance Team, the Accounts / Payroll Officer is required to seek approval for capital expenditure over \$250,000 from the Manager Financial Services, the Chief Financial Officer, and the Chief Executive Officer respectively before entering new asset information within the Synergy software and the Asset Register.

Audit obtained and reviewed the list of acquired assets for the period 01/07/2022 – 30/04/2023, noting that a total of twenty-seven (27) assets were purchased by the EMRC during the period 01/07/2022 – 30/04/2023. Audit randomly selected five (5) assets as a sample from the Asset Addition List, comprising:

- # 3952 – Container – Hooklift Bin – 15m – Hazelmere - \$9,050.00
- # 3941 – Brother Wireless Mono Laser MFC-L2713DW – Ascot Place (Non-Capex) - \$0.00
- # 3823 – Wheel Loader – 20 Tonne – Hazelmere - \$395,000.00
- # 3975 – Generator – PR Power – 250kva – Leachate Ponds – Red Hill - \$61,130.00
- # 4014 – Weather Station – 3M Tripod Mounted – Ascot Place - \$12,135.00.

Audit conducted testing on this sample and verified that all selected five (5) assets have been supported by authorised tax invoices and have been included within the Asset Register except # 3941 – Brother Wireless Mono Laser – MFC-L2713 DW – Ascot Place (Non-Capex) - \$0.00. Through discussion with the Finance Team, Audit was informed that this asset was recognised as \$0.00 within the asset addition list and not recorded within the Asset Register not being a capital expenditure item.

No issues were noted.

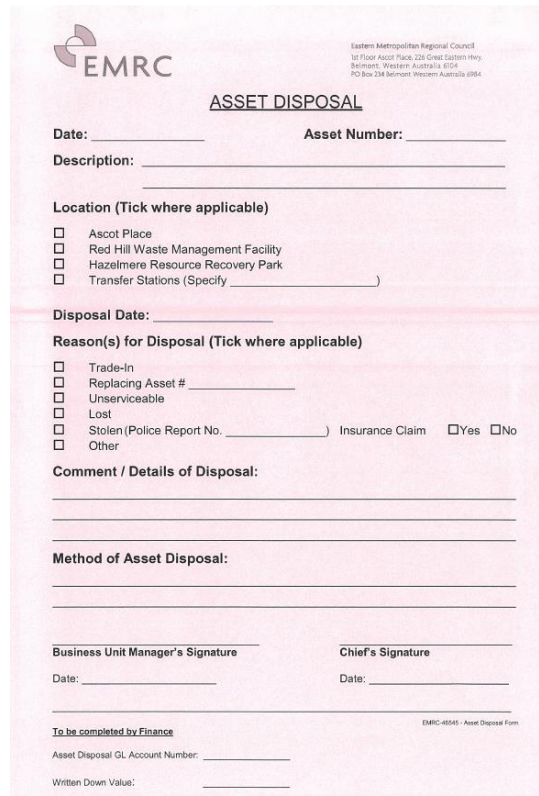
8.4 ASSESS THE ADEQUACY AND EFFECTIVENESS OF THE ASSET DISPOSAL AND WRITE-OFF PROCESS.

Overall Outcome	The EMRC has set up adequate asset disposal process despite no documented process in place.
------------------------	---

Per the BMS for Process Assets and Depreciation in Synergy Software Procedure, the EMRC has in place internal controls over asset disposal, comprising:

- The asset that is due for disposal must be inspected by the relevant team before the disposal form can be completed
- Once the disposal form has been completed, it must be authorised by the Chief
- Finance team to complete the reconciliation of the asset and have it authorised by the appropriate Manager and Chiefs
- The final documents of disposal include the disposal form and asset reconciliation must be authorised by CEO before the asset can be written off.

Through discussion with the Finance Team, Audit noted that there is no documented policy / procedure / flowchart in relation to asset disposal. An Asset Disposal Form is required to be completed by the relevant division and approved by Business Unit Manager and Chief, as shown in the extract below. Once the completed Asset Disposal Form is provided to the Finance Team, the Accounts / Payroll Officer is required to seek approval from the Manager Financial Services, the Chief Financial Officer, and the Chief Executive Officer respectively, before updating within the Synergy software, as well as the Asset Register and the Asset Disposal List.



EMRC
 Eastern Metropolitan Regional Council
 1st Floor Ascot Place, 228 Great Eastern Hwy,
 Belmont, Western Australia 6104
 PO Box 248 Belmont Western Australia 6104

ASSET DISPOSAL

Date: _____ Asset Number: _____

Description: _____

Location (Tick where applicable)

Ascot Place
 Red Hill Waste Management Facility
 Hazelmere Resource Recovery Park
 Transfer Stations (Specify _____)

Disposal Date: _____

Reason(s) for Disposal (Tick where applicable)

Trade-in
 Replacing Asset # _____
 Unserviceable
 Lost
 Stolen (Police Report No. _____) Insurance Claim Yes No
 Other

Comment / Details of Disposal:

Method of Asset Disposal:

Business Unit Manager's Signature _____ Chief's Signature _____
 Date: _____ Date: _____

To be completed by Finance EMRC-6540 - Asset Disposal Form

Asset Disposal GL Account Number: _____
 Written Down Value: _____

Audit obtained and reviewed the list of Disposal Assets for the period 01/07/2022 – 30/04/2023, noting that a total of thirty-six (36) assets has been disposed of during the period 01/07/2022 – 30/04/2023. Audit randomly selected six (6) assets from the Asset Disposal List as sample, comprising:

- # 1467 – Componentisation – House – Superstructure – Hazelmere

- # 2912 – Microwave Panasonic Oven – Recycling Centre House – Hazelmere
- # 3693 – Sedan Volkswagen Passat 7 Speed – 1HDH296 – Ascot Place
- # 2077 – Television – LG 47 LCD – Ascot Place
- # 2723 – Thermometer – 1.5m Extension Probe – Greenwaste – Red Hill
- # 1421 – Two Way – Motorola GP328 – Red Hill.

Audit conducted testing on this sample and verified that the Asset Disposal Form has been completed and authorised for each selected asset, and the disposal has been approved with the relevant authorisation.

<p>Suggested Improvement 3</p> <p>Business</p>	<p>Audit suggests that the EMRC considers developing policy / procedure / flowchart in relation to assets disposal, including (but not limited to):</p> <ul style="list-style-type: none"> • Asset disposal process • Responsible employees • Disposal criteria (e.g., asset condition, missing, stolen, damage, etc) • Disposal method.
--	--

No issues were noted.

8.5 DETERMINE ADEQUATE COMPLIANCE WITH POLICY AND PROCEDURES.

Overall Outcome	The EMRC has in place adequate controls over asset management in compliance with existing policy and procedures.
------------------------	--

Audit obtained and reviewed the Asset Management Policy, noting that the Policy has been reviewed on 30 June 2022 and will be next reviewed following the Ordinary Elections in 2023. The Policy has set up roles and responsibilities in relation to asset management, as shown in the extract below.

Position	Roles and Responsibilities
Council	<ul style="list-style-type: none"> ➤ Act as stewards for all assets owned by EMRC ➤ Provides strategic direction for asset management ➤ Endorses asset management policy and strategy ➤ Endorses SAMP (as part of strategic planning) and OAMP (as part of budget process)
Chief Executive Officer	<ul style="list-style-type: none"> ➤ Develops asset management policy and strategy for submission to Council ➤ Develops SAMP for submission to Council ➤ Develops OAMP ➤ Develops business cases ➤ Monitors and reports progress of SAMP and OAMP to Council as required
Chiefs	<ul style="list-style-type: none"> ➤ Contribute towards preparation of SAMP and OAMP ➤ Authorise asset additions and disposals in accordance with the approved OAMP ➤ Maintain oversight over assets under their control (including usage, safeguards, risk management and insurance)
Asset Officer	<ul style="list-style-type: none"> ➤ Maintains Asset Register and asset related records ➤ Updates General Ledger for asset related transactions (including depreciation, write off, acquisition and disposal) ➤ Provides assistance to EMRC teams as required
Staff	<ul style="list-style-type: none"> ➤ Initiate acquisition or disposal requests ➤ Utilise assets in a responsible manner

Through discussion with the Finance Team, Audit noted that there appears not to be overarching policy / procedures in place relating to asset management, covering asset transfer, asset depreciation, asset revaluation, etc. Instead, the EMRC has developed a step-by-step procedure (BMS for Processing Assets and Depreciation in Synergy Software Procedure) on how the Finance Team maintains asset information and depreciation rate within the Synergy Software. The EMRC has in place internal controls over asset management, as shown in the extract below.

