



**MINUTES**

**CERTIFICATION OF CONFIRMATION OF  
AUDIT COMMITTEE MINUTES**

**8 MARCH 2018**

I, Cr Melissa Mykytiuk hereby certify that the minutes from the Audit Committee Meeting held on 8 March 2018 pages (1) to (71) were confirmed at a Committee meeting held on 7 June 2018.

A handwritten signature in blue ink, appearing to read "M. Mykytiuk", is written over a horizontal line.

**Signature**

Cr Melissa Mykytiuk  
**Person presiding at Meeting**

## AUDIT COMMITTEE

### MINUTES

8 March 2018

(REF: D2018/00242)

A meeting of the Audit Committee was held at the EMRC Administration Office, 1<sup>st</sup> Floor, 226 Great Eastern Highway, BELMONT WA 6104 on **Thursday, 8 March 2018**. The meeting commenced at **6:30pm**.

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## **1 DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS**

The CEO opened the meeting at 6:30pm.

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

### **Councillor Attendance**

Cr Melissa Mykytiuk	EMRC Member	Town of Bassendean
Cr Sally Palmer	EMRC Member	City of Bayswater
Cr Janet Powell	EMRC Member	City of Belmont
Cr Geoff Stallard	EMRC Member	City of Kalamunda
Cr David Lavell	EMRC Member	Shire of Mundaring
Cr Adam Kovalevs (Deputised for Cr David McDonnell)	EMRC Member	City of Swan

### **Apologies**

Cr David McDonnell	EMRC Member	City of Swan
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### **EMRC Officers**

Mr Peter Schneider	Chief Executive Officer
Mr Hua Jer Liew	Director Corporate Services
Mr David Ameduri	Manager Financial Services
Ms Theresa Eckstein	Executive Assistant to the Chief Executive Officer (Minutes)

## **3 DISCLOSURE OF INTERESTS**

Nil

## **4 ANNOUNCEMENTS BY THE CHAIRMAN OR PRESIDING MEMBER WITHOUT DISCUSSION**

Nil



## **5 ELECTION OF A CHAIRMAN AND DEPUTY CHAIRMAN OF THE AUDIT COMMITTEE (AC)**

### **5.1 ELECTION OF A CHAIRMAN OF THE AUDIT COMMITTEE (AC)**

**REFERENCE: D2018/00243**

#### **PURPOSE OF REPORT**

The purpose of this report is to provide for an election to be conducted for the Office of Chairman of the Audit Committee (AC).

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

- It is a statutory requirement that the Committee elect a Chairman at the first meeting of the Audit Committee after an ordinary Council elections day.

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

That the members of the Audit Committee elect a Chairman.

#### **SOURCE OF REPORT**

Director Corporate Services

#### **BACKGROUND**

At the Special Meeting of Council held on Thursday 9 November 2017, the EMRC Chairman and Deputy Chairman were elected and members to the EMRC Committees were appointed.

#### **AC MEMBERS 2017 - 2019**

The following members were appointed to the AC at the Special Meeting of Council held on 9 November 2017:

Cr Melissa Mykytiuk	Town of Bassendean
Cr Sally Palmer	City of Bayswater
Cr Janet Powell	City of Belmont
Cr Geoff Stallard	City of Kalamunda
Cr David Lavell	Shire of Mundaring
Cr David McDonnell	City of Swan

In accordance with section 5.12(1) of the *Local Government Act 1995*, (the Act) the members of a committee are to elect a presiding member from amongst themselves in accordance with Schedule 2.3, Division 1.

It is a requirement of Schedule 2.3 of the Act that the election is conducted by the Chief Executive Officer (CEO) and the nominations for the Office are to be given to the CEO in writing before the meeting or during the meeting before the close of nominations. Furthermore, if a member is nominated by another member the CEO is not to accept the nomination unless the nominee has advised the CEO, orally or in writing, that he or she is willing to be nominated for the Office. Members are to vote on the matter by secret ballot.

The procedure outlined in Schedule 2.3 of the Act will be followed if there is an equality of votes.



*Item 5.1 continued*

## **REPORT**

The CEO will preside at the meeting until the Office of Chairman of the AC is filled.

The following material accompanies the agenda for this meeting as a means of assisting members of the Committee to nominate themselves or another member for the Office of Chairman of the AC:

1. AC Terms of Reference;
2. A blank nomination form for the Office of Chairman of the AC, nominate oneself;
3. A blank nomination form for the Office of Chairman of the AC, nominate another; and
4. A blank ballot paper for Election of Chairman of the AC.

Ballot papers will be made available prior to voting.

The completed nomination forms are to be given to the CEO before the meeting or when the CEO calls for them when dealing with this item at the meeting.

## **STRATEGIC/POLICY IMPLICATIONS**

Council Policy 2.1 Committees of Council provides for the establishment of the Audit Committee.

Key Result Area 3 – Good Governance

- 3.3 To provide responsible and accountable governance and management of the EMRC

## **FINANCIAL IMPLICATIONS**

Nil

## **SUSTAINABILITY IMPLICATIONS**

Nil

## **MEMBER COUNCIL IMPLICATIONS**

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

## **ATTACHMENT(S)**

1. AC Terms of Reference (D2018/00232)
2. A blank nomination form for the Office of Chairman of the AC, nominate oneself (Ref: D2018/00238)
3. A blank nomination form for the Office of Chairman of the AC, nominate another (Ref: D2018/00238)
4. Ballot Paper – Election of AC Chairman (Ref: D2018/00234)



*Item 5.1 continued*

#### VOTING REQUIREMENT

Secret Ballot

#### **RECOMMENDATION(S)**

That the members of the Audit Committee elect a Chairman.