Areas	Internal Control Activity
Purchases	New capital assets are properly authorised and process in accordance with the Purchasing Policy and Approval Limits.
	Capital invoices are properly authorised and agreed with approved purchase order before record into the system.
	Ensure new assets acquired during the year are insured by appropriate insurance policies.
Disposals	The asset that is due for disposal must be inspected by the relevant team before the disposal form can be completed.
	Once the disposal form has been completed, it must be and authorised by the Chief.
	Finance team to complete the reconciliation of the asset and have it authorised by the appropriate manager and chiefs.
	The final documents of disposal include the disposal form and asset reconciliation must be authorised by CEO before the asset can be written off.
Recording	A fixed asset register is maintained in which all capital purchases and disposals are recorded.
	Updates to the fixed asset register are checked regularly.
	Expenditure is capitalised based on the type of asset purchase. For eg. If the site has purchased a generator or pump, it is one off cost and can be capitalised straightaway. If the expenditure is related to an on-going project or a new one, it is considered as part of WIP.
	Fixed asset registers are reconciled monthly to the Accounting records, including the General Ledger.
Existence	Fixed assets are physically inspected, verified and reconciled to the fixed asset register every 2 years.
	The changes if any are updated on the asset stock take spreadsheet and soft copies are saved in our P drive under assets (P:\Finance\Assets\Asset stock take documents\Stock take Feb 2023)
Valuation	Depreciation is calculated in accordance with Australian Accounting Standards.
	Revisions to valuations (eg due to obsolescence, revaluations and write-offs) are properly authorised before processing the updates.
	Asset Valuations are conducted by the registered valuer every 4 years.

The EMRC has also set up an Asset Transfer Form to ensure that asset has been correctly transferred from one site to another, as shown in the extract below.



Eastern Metropolitan Regional Council
 1st Floor Ascot Place, 216 Great Eastern Hwy,
 Belmont, Western Australia 6104
 PO Box 216 Belmont, Western Australia 6104

TRANSFER OF ASSET

Date: _____ Asset No: _____

Description: _____

Current Location (Please circle)	New Location (Please Circle)
A Governance/Corporate Services	A Governance/Corporate Services
B Engineering/Waste Management	B Engineering/Waste Management
C Risk Management	C Risk Management
D Environmental Services	D Environmental Services
E Regional Development	E Regional Development
F Red Hill Landfill Facility	F Red Hill Landfill Facility
G Hazelmere	G Hazelmere

Reason for Transfer: _____

Business Unit Manager's Signature _____ Date _____

Audit conducted testing against acquired assets in section 8.3 and assets disposals in section 8.4 respectively and verified that asset acquisition and disposal practices comply with the existing EMRC asset management policy and procedures.

No issues were noted.

8.6 DETERMINE COMPLIANCE WITH APPLICABLE LEGISLATION.

Overall Outcome	The EMRC has complied with the <i>Local Government Act 1995</i> and the <i>Local Government (Administration) Regulations 1996</i> .
------------------------	---

Audit obtained and reviewed the Asset Management Policy, noting that asset management practice at the EMRC complies with the *Local Government Act 1995 s5.56* and the *Local Government (Administration) Regulations 1996 r19C and 19DA*.

Per the *Local Government Act 1995*, section 5.56 specifies that “a local government is to plan for the future of the district and ensure that plans are in accordance with any regulations made about planning for the future of the district”.

Per the *Local Government (Administration) Regulations 1996*, section 19C specifies that “a local government is to ensure that a strategic community plan is made for its district, which is to be at least 10 financial years”, whereas 19DA specifies that “a local government is to ensure that a corporate business plan is made for its district, which is to be at least 4 financial years”.

Audit verified that the EMRC has in place both the 10-Year Strategic Plan and the Corporate Business Plan. Per the Asset Management Policy, the asset management objectives are expected to be achieved through the following actions:

- The development of a 10-Year Strategic Asset Management Plan to support EMRC’s corporate strategic and business planning
- The development of a 5-Year Operational Asset Management Plan to provide detailed action plans on key initiatives to be delivered in the next five (5) financial years
- Identification of existing and new asset requirements based on changes in demands and service levels
- Establishment of clear roles and responsibilities for asset management
- Utilisation of an integrated asset management and financial management information system to maintain asset data.

In addition, financial reports are expected to be prepared by the EMRC in accordance with the Australian Accounting Standards, covering the following asset classes:

- Land
- Buildings
- Structures
- Plant and Equipment
- Furniture and Fittings
- Artworks.

No issues were noted.

8.7 DETERMINE WHETHER ASSETS ARE ACCOUNTED FOR IN ACCORDANCE WITH RECOGNISED ACCOUNTING STANDARDS INCLUDING DEPRECIATION AND ANY REVALUATIONS.

Overall Outcome	The EMRC fixed assets were accounted for in accordance with the Australian Accounting Standards.
------------------------	--

Audit obtained and reviewed the Annual Financial Reporting Policy, noting that the Policy has been endorsed on 24 June 2021 and will be next reviewed in June 2025. The Policy has set out depreciation rate against fixed assets via straight-line method in accordance with the *Local Government (Financial Management) Regulations 1996 and Australian Accounting Standards*, as shown in the extract below.

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


Per the Annual Financial Reporting Policy, section 5 specifies that capitalisation threshold for the EMRC asset is \$5,000 in line with Regulation 17A(5) of the *Local Government (Financial Management) Regulations 1996*, whereas section 7 specifies that the EMRC is expected to undertake revaluations on lands, buildings, and infrastructure classes of assets based upon the revaluation thresholds every four (4) years commencing from Financial Year 2020/21, with the revaluation thresholds as shown below.

➤ Land	No limit
➤ Buildings	\$5,000
➤ Road Infrastructure	\$5,000
➤ Other Infrastructures	\$5,000

Audit obtained and reviewed the BMS for Processing Assets and Depreciation in Synergy Software, noting that the EMRC has in place internal controls over asset valuation, comprising:

- Depreciation is calculated in accordance with the Australian Accounting Standards
- Revisions to valuations are properly authorised before processing the updates
- Asset revaluation is conducted by the registered valuer every four (4) years.

Review of the EMRC Asset Register as at 30 April 2023 noted that a few fixed assets under \$5,000 were covered within the Asset Register, whereas a number of plants and equipment appears to be depreciated at insufficient rates with either \$0 current depreciation or high written-down value, as shown in the extract plant examples below.



Eastern Metropolitan Regional Council
 22/23 Asset Register by Group - Detailed

Apr'23

Asset No.	Asset Name	Date Acquired	Opening Val.	Additio	Revaluatio	Dispos.	Current Value	Current Year Depreciat	Depreciat on Dispos	Total Accum Depreciat	Written Down Val.
1391	P1391 Isuzu FVZ1400 with Hooklift - 1COB576 - Red Hill	12/06/2007	60,000.00	0.00	0.00	0.00	60,000.00	0.00	0.00	10,000.00	50,000.00
1392	P1392 Isuzu FVZ1400 - 1CNK865 - Red Hill	5/05/2007	65,000.00	0.00	0.00	0.00	65,000.00	0.00	0.00	10,000.00	55,000.00
1677	P1677 - Ride on Vacuum Sweeper KARCHER Model KM 100/100 Diesel - Baywaste Transfer Stat	1/04/2008	3,000.00	0.00	0.00	0.00	3,000.00	0.00	0.00	500.00	2,500.00
1808	P1808 Komtech Mustang Mobile Trommel - Red Hill	19/11/2008	66,666.67	8,119.00	0.00	0.00	74,785.67	2,722.11	0.00	8,613.91	66,171.76
1942	P1942 - Bomag BC1172R8-2 Compactor - Red Hill	9/07/2009	581,652.38	0.00	0.00	0.00	581,652.38	100,289.20	0.00	313,915.23	267,737.15
1972	P1972 HSM Horizontal Baling Press - Hazelmere	16/11/2009	25,000.00	0.00	0.00	0.00	25,000.00	3,123.24	0.00	16,622.12	14,376.88
2002	P2002 Isuzu Water Truck Reg 1DH0242- Hazelmere	17/02/2010	180,000.00	0.00	0.00	0.00	180,000.00	0.00	0.00	10,000.00	170,000.00
2051	P2051 - Hino Hooklift Truck - 1DJF72 - Hazelmere	8/06/2010	50,000.00	0.00	0.00	0.00	50,000.00	0.00	0.00	4,000.00	46,000.00
2118	P2118 Outdoor Woodwaste Grinding System - Hazelmere	28/06/2011	1,444,794.00	0.00	0.00	0.00	1,444,794.00	60,165.69	0.00	200,995.18	1,243,798.84
2128	P2128 Truck - Isuzu NPR400 (Used) 3.5M Tipper - 1DSL930 - Hazelmere	24/08/2010	20,000.00	0.00	0.00	0.00	20,000.00	0.00	0.00	5,000.00	15,000.00

Through discussion with the Finance Team, Audit was informed that assets depreciated at 0% is due to the asset having reached residual value as per the Valuation Report conducted in the Financial Year 2019/20, whereas assets with high written-down values are due to refurbishment, addition, etc, but the remaining useful life is not always adjusted.

Audit obtained and reviewed the Valuation Report as conducted in the Financial Year 2019/20, noting that opening value within the Asset Register for the period 01/07/2022 – 30/04/2023 appears to be fair value as at 30 June 2020, whereas accumulated depreciation were based upon the Financial Year 2019/20, as shown in the extract below.

EASTERN METROPOLITAN REGIONAL COUNCIL 30 JUNE 2020 PLANT & EQUIPMENT VALUATION																			
Asset Code	Asset Name	Location	Date Acquired	Acquisition Value	Odometer Readings as at March 2020	Opening Value	Current Valuation	Current Year Depreciation	Total Accum Depreciation	Written Down Value	Photo #	Km/Hrs	Gross Replacement Cost (\$)	Useful Life (Years)	Age (Years)	Remaining Life	Estimated Residual Value (\$)	Fair Value (\$)	
1391	Red Hill	R	12/06/2007	185190	178144	82,000.00	82,000.00	0.00	37,400.00	24,600.00	1391	181589	210,000	15	13	2	90,000	40,000	
1392	P1392 Issuu PVZ1400 - 1CNW865 - Red Hill	R	5/05/2007	139910	80387	72,000.00	72,000.00	0.00	54,000.00	18,000.00	1392	80811	200,000	15	13	2	55,000	55,000	
1677	Model KM 100/100 Diesel - Hazelmere	Ha	1/04/2008	19200		5,000.00	5,000.00	0.00	5,000.00	0.00	890	126	23,500	13	12	1	2,500	3,000	
1808	Red Hill	R	19/11/2008	373363.6	5612	150,000.00	150,000.00	0.00	127,500.00	22,500.00	1808	5,612	500,000	15	13	2	-	66,667	
1942	Hill	R	9/07/2009	1094000	9791	180,000.00	180,000.00	13.65	135,000.00	45,000.00	1942	9834	1,300,000	15	11	4	100,000	150,000	
1972	Hazelmere	Ha	16/11/2009	47175		36,113.42	36,113.42	2,027.78	10,131.50	25,981.92	881		50,000	15	11	4	10,000	25,000	
2002	Hill	R	17/02/2010	277120.2	0	120,000.00	120,000.00	0.00	90,000.00	30,000.00		73078	280,000	12	10	2	170,000	180,000	
2051	Hazelmere	Ha	8/06/2010	229472.5		45,000.00	45,000.00	0.00	33,750.00	11,250.00	886	282486	230,000	11	10	1	46,000	50,000	
2118	Hazelmere	Ha	28/06/2011	2313468		2,286,500.89	2,305,763.89	114,694.33	568,085.63	1,737,678.26	905		2,500,000	20	9	11	-	1,375,000	
2128	Tipper - 105L930 - Hazelmere	Ha	24/08/2010	86818.18		20,000.00	20,000.00	0.00	15,000.00	5,000.00	1891	95877	65,000	12	10	2	15,000	20,000	

No issues were noted.



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Eastern Metropolitan Regional Council

Taxation

July 2023

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1. EXECUTIVE SUMMARY

Introduction

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

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

As part of the Strategic Internal Audit Plan 2020/2021 – 2025/26 an audit of Taxation is conducted every second year. This is a core financial related audit that would be expected to be relied upon by the Office of the Auditor General, Western Australia. The audit will cover the period 1 July 2022 to 30 April 2023. This audit will examine reliability and integrity of information, compliance and safeguarding of assets.

The audit objectives and scope of the works are provided below.

Audit Objective:

The primary objective of the audit was classified as an assurance audit with a focus on controls. We will use a combination of walk throughs, interviews, process observation, and sampling to assess controls.

The specific objectives of this audit are to ascertain that there are adequate controls over three key areas as follows:

Reliability and Integrity of Information

- GST is accurately charged against creditor and debtor invoices and creditable supplies
- Creditable and input tax credits are appropriately calculated.

Compliance

- Determine whether procedures meet the requirements of the respective Acts
- Withholding tax is charged where no ABN is provided
- GST adjustments are in accordance with legislation.

Efficiency / Effectiveness

- Timely reconciliation of control accounts is performed.

Risk Identified:

- Non-compliance with legislation
- GST accounted Creditor may be incorrect or incomplete.

Scope of works

The audit period was 1 July 2022 to 30 April 2023.

2. OVERALL AUDIT OUTCOMES AGAINST AUDIT SCOPE OF WORKS

Overall Risk Rating

Scope Report Reference	Audit Scope	Outcomes	Risk Rating
8.1	Determine whether procedures meet the requirements of respective Acts.	Achieved	N/A
8.2	GST is accurately charged against creditor and debtor invoices and creditable supplies.	Achieved	N/A
8.3	Creditable and input tax credits are appropriately calculated.	Achieved	N/A
8.4	Withholding tax is charged where no ABN is provided.	Achieved	N/A
8.5	GST adjustments are in accordance with legislation.	Achieved	N/A
8.6	Timely reconciliation of control accounts is performed.	Achieved	N/A

3. SUMMARY OF FINDINGS

1. There were no findings noted.

4. RECOMMENDATIONS

1. There were no recommendations made.

5. BUSINESS IMPROVEMENTS

1. Audit suggests that EMRC removes draft from the BMS – GST Processing Procedure if it is in final form.
2. Audit suggests that EMRC considers developing Management Guidelines in relation to GST and FBT based upon the existing GST Processing Procedure and the FBT Procedure to enhance EMRC employee awareness of GST and FBT implications across the organisation.

6. OVERALL COMMENTS

Eastern Metropolitan Regional Council (EMRC) - Management Comments

We acknowledged the removal of the “draft” watermark and the final document - GST Processing Procedure BMS and the update has been published accordingly.

With regards to the second limb of the finding, we recognise the importance of the recommendation to communicate to staff. Due to the technical nature of GST and FBT rules and processes, the intricacies of such rules and regulations set and amended from time to time by the ATO may be too complex to be published for all staff as a separate document. It may be more appropriate that general rules around GST and FBT compliances may be embedded separately in respective management guidelines where the implication of specific types of expenditure will be discussed in general detail. What this will mean for staff is that they will only need to review a single management guideline for reference and consider for the nature and type of expenditure, as non-Finance staff will be unlikely to cross reference another specific guideline nor comprehend the specific GST and FBT implications.

Stantons - Audit Management Comments

We acknowledge the removal of “draft” from GST Processing Procedure BMS and understand the complexities of taxation changes that preclude the development of GST and FBT Management Guidelines, but some general rules would be useful.

We would also like to convey our thanks to the Finance team for this assistance with the audit.

7. RISK RATING AND DEFINITIONS

Risk Ratings and Interpretations

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

DISCLAIMER, BASIS OF AUDIT AND LIMITATIONS

DISCLAIMER

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

BASIS OF AUDIT

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

INHERENT LIMITATIONS

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation.

Report Release

Released by (Name): James Cottrill

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

Signature: 

Date: 25 July 2023

8. DETAILED AUDIT ASSESSMENT

8.1 DETERMINE WHETHER PROCEDURES MEET THE REQUIREMENTS OF THE RESPECTIVE ACTS.

Overall Outcome	The EMRC has in place adequate procedures in compliance with the respective Acts.
------------------------	---

Audit obtained and reviewed the BMS – GST Processing Procedure, noting that the procedure complies with the *Goods and Services Tax Act 1999*, although the document is still indicating as being in draft. The procedure specifies that as the EMRC has registered for GST, it is liable to collect GST at the rate of 10% on taxable supplies, as well as claim back any credits for the amount of GST paid. Four (4) types of GST supplies have been listed by the GST legislation, comprising:

- Taxable supplies
- GST-free supplies
- Input-taxed supplies
- Out of scope supplies.

Suggested Improvement 1	Business	Audit suggests that EMRC removes draft from the BMS – GST Processing Procedure if it is in final form.
--------------------------------	-----------------	--

EMRC is also required to report to the ATO in relation to the total GST collected and input tax credits claimed for each tax period via lodging a monthly Business Activity Statement (BAS). Any excess of GST received over GST paid will be remitted electronically to the ATO, whereas a refund from the ATO is able to be expected if the GST paid exceeds the amount of GST collected for the same period. The lodgement of the BAS and payment is due on the twenty-first (21st) of the month following the end of each tax period.

Review of the FBT procedure noted that the EMRC claims FBT against fleet vehicles, entertainment (e.g., coffee, breakfast, lunches, dinners, etc), and other expense (e.g., reviews and recognition programs). The Finance Team maintains a worksheet relating to FBT for the FBT Year being 1 April to 31 March in terms of vehicles, meals and Christmas functions, and employee service recognitions/awards.

The GST and FBT have implications that staff throughout the organisation need to be aware of to ensure that financial information contained within purchase orders and invoices is captured and reported correctly.

Suggested Improvement 2	Business	Audit suggests that EMRC considers developing Management Guidelines in relation to GST and FBT based upon the existing GST Processing Procedure and the FBT Procedure to enhance EMRC employee awareness of GST and FBT implications across the organisation.
--------------------------------	-----------------	---

8.2 GST IS ACCURATELY CHARGED AGAINST CREDITOR AND DEBTOR INVOICES AND CREDITABLE SUPPLIES.

Overall Outcomes	GST against both creditors and debtors is correctly applied.
-------------------------	--

Audit obtained and reviewed the BAS report for July 2022 and April 2023 respectively, noting that the Finance Team has generated the Summarised GST Report as well as separate reports on GST collected and GST paid, including (but not limited to):

- G1 Total Sales & Income & Other Expenses
- G3 Other GST Supplies
- G4 Input Taxed Sales & Income & Other Supplies
- G9 Total of GST Payable
- G10 Capital Acquisitions
- G11 Other Acquisitions
- G14 Acquisitions with No GST in the Price
- G20 Total GST Credit.

Audit randomly selected eight (8) expenditure transactions from the reports on GST paid and six (6) revenue transactions from the reports on GST collected respectively, comprising:

Expenditure Transactions:

- 22/07/2022 – INV-0004 – Hertz Inspection and Services - \$29,700.00
- 07/07/2022 – 363433 – Drake Australia - \$1,927.51
- 18/07/2022 – 5006294070 – BP Australia - \$35,101.26
- 28/06/2022 – 062-212497 – LGIS Insurance Broking - \$45,417.00 (GST free)
- 13/03/2023 – D00540 – CJD Equipment - \$324,500.00
- 31/03/2023 – I151669 – B&J Catalano - \$130,581.79
- 18/04/2023 – 2071 – Civil Auto Electrics - \$3,451.80
- 27/03/2023 – 2023-03-27-EMRC – ASCHL Management Systems - \$6,979.99 (GST free).

Revenue Transactions:

- 01/07/2022 – 128350 – C.D. Dodd Scrap Metal Recyclers - \$3,425.40
- 19/07/2022 – EMRC45919 – City of Swan - \$726.00
- 31/07/2022 – EMRC46153 – Anergy Australia - \$8,716.30 (GST free)
- 11/04/2023 – EMRC50269 – City of Bayswater - \$1,889.47
- 18/04/2023 – EMRC50344 – James Building - \$278.85
- 30/04/2023 – EMRC50655 – Western Power - \$880.00 (GST free)

Audit conducted testing on these expenditure and revenue transaction samples respectively and verified that all these transactions were supported by valid tax invoices against correct creditors and debtors, and GST were correctly applied against taxable supplies and creditable acquisitions whereas no GST has been charged over GST-free supplies.

No issues were noted.

8.3 CREDITABLE AND INPUT TAX CREDITS ARE APPROPRIATELY CALCULATED.

Overall Outcome	Creditable and input tax credits have been applied correctly.
------------------------	---

Audit obtained and reviewed the BAS report for July 2022 and April 2023 respectively, noting that the total GST collected amount is calculated at the rate of 10% of the total taxable supplies, whereas the total GST paid amount is calculated at the rate of 10% of the total creditable acquisitions. Audit performed recalculations of GST amounts against creditable acquisitions and taxable supplies respectively and verified that the GST paid / collected was applied correctly in accordance with the ATO lodgement statement, as shown below.

Period	Creditable Acquisition (Incl. GST)	10% GST	Per Statement from ATO	Taxable Supply (Incl. GST)	10% GST	Per Statement from ATO
Jul-22	\$1,596,075.78	\$145,097.80	\$145,098.00	\$3,987,409.71	\$362,491.79	\$362,492.00
Apr-23	\$2,086,916.43	\$189,719.68	\$189,720.00	\$4,693,967.64	\$426,724.33	\$426,724.00

Audit also conducted sample testing against creditable acquisitions and taxable supplies respectively in section 8.3 verifying that the creditable and input tax credits are correctly applied.

No issues were noted.

8.4 WITHHOLDING TAX IS CHARGED WHERE NO ABN IS PROVIDED.

Overall Outcome	No withholding tax charged against suppliers that had not provided an ABN was noted / reported as all suppliers are required to provide their ABN.
------------------------	--

Through discussion with the Finance Team, Audit was informed that no withholding tax was charged against a supplier that had not provided an ABN was noted or reported during the period 01/07/2022 – 30/04/2023 as all the suppliers are required by the EMRC to provide their ABN.

No issues were noted.

8.5 GST ADJUSTMENTS ARE IN ACCORDANCE WITH LEGISLATION.

Overall Outcome	No GST adjustments were noted / reported during the period 01/07/2022 – 30/04/2023.
------------------------	---

Through discussion with the Finance Team, Audit was informed that there is no GST adjustment reported during the period 01/07/2022 – 30/04/2023.

Audit obtained and reviewed the BAS report for July 2022 and April 2023 respectively, verifying that there is no GST adjustment made for July 2022 and April 2023, as shown in the extracts below.

Printed on : 18.08.22 at 11:55	Eastern Met
Page No. : 1	Business Activity Statement
	Summarised GST Report - Statement Date 31.07.2022
Supplies you have made	
G1 Total Sales & Income & Other Expenses	4009561.90
G2 Exports	0.00
G3 Other GST Free Supplies	8716.30
G4 Input Taxed Sales & Income & Other Supplies	13435.89
G5 Total of GST Free and Input Taxed Supplies	22152.19
G6 Total of Taxable Supplies	3987409.71
G7 Adjustments (Supplies)	0.00
G8 Total of Taxable Supplies after Adjustments	3987409.71
G9 Total of GST Payable	362491.79
112125/010 Creditors - GST Collected	-60464743.33

Acquisitions you have made	
G10 Capital Acquisitions	358670.94
G11 Other Acquisitions	1264754.70
G12 Total Acquisitions	1623425.64
G13 Acquisitions for making Input Taxed Sales & Income & Other S	
G14 Acquisitions with no GST in the price	27349.86
G15 Total of estimated Private Use of Acquisitions + Non-Income	
G16 Total of Non-Creditable Acquisitions	27349.86
G17 Total of Creditable Acquisitions	1596075.78
G18 Adjustments (Acquisitions)	
G19 Total of Creditable Acquisitions after Adjustments	1596075.78
G20 Total GST Credit	145097.80
112125/020 Creditors - GST Paid	26927126.29

Extract (1) from the BAS Summary Report for July 2022

Printed on : 10.05.23 at 10:40	Eastern Me
Page No. : 1	Business Activity Statement
	Summarised GST Report - Statement Date 30.04.2023
Supplies you have made	
G1 Total Sales & Income & Other Expenses	5064434.62
G2 Exports	0.00
G3 Other GST Free Supplies	31680.00
G4 Input Taxed Sales & Income & Other Supplies	338786.98
G5 Total of GST Free and Input Taxed Supplies	370466.98
G6 Total of Taxable Supplies	4693967.64
G7 Adjustments (Supplies)	0.00
G8 Total of Taxable Supplies after Adjustments	4693967.64
G9 Total of GST Payable	426724.33
112125/010 Creditors - GST Collected	-64070822.89

Acquisitions you have made	
G10 Capital Acquisitions	844137.49
G11 Other Acquisitions	1283430.53
G12 Total Acquisitions	2127568.02
G13 Acquisitions for making Input Taxed Sales & Income & Other S	
G14 Acquisitions with no GST in the price	40651.59
G15 Total of estimated Private Use of Acquisitions + Non-Income	
G16 Total of Non-Creditable Acquisitions	40651.59
G17 Total of Creditable Acquisitions	2086916.43
G18 Adjustments (Acquisitions)	
G19 Total of Creditable Acquisitions after Adjustments	2086916.43
G20 Total GST Credit	189719.68
112125/020 Creditors - GST Paid	28589843.87

Extract (2) from the BAS Summary Report for April 2023

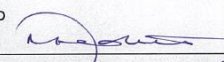
No issues were noted.

8.6 TIMELY RECONCILIATION OF CONTROL ACCOUNTS IS PERFORMED.

Overall Outcome	The EMRC has performed timely reconciliation of GST accounts.
------------------------	---

Per the BMS – GST Processing Procedure, reconciliation between GST collected and paid is required to be conducted monthly and expected to be undertaken on or before the twenty-first (21st) of the month following the end of each tax period.

Audit obtained and reviewed the GST Reconciliation Report for July 2022 and April 2023, verifying that the reconciliation of GST accounts is performed before the twenty-first (21st) of each month following the end of tax period, and the GST Reconciliation Report is prepared by the Accounts / Payroll Officer, and reviewed and approved by the Manager Financial Services, as shown in the extract below.

BUSINESS ACTIVITY STATEMENT FOR Apr-23		
BUSINESS ACTIVITY STATEMENT FOR	CODE	MONTH
SUPPLIES WE HAVE MADE (SALES)		April 2023
TOTAL SALES & INCOME & OTHER SUPPLIES (G1 + G4)	G1	5,064,435 ✓
EXPORTS	G2	0
OTHER GST FREE SUPPLIES	G3	31,680 ✓
INPUT TAXED SALES & INCOME & OTHER SUPPLIES (Investments)	G4	338,787 ✓
TOTAL G2+G3+G4	G5	370,467 ✓
G1 MINUS G5	G6	4,693,968 ✓
ADJUSTMENTS	G7	
G6+G7	G8	4,693,968 ✓
DIVIDE G8 BY 11	G9/1A	426,724 ✓
ACQUISITIONS WE HAVE MADE (PURCHASES)		
CAPITAL ACQUISITIONS	G10	844,137 ✓
OTHER ACQUISITIONS	G11	1,283,431 ✓
G10+G11	G12	2,127,568 ✓
ACQUISITIONS FOR MAKING INPUT SALES & INCOME & OTHER SUPPLIES	G13	0
ACQUISITIONS WITH NO GST IN THE PRICE	G14	40,652 ✓
TOTAL OF EST PRIVATE USE	G15	0
ADD G13+G14+G15	G16	40,652 ✓
G12 MINUS G16	G17	2,086,916 ✓
ADJUSTMENTS	G18	
ADD G17+G18	G19	2,086,916 ✓
DIVIDE G19 BY 11	G20/1B	189,720 ✓
GROSS WAGES FOR THE MONTH	IW1	829,837
PAYG TAX FOR THE MONTH	IW2	219,656
CHQ NUMBER		
FUEL REBATE FOR THE MONTH	I7D ✓	26,424 ✓
FBT (QUARTER)	I F1	0
GST (REFUND)/PAYABLE (ROUNDED)		210,580
AMOUNT PAID		
AMOUNT OWING TO ATO		210,580
AUTHORISED BY: 		10/5/23

This file was prepared by Nita.Purwadi on 10/05/2023 at 12:06 PM

P:\Finance\1\BASIGST FY 22-23\April 2023\2304 BAS Summary for April 2023.xlsx

No issues were noted.



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**Eastern Metropolitan Regional Council
Waste Management (Wood Waste, Community Recycling
and Other Processing Transfers)
Internal Audit**

August 2023



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1. EXECUTIVE SUMMARY

Introduction

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

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

As part of the Strategic Internal Audit Plan 2020/2021 – 2025/2026 an audit of Accounts Receivable is conducted every second year. The audit will cover the period 1 July 2022 to 30 April 2023.

Audit Objective:

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

The specific objectives of this audit are as follows:

Compliance

- Determine compliance with legislative requirements and Council policy.

Efficiency / Effectiveness

- Assess whether processes are undertaken in an efficient manner.

Achievement of Objectives

- Determine whether processes facilitate the achievement of waste management objectives and community recycling.

Risks Identified

- Cash Management e.g., weighbridge operations
- Safety of gatehouse operators from irate customers
- Fraud e.g., cash handling, incorrect charging, improper use of organisation assets, etc.
- Issue of incorrect tipping tickets
- Charging incorrect tipping fees
- Calibration of weighbridge.

Scope of works

The audit period will be 1 July 2022 to 30 April 2023.

2. OVERALL AUDIT OUTCOMES AGAINST AUDIT SCOPE OF WORKS

Overall Risk Rating

Scope Report Reference	Audit Scope	Outcomes	Risk Rating
8.1	Determine compliance with legislative requirements and Council policy.	Mostly Achieved	Minor
8.2	Assess whether processes are undertaken in an efficient manner.	Achieved	N/A
8.3	Determine whether processes facilitate the achievement of waste management objectives and community recycling	Achieved	N/A

3. SUMMARY OF FINDINGS

1. Audit found from the WHS Incident Reporting Register that one of the Incident and Injury Report Forms was not available for review, three incidents were not recorded within the respective Action Worksheet, and one did not have the action complete date specified and then closed.

4. RECOMMENDATIONS

1. Audit recommends EMRC complies with its Occupational Health and Safety Policy and the associated Management Guideline – Accident and Incident Reporting and Investigation for Injury Report Forms, Action Worksheets and closing actions in a timely manner.

5. BUSINESS IMPROVEMENTS

1. Audit suggests that EMRC refers to condition 29 in their conclusions in future iterations of the Hazelmere Resource Recovery Park Annual Environmental Report & Annual Audit Compliance Report.

6. OVERALL COMMENTS

Eastern Metropolitan Regional Council - Management Comments

The Chief Operating Officer confirms that the report has been reviewed, accepted, and will endeavour to work through the recommended improvements as highlighted in this audit report. We are all very proud of the overall findings and that the Operations Team are mostly compliant with legislative requirements and Council policy. We will continue to strive for perfection.

Stantons - Audit Management Comments

We acknowledge the management comments from the Chief Operating Officer and the actions to work through the recommended improvements as highlighted in this audit report. We wish to convey our thanks to all the team in Waste Management for their assistance with the audit.

7. RISK RATING AND DEFINITIONS

Risk Ratings and Interpretations

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

DISCLAIMER, BASIS OF AUDIT AND LIMITATIONS

DISCLAIMER

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

BASIS OF AUDIT

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

INHERENT LIMITATIONS

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation.

Report Release

Released by (Name): James Cottrill

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

Signature: 

Date: 31 August 2023

8. DETAILED AUDIT ASSESSMENT

8.1 DETERMINE COMPLIANCE WITH LEGISLATIVE REQUIREMENTS AND COUNCIL POLICY.

Overall Outcome	EMRC were mostly compliant with legislative requirements and Council policy although improvements can be made over filing Incident and Injury Report Forms, recording incidents in the Action Worksheets, and closing them in a timely manner.
------------------------	--

Our audit focused on a review of operations at the Hazelmere Resources Recovery Park (Hazelmere) and Red Hill Waste Management Facility (Red Hill) in relation to Wood Waste, Community Recycling and Other Processing Transfers.

The operations undertaken at Hazelmere and Red Hill are regulated by Department of Water and Environmental Regulation (DWER) under conditions specified within the following licences:

- Hazelmere – L9003/2016/1 – duration 14/11/2016 to 13/11/2023 – 29 Conditions
- Red Hill – L8889/2015/2 – duration 19/5/2022 to 18/5/2032 – 48 Conditions.

The licence conditions relate primarily to the following requirements:

- Infrastructure and Equipment
- Waste Acceptance
- Waste processing
- Emissions and Discharges
- Records and Reporting.

Audit noted that there are other more specific site conditions (including some that relate to waste management services/infrastructure not yet in operation such as Wood Waste to Energy and Landfill Gas Flare) that are also stipulated.

Within the Records and Reporting section of the respective licences, EMRC is required to:

- a) undertake an audit of their compliance with the conditions of this licence during the preceding annual period; and
- b) prepare and submit to the CEO by no later than 90 days after the end of that annual period an Annual Audit Compliance Report in the approved form.

Red Hill also requires EMRC to submit to the CEO by no later than 90 days after the end of each annual period, an Annual Environmental Report for that annual period for the conditions listed in Table 13 of the licence.

For Hazelmere it was noted that an Annual Environmental Report & Annual Audit Compliance Report 2022 was compiled with the Annual Audit Compliance Report Form signed by the CEO on 31 March 2023. Review of the conclusions for the report noted that the Annual Environmental Report was produced in compliance with condition 29 of the operating licence L9003/2016/1, however, the conclusion refers to condition 4.2.1 which does not seem to exist, although condition 4 refers to the types of waste that can be accepted. We note that the conclusions specified that no complaints have been received and no non-compliances have been recorded.

Suggested Improvement 1	Business	Audit suggests that EMRC refers to condition 29 in their conclusions in future iterations of the Hazelmere Resource Recovery Park Annual Environmental Report & Annual Audit Compliance Report.
--------------------------------	-----------------	---

Discussions with EMRC personnel identified that although monitoring of the licence conditions is undertaken throughout the year, however, the evidence to demonstrate that specific audits were conducted (or reported) by EMRC (per the requirement of the licence or ISO 14001:2015) for 1 January to 31 December 2022 demonstrating compliance throughout the period was pending.

The Red Hill Annual Environmental Report & Annual Audit Compliance Report 2022 had not been completed at the date that the audit was concluded in June 2023. The delay was related to an external water monitoring report that had not been received, although we have been advised that DWER has allowed an extension of time.

EMRC Council Policy 5.1 Red Hill Waste Management Facility and Hazelmere Resource Recovery Park Environmental (last reviewed on 6 December 2018) refers to the Strategic Plan Objectives of:

- 1.1 To provide sustainable waste disposal operations
- 1.2 To improve regional waste management.

The purpose is to provide guiding principles of environmental management for the two sites in compliance with the respective legislation (*Environmental Protection Act 1986*, and Ministerial Statements), *Environmental Protection Amendment Regulations 2018*, *Contaminated Sites Act 2003* and *Environmental Protection Biodiversity Conservations Act 1999*. The 10 Year Strategic Plan 2017 – 2027 also refers to a third objective (see 8.3 below) that specifically relates to Hazelmere Resource Recovery Park which has not been included in the Policy, being:

- 1.3 To provide resource recovery and recycling solutions in partnership with member Councils.

The Policy Statement (which coincides with the EMRC Red Hill Waste Management Facility and Hazelmere Resource Recovery Park Environmental Policy 2020) details EMRC's:

- Commitment to minimising the environmental and social impacts of operations by working towards best practice management
- Objectives to fulfil the commitments
- Responsibilities to comply with the Policy.

The waste management team have developed the Environmental Management System (EMS) Manual 2021, encompassing both the Red Hill Waste Management Facility and Hazelmere Resource Recovery Park, which contains a comprehensive listing of all regulations, legislation, other imposed requirements. The EMS Manual identifies that the Red Hill Waste Management Facility Environmental Management System is certified to ISO 14001:2004 standard, although the facility has been ISO 14001:2015 certified for the period 19 August 2021 until 19 August 2024. On 30 June 2022 SGS Australia undertook a Surveillance 3.2 audit against ISO 14001:2015 which identified seven (7) minor non-conformities which Audit has been advised that EMRC will be taking corrective action.

The Red Hill site is subject to surprise inspections from DWER which undertake review of compliance against the Licence and the calculation of the Landfill Levy. The Landfill Levy is calculated at \$70/tonne for all waste that is received by Red Hill for landfill and payable to DWER. Inspections by DWER during the 2022-2023 year at the Red Hill site were undertaken on:

- 13 Sep 2022
- 24 Nov 2022
- 5 Jan 2023
- 9 May 2023.

We were advised that there were no instances of non-compliance reported during these DWER visits.

From a review of the tonnage recorded as received by Hazelmere and Red Hill during 2022-2023, the thresholds reflected within the licence have not been exceeded, although:

- FOGO at Red Hill, the licence tonnage threshold is specified as 10,000 tonnes, however, the YTD tonnage received to 20 June 2023 is 13,929 tonnes. We were advised that the FOGO tonnage threshold is due for review by DWER and has not yet been reflected within the licence
- Mattresses received at Hazelmere to 31 May 2023 was 19,061 with an average for the months during this financial year of 1,732 per month. The licence conditions specify that no more than 20,000 mattresses per annual period shall be processed. Depending upon the number of mattresses received for the last seven (7) months of the calendar year, it is likely that the threshold will be exceeded unless a change is requested to the cap.

In terms of the mattresses, EMRC has indicated that the above quantities are due to increases in the incoming mattresses from member Councils, other LGAs, and residents of the region to ensure that the illegal dumping of mattresses is alleviated. Although there is potential to breach its licence by a small quantity, EMRC have had a fantastic solution in place to move the mattresses out continuously and effectively of its facility for recycling. The contractor collects mattresses daily and does a fantastic job ensuring that EMRC never have stockpiles of mattress present. In the last year, EMRC have never had over 200 mattresses at any given time stockpiled at Hazelmere. EMRC will be raising a proposal to have the cap increased.

A review of the transfer process between Hazelmere and Red Hill for controlled waste confirmed that a truckload of contaminated Class IV power poles sighted as leaving Hazelmere on the way to Red Hill had a Controlled Waste Tracking Form completed at Red Hill, which was reflected in Mandalay and recorded within the Controlled Waste Tracking System maintained on the DWER website.

As part of assessing compliance with the EMRC Occupational Health and Safety Policy and the associated Management Guideline – Accident and Incident Reporting and Investigation we audited a sample of incidents occurring in the year. These were obtained and assessed to ensure that the Incident Report Form was completed, corrective actions, and incident close out was conducted as per requirements.

The Incident and Injury Report Form contains the details of the incident such as the person reporting the incident, risk to environment and description of the incident. The form also includes the actions taken to correct the incident by the person that reported it, which is normally the Site Supervisor. We have identified through a sample of five incidents selected from the WHS Incident Reporting Register that:

- one of the Incident and Injury Report Forms (ref. 2022-23/026) could not be provided for review
- three of the incidents (ref. 2022-23/017, 026, and 058) which were reflected in the main Incident Worksheet were not recorded within the respective Action Worksheets (Hazelmere or Red Hill) and the one (ref. 2022-23/056) that was recorded did not have the action complete date specified and the Action was not indicated as closed
- one of the incidents (ref. 2022-23/046) was reported in December 2022, over 2.5 years after the incident occurred in June 2019 - with the investigation still ongoing.

Finding 1

Audit found from the WHS Incident Reporting Register that one of the Incident and Injury Report Forms was not available for review, three incidents were not recorded within the respective Action Worksheet, and

	one did not have the action complete date specified and then closed.
Risk Rating	Minor
Recommendation 1	Audit recommends EMRC complies with its Occupational Health and Safety Policy and the associated Management Guideline – Accident and Incident Reporting and Investigation for Injury Report Forms, Action Worksheets and closing actions in a timely manner.

8.2 ASSESS WHETHER PROCESSES ARE UNDERTAKEN IN AN EFFICIENT MANNER.

Overall Outcomes	We confirmed that processes are undertaken in an efficient manner and have been designed for the purpose of what they were set to achieve.
-------------------------	--

We undertook a review of the processes in place at Hazelmere and Red Hill on 1 June 2023 and 15 June 2023, respectively.

Within the two sites, the key processes examined related to:

- Weighbridge procedures (using the processing system Mandalay)
- Workplace Health and Safety
- Compliance with DWER licence conditions.

To determine the efficiency of operations, we observed the processes and interviewed the Administration Supervisor (Hazelmere), Site Manager (Red Hill) and respective site Weighbridge Officers to identify how the processes work and conducted various walkthroughs. Based on our walkthroughs and interviews we reviewed and/or documented the following processes to assess their efficiencies:

Hazelmere	Red Hill
• Weighbridge Opening/Start-up	• Weighbridge Opening/Start-up
• Truck weighing and timber acceptance	• Float Preparation
• Float Preparation	• End of Day Cash Sales Reconciliation
• End of Day Cash Sales Reconciliation	• Docket Reconciliation and Checking off Summary
• Docket Reconciliation and Checking off Summary	• Weighbridge computer outage
• Detection of Incorrect Tipping Tickets	• Weighbridge traffic management
• Identifying Incorrect Tipping Fees	• Weekly Cash Sales
• Weekly Cash Sales	• Debtor Invoicing
• Security/Safety of Site	• Weighbridge Calibration
• Weighbridge Calibration	

When the trucks enter onto the weighbridge, the Weighbridge Officer will ask the truck driver on the type of waste they are carrying and input it into the system. During the unloading process, the Quality Officer will notify the Weighbridge Officer if there were any other waste types found in the truck. If any treated wooden waste, or contaminated waste material was found, the Weighbridge Officer will change the fee/charge applicable to the cost of the different waste type for the client.

We identified that the Weighbridge Operator can fix any errors within Mandalay on the same day (after reviewing the daily report), however, anything beyond the same day needs to be amended by a Supervisor. The system maintains an audit trail and the reason for the change is recorded. The supervisor receives a monthly report (end of month) which is reviewed to ensure that the entries appear correct.

Cash at Hazelmere is bagged weekly and kept in the safe (in weighbridge) and banked every third Friday. We were advised that from 1 July 2023, Hazelmere will no longer be accepting cash as payment for waste delivered or sales of materials. Cash takings from Coppin and Mathieson are transported (by Westsure Security) to Red Hill monthly. Red Hill banks weekly which includes Coppin and Mathieson approximately every fourth week. BayWaste banks weekly directly to the bank. All cash is transported by money courier service – Westsure

Security. When the courier picks it up, a cash collection invoice is provided to show that the money was picked up.

Review of a sample of charges raised for waste received and sale of material identified that the rates were charged per the standard Fees and Charges for the respective site or in accordance with a contract/agreement. It was noted, however that the Hazelmere Fees and Charges 2022/2023 Schedule has both a cubic metre (m3) and tonne (t) rate for Standard and Premium Coloured Woodchips. The m3 measurement is based upon the quantity of woodchips in the frontend loader bucket and the fullness of the bucket is operator dependant. All trucks receiving woodchips are weighed both on the way in and on the way out, hence a tonnage rate could be used.

Based upon a review of a sample of three woodchip sales in early May 2023, it was noted that there can potentially be a difference between the amount that was charged based upon the cubic metre estimate versus the rate that could be charged per tonne as follows:

Docket #	Sales Type	Price per m3	Price per Tonne	m3 Charged	Amount Charged	Weighed Tonnes	Tonnage Chargeable	Difference
30043082-HZ	Sale - Standard Red Coloured Woodchip (m3)	\$52.65	\$263.10	8m3	\$421.20	2.00	\$526.20	\$105.00
30043091-HZ	Sale - Standard Black Coloured Woodchip (m3)	\$52.65	\$263.10	8m3	\$421.20	2.34	\$615.65	\$194.45
30043346-HZ	Sale - Premium Red Coloured Woodchip (m3)	\$75.80	\$379.80	35m3	\$2,653.00	7.34	\$2,787.73	\$134.73

However, we note that EMRC sells this item on both volumetric and weight basis to give clients the option of how they like to purchase the product. This is because it is impossible to calculate an accurate conversion factor as the product fluctuates in weight once coloured and comes back to our facility, given the colour adds mass to the wood chips. At times the product is still wet when EMRC receipts it and then dries changing in weight significantly.

The Annual Weighbridge calibration is performed by a contractor called 'Aust-Weigh' and is usually undertaken outside of peak times that trucks access the facility (e.g., conducted on a Saturday to avoid customer interference). We confirmed that the weighbridge calibration was undertaken by Aust-Weigh for Hazelmere in October 2022 and at Red Hill in March 2023.

We concluded that the processes are undertaken in an efficient manner and have been designed for the purpose of what they were set to achieve.

8.3 DETERMINE WHETHER PROCESSES FACILITATE THE ACHIEVEMENT OF WASTE MANAGEMENT OBJECTIVES AND COMMUNITY RECYCLING.

Overall Outcome	For both Red Hill and Hazelmere Resource Recovery Park we noted that the processes to facilitate the achievement of waste management objectives and community recycling was fulfilled.
------------------------	--

Within the 10 Year Strategic Plan 2017 to 2027, the first Key Result Area is Environmental Sustainability in which the aim is:

- Provide and maintain best practice waste management services which are sustainable, efficient, and meet the needs of the Region
- Deliver a range of environmental services that enable the Region and member Councils to meet their responsibilities and community expectations for sustainable and adaptive environmental initiatives, and to maintain and enhance the natural assets of the Region.

The strategies focus on the Red Hill Waste Management Facility, Hazelmere Resource Recovery Park and member Council transfer stations which are encompassed within Objectives 1.1 to 1.3, with the identification, investigation and development of new initiatives contained within Objective 1.4.

KEY RESULT AREA 1 Environmental Sustainability

Our aim is to:

- Provide and maintain best practice waste management services which are sustainable, efficient and meet the needs of the Region.
- Deliver a range of environmental services that enable the Region and member Councils to meet their responsibilities and community expectations for sustainable and adaptive environmental initiatives, and to maintain and enhance the natural assets of the Region.

OBJECTIVES		STRATEGIES	
1.1	To provide sustainable waste disposal operations	1.1.1	Minimise the environmental impact of waste management operations
		1.1.2	Provide a waste disposal service at Red Hill Waste Management Facility
		1.1.3	Review and implement the Red Hill Development Plan
		1.1.4	Operate member Councils' transfer stations where applicable
1.2	To improve regional waste management	1.2.1	Collect, manage and dispose of problematic waste in the Region in a sustainable manner
		1.2.2	Continue the Waste Education Program and align this to new operations and resource recovery
		1.2.3	Provide a Waste Management Advisory Service
1.3	To provide resource recovery and recycling solutions in partnership with member Councils	1.3.1	Establish a Resource Recovery Facility
		1.3.2	Develop the Hazelmere Resource Recovery Park
		1.3.3	Identify markets and develop resource recovery products in order to reduce waste going to landfill
1.4	To investigate leading edge waste management practices	1.4.1	Undertake research into Integrated Waste Management
		1.4.2	Provide leadership in the development of waste policy and practices
		1.4.3	Identify, investigate and develop new waste management practices and services

Hazelmere Resource Recovery Park

The main function for Hazelmere is to provide recycling services to its member Councils and to reduce landfill that goes to the Red Hill site.

At present, Hazelmere's primary service is the Timber Recycling process (from chipboard, pallets, timber offcuts, etc.) which turns the untreated wood waste into woodchip fines that get sold to broiler growers (as class 1 or 2) for animal bedding and the community. Other services include the storage of mattresses received from the member Councils (or individuals) which get picked up from Hazelmere whole by a contractor (Perth Mattress & Furniture Recycle Company) for shredding.

Hazelmere also receives power poles from Western Power where untreated power poles have their butts removed (as well as any metal for recycling) which are shredded and are stockpiled for the future use in their 'Wood Waste to Energy (WWtE) Plant' currently under construction onsite. The mix coated power pole butts (which have cyanide) are loaded into blue bins for transport to a Class V disposal location in Kalgoorlie and CCA contaminated power poles received at Hazelmere are sent as Class IV in yellow bins to Red Hill for shredding.

At present, Hazelmere is trialling the receipt of bulk waste from Town of Bassendean which is sorted for recyclable products (e.g., metal) that can be on-sold, with the remaining waste sent to Red Hill. A commercial Waste Transfer Station is currently under construction on site (due to commence operations on 1 July 2023) with the proposed purpose to receive waste from Council members that will be sent directly to the East Rockingham Waste to Energy plant (once this arrangement is in place). It is proposed that in the interim, rather than to receive waste from member councils that already deliver waste directly to Red Hill, the facility will initially receive waste from City of Canning (which is in closer proximity to that council area) for transfer to Red Hill landfill.

We performed walkthroughs and direct observations of the key functions on site. This included direct observation of the weighbridge process in operation and assigning scenarios to determine any potential weaknesses in the current operations.

No issues were noted.

Red Hill Waste Management Facility

Currently, landfilling is the largest component of operations at Red Hill and includes disposal of municipal solid waste (MSW), commercial and industrial waste (C&I), construction and demolition waste (C&D), and contaminated waste. Red Hill receives waste for landfill from BayWaste (Bayswater owned), Coppin Road, Mathieson Road (Mundaring owned), as well as from commercial operators and residential households. Other waste that is received at Red Hill includes green waste, FOGO, asbestos (wrapped), as well as transfers from Hazelmere.

The Red Hill site is one of only a few landfills in Western Australia approved to manage Class III contaminated waste and is also the only site in the State approved to manage Class IV secure wastes – hence trucks travel from all parts of WA to unload Class IV secure waste at this site.

There is a residential transfer station where households can deposit their general waste, as well as collection area for cardboard, mattresses (which are transferred to Hazelmere for collection), batteries, gas bottles, small volume liquid collection (e.g., household pesticides). Households are also able to dispose of their green waste at a collection point, which is then transferred in bulk by EMRC via bins to the larger green waste site where the commercial trucks unload.

Sales from Red Hill include ferricrete, laterite rock (extracted to create the landfill cells), recycled materials, mulch, and soil. Also, in the works (following negotiation) will be the sale

of the FOGO compost as a soil conditioner to one of the government departments which we were advised will be used in road construction.

The site has a 3.8MW power station operated by EDL (via Agreement) which harvests methane from the landfill cells via pipes in return for a royalty paid to EMRC. A Gas Flare has been ordered from overseas which will be installed next to the power station which will be used to burn off excess methane if the power station is not operational for a few days (safety measure).

Future works (currently in the planning stage) is for an additional larger FOGO hardstand on the western side of the current site (in a former quarry), with other developments that could be located on that same site to include liquids (e.g., pesticides) waste management.

EMRC is in the process of incorporating Regional Bin Pickup (Mundaring currently under contract to commence on 1 July 2023) which will provide roadside Red and Yellow Top wheelie bin collection that will be transferred directly to Red Hill. EMRC is principally taking over from a retiring contractor (on a WIWO basis with the trucks and drivers coming across).

We performed walkthroughs and direct observations of the key functions on site. This included direct observation of the weighbridge process in operation and assigning scenarios to determine any potential/weaknesses in the current operations. During this walkthrough, we observed vehicles arriving at the weighbridge, issue of delivery dockets and payments. We undertook a drive around of the site to better understanding the layout and processes in place for the management by EMRC of the respective waste types.

No issues were noted.

11.4 RISK MANAGEMENT UPDATE

D2023/33581

PURPOSE OF REPORT

The purpose of this report is to provide Council with an update on the EMRC's risk management profile.

KEY POINT(S)

- Sound corporate governance requires an integrated risk management approach including management processes, strategic planning, reporting and performance management.
- In accordance with the Risk Management Framework, an overview of the management of risk is reported approximately 3 – 4 times a year to the Audit Committee.

RECOMMENDATION(S)

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

SOURCE OF REPORT

Chief Financial Officer

BACKGROUND

- 1 At the Ordinary Council meeting on 3 December 2020 it was resolved that (D2020/21187):
THAT COUNCIL:
 1. *CANCELS 7.1 - RISK MANAGEMENT POLICY, FORMING ATTACHMENT 1 OF THIS REPORT.*
 2. *ADOPTS A NEW 7.1 - RISK MANAGEMENT POLICY, FORMING ATTACHMENT 3 OF THIS REPORT.*
 3. *ENDORSES THE NEW RISK MANAGEMENT FRAMEWORK, FORMING ATTACHMENT 4 OF THIS REPORT AND THE NEW RISK APPETITE STATEMENT, FORMING ATTACHMENT 5 OF THIS REPORT TO ENSURE THAT THE APPROPRIATE GOVERNANCE OF RISK MANAGEMENT WITHIN THE EMRC IS PROVIDED.*
- 2 The EMRC has quantified its broad risk appetite through the EMRC's risk assessment and acceptance criteria. The criteria are included within the EMRC's Risk Management Policy, Risk Management Framework and the Risk Appetite Statement.
- 3 The EMRC continues to monitor and review process and to report on the progress of its achievement of the risk management objectives, the management of individual risks and the ongoing identification of issues and trends.
- 4 The last risk performance objectives were reported to the Audit Committee and Council in June 2022.

REPORT

- 5 The EMRC's Risk Management Framework provides the guidance to integrate risk management into significant activities and functions performed by the EMRC and supporting the EMRC's ability to use risk management as part of the decision-making processes.
- 6 The current EMRC risk appetite accepts the taking of controlled risks, the use of innovative approaches and the development of new opportunities to improve service delivery and to achieve EMRC objectives provided that the risks are properly identified, evaluated and managed to ensure that any exposures are acceptable.
- 7 The current risk management profile (heat map report), forming attachment 1 to this report, is a heat map report generated using the CAMMS risk software and shows all of the EMRC's strategic risks. The heat map offers a visualised, comprehensive view of the likelihood and impact of the EMRC's strategic risks and helps the organisation improve its risk management and risk governance by prioritising risk management efforts.
- 8 The table below summarises the current risk management update associated with all of the EMRC's strategic risks that are included in the attachment to this report.

Risk Code	Risk Title	Risk Owner	Risk Status Update
SR-1	Excessive Employee Benefits leave liability	Chief Executive Officer	Introduced Competency Framework Management Guideline, monthly Executive Leadership Team reporting and included this into performance reviews.
SR-2	Inadequate succession planning	Chief Executive Officer	Annual succession planning workshop scheduled in December 2023. Internal promotions are more common now.
SR-3	Ineffective Operational Reporting (timely and relevant)	Chief Operating Officer	All reports are effective with clear KPI's. The effectiveness of the reports is tested regularly.
SR-4	Over-use of single-source suppliers	Chief Financial Officer	Supplier (Creditor) Reports continue to be reviewed monthly by the Executive Leadership Team to ensure compliance is met. The risk will remain major for non-compliance as it is a likely outcome. Continued vigilance is required.
SR-5	Legacy issues restricting innovation and performance	Chief Executive Officer	Business improvement is now an agenda item at monthly Executive Leadership Team meetings. New revenue and value add to member councils observing budget restraints are mainstream now
SR-6	Under/poor performance	Chief Executive Officer	Detailed performance reports reviewed monthly.
SR-7	Reduced Grant Funding	Chief Sustainability Officer	All opportunities are explored to secure external funding in order to deliver quality programs to member councils and to continue regional advocacy.

Risk Code	Risk Title	Risk Owner	Risk Status Update
SR-8	Inadequate leachate control	Chief Operating Officer	All leachate controls put in place are adequate. The leachate ponds are monitored on a daily basis. To date there are no issues in this area as the current set-up meets all requirements.
SR-9	Odour, noise, dust and traffic complaints	Chief Operating Officer	There are internal processes that allow neighbours and others to report on any of the items highlighted in this code. All complaints are acted on within a timely manner and signed off by both the Site Manager and Chief Operating Officer and filed in accordance with EMRC's internal requirements.
SR-10	WWTE (Pyrolysis) Project underperformance	Chief Operating Officer	Contractors have been secured to continue on with the project. Commissioning Stage 1 is due to take place in November 2023. All targets and set KPIs are on track.
SR-11	Fire in operational sites	Chief Operating Officer	All inductions and internal processes are adequate to manage all EMRC sites in the unlikely event of a fire on site. This includes all reporting requirements.
SR-12	By-passing established Tender or Procurement procedures	Chief Financial Officer	Regular meetings are held with the various team reinforcing the procedures and improving the planning in key areas of level of operating and capital expenditure.
SR-13	Cyber attack	Chief Financial Officer	Following a review undertaken by the Internal Auditors, the IT team are continually improving the level of security and planning.
SR-14	Poor Stakeholder Engagement	Chief Executive Officer	2023 Stakeholder Perception Review showed remarkable year on year improvement.
SR-15	By-passing established administrative (non-financial) procedures	Chief Financial Officer	Ongoing monitoring and review and focusing on updating procedures where necessary, communication and training as well as communication/check-in tools are being implemented
SR-16	Injury to Operational Field Officers	Chief Executive Officer	Introduction of revised pre-starts, an OHS focus at recruitment and accountability/corrective action.
SR-17	COVID-19 Infection	Chief Executive Officer	Still some sporadic cases of Covid-19 infections.

Risk Code	Risk Title	Risk Owner	Risk Status Update
SR-18	Capex project objectives/targets not achieved	Chief Sustainability Officer	<p>All Requests For Information (RFI) have been submitted and the Section 38 APCr plant Environmental Review Document (ERD) is being updated by Talis, which should be resubmitted in early October 2023. The Section 43A APCr Monocell has been accepted by EPA and will be considered simultaneously with the APCr plant application.</p> <p>The FOGO RRF Section 45C (changes in processing technology and expiry date) is progressing. All RFI has been submitted at this time.</p> <p>Section 38 Harmonisation application to be withdrawn and reassessed and updated to reflect any changes.</p> <p>EMRC is in contact with DWER and has requested a meeting to discuss if the next Class IV General Contaminated Waste cell can be assessed under Part V of the EP Act. If this is possible it will save substantial time, not referring applications and amending ministerial statements for this piece of infrastructure.</p>
SR-19	Licencing conditions breach	Chief Sustainability Officer	<p>The Red Hill Licence was recently reviewed and amended to include; all HHW categories, gas flare type and location change, FOGO Interim Pad at Stage 1 and increase acceptance volume and removal of dust conditions after successful dust monitoring regarding the shredding for the power poles.</p> <p>The EMRC is in discussion with DWER on the possibility of changing Red Hill water monitoring requirements from being managed under Part IV to Part V to alleviate administrative burdens.</p> <p>Hazelmere Licence amendment for the newly constructed transfer station will be undertaken in the next 3 months.</p> <p>No notices of non-compliance have been received to date in 2023.</p>
SR-20	Lack of interest from Member Councils regarding Sustainability Programs	Chief Sustainability Officer	<p>A focus on decarbonisation, circular economy and sustainability ensures relevant programs continue to be delivered, which are also in line with our Council endorsed Sustainability Strategy.</p>

Risk Code	Risk Title	Risk Owner	Risk Status Update
SR-21	Employment related litigation	Chief Executive Officer	Audits by LGIS and Internal auditors of management guidelines and procedures took place as well as training regarding employee relations, OHS and site procedures enforcement.
SR-22	Sub-surface landfill fires	Chief Operating Officer	There is a process in place to follow in the unlikely event there is a sub-surface fire. This process also includes the reporting of the actual incident as well.
SR-23	Methane gas explosion	Chief Operating Officer	All areas are monitored on a daily basis by the EMRC site contractor (EDL) as well as EMRC site leaders. All inductions as well as EMRC's site emergency plan covers the requirements in the event of an incident. The EMRC conducts regular drills on evacuation procedures etc. This is to ensure that all personnel understand what is required in the unlikely event of a methane gas explosion.
SR-24	Light vehicle or pedestrian interaction with heavy equipment	Chief Operating Officer	All external visitors are inducted to highlight all operational active areas as well as issued with two-way radios & escorted safely by an EMRC site employee. No one enters EMRC sites without been inducted first. Inductions cover off on all site requirements when it comes to light vehicles or pedestrian activity. There are set safety KPI's for all managers and leaders of the sites. This is to ensure that EMRC leaders auditing the process to ensure all process are followed and adhered too. These results and mitigations are highlighted in our regular operational reports.
SR-25	Fraudster changing a Creditor's bank account details	Chief Financial Officer	This risk remains the same as the initial risk rating of moderate & unlikely, reflecting the likelihood & risk level. The verification process continues to be reviewed to ensure appropriate risk management. This has been reinforced to ensure that any changes to a creditor's bank account details are not changed without first obtaining confirmation from the creditor.
SR-26	No scheduled maintenance program for all buildings	Chief Financial Officer	Ongoing maintenance plans have been developed with funding in the 2022/2023 Annual Budget. Medium and long term plans are reviewed and ensured to be strategically and financially responsible.

Risk Code	Risk Title	Risk Owner	Risk Status Update
SR-27	Intentional activities in excess of delegated authority (PID Officer)	Chief Executive Officer	All within acceptable range. No non-conformances.
SR-28	Large numbers of Ibis and Pelicans scavenging on open tip face	Chief Operating Officer	There are internal procedures in place to ensure that this is managed in accordance with EMRC's requirements. The Operations team is also heavily supported by the Environmental team.

STRATEGIC/POLICY IMPLICATIONS

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

FINANCIAL IMPLICATIONS

3 Nil

SUSTAINABILITY IMPLICATIONS

4 Nil

RISK MANAGEMENT

Risk – The EMRC is required to ensure that all risks are reviewed, monitored and controlled on a regular basis		
Consequence	Likelihood	Rating
Moderate	Likely	High
Action/Strategy		
➤ Council to note the update on the status of the Council's risk management objectives.		

MEMBER COUNCIL IMPLICATIONS

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

ATTACHMENT(S)

Current Risk Management Profile (D2023/35317)

VOTING REQUIREMENT

Simple Majority



RECOMMENDATION(S)

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

AC RECOMMENDATION(S)

MOVED CR HENDERSON SECONDED CR SUTHERLAND

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

CARRIED UNANIMOUSLY

COUNCIL RESOLUTION(S)

MOVED CR ELLERY SECONDED CR BOWMAN

THAT COUNCIL NOTES THE UPDATE ON THE STATUS OF THE COUNCIL'S RISK MANAGEMENT PROFILE.

CARRIED UNANIMOUSLY



Initial Risk Rating (grey circle)

Residual Risk Rating (white circle)

Likelihood



Risk Code	Risk Title
SR - 1	Excessive Employee Benefits leave liability
SR - 2	Inadequate succession planning
SR - 3	Ineffective Operational Reporting (timely and relevant)
SR - 4	Over-use of single-source suppliers
SR - 5	Legacy issues restricting innovation and performance
SR - 6	Under/poor performance
SR - 7	Reduced Grant Funding
SR - 8	Inadequate leachate control
SR - 9	Odour, noise, dust and traffic complaints
SR - 10	WWTE (Pyrolysis) Project underperformance
SR - 11	Fire in operational sites
SR - 12	By-passing established Tender or Procurement procedures
SR - 13	Cyber attack
SR - 14	Poor Stakeholder Engagement
SR - 15	By-passing established administrative (non-financial) procedures
SR - 16	Injury to Operational Field Officers
SR - 17	Covid-19 Infection
SR - 18	Capex project objectives/targets not achieved
SR - 19	Licencing conditions breach
SR - 20	Lack of interest from Member Councils regarding Sustainability Programs
SR - 21	Employment related litigation
SR - 22	Sub-surface landfill fires
SR - 23	Methane gas explosion
SR - 24	Light vehicle or pedestrian interaction with heavy equipment
SR - 25	Fraudster changing a Creditor's bank account details

Risk Code	Risk Title
SR - 26	No scheduled maintenance program for all buildings
SR - 27	Intentional activities in excess of delegated authority (PID Officer)
SR - 28	Large numbers of Ibis and Pelicans scavenging on open tip face

12 REPORTS OF DELEGATES

Nil

13 NEW BUSINESS OF AN URGENT NATURE

Nil

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

Nil

15 FUTURE MEETINGS OF THE AUDIT COMMITTEE

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

“4 Meetings

- 4.1 The Audit Committee will meet as required at the discretion of the chairperson of the committee and at least three times per year to coincide with:
- a. Approval of strategic and annual plans;
 - b. Approval of the annual budget; and
 - c. The auditor’s report on the annual financial report.”

Future Meetings 2023

Thursday 9 November (If Required) at EMRC Administration Office

16 DECLARATION OF CLOSURE OF MEETING

The Chair declared the meeting closed at 6:45pm.