The CEO advised that he had received no nominations for the Office of Chairman of the Audit Committee prior to the meeting and called for nominations.

Cr Palmer nominated Cr Mykytiuk for the Office of Chairman of the Audit Committee and Cr Mykytiuk accepted the nomination.

The CEO called for further nominations. No further nominations were received.

#### **ANNOUNCEMENT: OF THE OFFICE OF CHAIRMAN**

There being no further nominations, the CEO declared Cr Mykytiuk, Chairman of the Audit Committee unopposed for the term commencing 8 March 2018 until 2019.

The CEO congratulated Cr Mykytiuk and vacated the Chair at 6:40pm.

At 6.40pm, Cr Mykytiuk took the Chair.

## **TERMS OF REFERENCE**

### **AUDIT COMMITTEE**

#### **1 OBJECTIVES OF COMMITTEE:**

1.1 The Audit Committee (AC) is a formally appointed committee of Council and is responsible to that body. It has been established to assist Council with:

- (a) The effective conduct of its responsibilities for financial reporting, management of risk and maintaining a reliable system of controls.
- (b) The co-ordination of relevant activities of management, compliance, internal audit, external audit and to facilitate achieving overall organisational objectives in an efficient and effective manner.
- (c) The facilitation of:
  - the enhancement of the credibility and objectivity of internal and external financial reporting;
  - effective management of financial and other risks and the protection of Council assets;
  - compliance with laws and regulations as well as use of best practice guidelines;
  - the provision of an effective means of communication between the external auditor, internal audit, management and the Council;
  - the allocation of the EMRC's finances and resources.

#### **2 RESPONSIBILITIES**

The duties of the Audit Committee include the following:

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

- (a) internal controls over revenue, expenditure, assets and liability processes
- (b) the efficiency, effectiveness and economy of significant EMRC programmes; and
- (c) compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.

2.2 Critically analyse and follow up any internal or external audit report that raises significant issues relating to risk management, internal control, financial reporting and other accountability or governance issues, and any other matters relevant under the Committee's terms of reference. Review management's response to, and actions taken as a result of the issues raised.

2.3 Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems.

- 2.4 Monitor ethical standards and related party transactions by determining whether the systems of control are adequate.
- 2.5 Review Council's draft annual financial report, focusing on:
  - (a) accounting policies and practices;
  - (b) changes to accounting policies and practices;
  - (c) the process used in making significant accounting estimates;
  - (d) significant adjustments to the financial report (if any) arising from the audit process;
  - (e) compliance with accounting standards and other reporting requirements;
  - (f) significant variances from prior years.
- 2.6 Recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the financial report is signed.
- 2.7 Discuss with the external auditor the scope of the audit and the planning of the audit.
- 2.8 Discuss with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters. Identify and refer specific projects or investigations deemed necessary through the Chief Executive Officer, the internal auditor and the Council if appropriate.
- 2.9 Address issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of the Committee's terms of reference.

### **3 MEMBERSHIP:**

- 3.1 The Audit Committee will comprise of:
  - a. Six Councillors, one from each member Council.
  - b. A deputy member of the Committee will be appointed
- 3.2 Members and Deputies will be appointed for a period of two years following each ordinary Council election.
- 3.3 The Chief Executive Officer and the Director Corporate Services will attend all meetings except when the Committee chooses to meet in camera.
- 3.4 An Internal Auditor (whether a member of staff or contractor) will attend meetings where internal audit reports are being considered by the committee

### **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.



4.2 Additional meetings will be convened at the discretion of the Chairperson.

## **5 OPERATING PROCEDURES**

5.1 All meetings of the AC are to be conducted in accordance with the Local Government Act 1995, associated Regulations and the *EMRC Standing Orders Local Law 1998*.

5.2 A quorum for a meeting of the Committee shall be at least four of the number of offices (whether vacant or not) of members of the Committee.

5.3 Voting

- a. All decisions of the Committee shall be made on the basis of a simple majority decision of the members present or, if another kind of majority has been prescribed by regulations for the particular kind of decision, by that kind of majority.
- b. If the decision results in a tied vote, the person presiding is to cast a second vote.
- c. Persons other than Committee members are not entitled to cast a vote.
- d. All other aspects related to voting procedure shall be consistent with relevant sections of the *EMRC Standing Orders Local Law 1998*

5.4 Other EMRC staff or member Council staff may attend meetings, at the discretion of the Chief Executive Officer and/or the Committee Chairperson, to provide advice and information when required.

5.5 Representatives of the External Auditor will be invited to attend meetings at the discretion of the Committee but **MUST** attend meetings considering the draft annual financial report and results of the external audit.

## **6 REPORTING**

- 6.1 The Committee shall after every meeting forward the minutes of that meeting to the next Ordinary Meeting of Council, including a report explaining any specific recommendations and key outcomes

## **7 DELEGATED POWER**

- 7.1 The Committee does not have authority to implement actions in areas over which management has responsibility and does not have any delegated financial responsibility.

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### **Related Documentation:**

- Policy 1.2 Meetings  
Policy 2.1 Committees of Council  
Policy 3.1 Annual Financial Reporting  
Policy 7.1 Risk Management Policy

EMRC Standing Orders Local Law 2013

EMRC Code of Conduct

### **Administration:**

- Adopted / Reviewed by Council: 23 September 2010  
18 September 2014
- Next Review: Following the Ordinary Elections in 2017
- Responsible: Director Corporate Services



## **Nomination for Chairman of the Audit Committee**

To the Chief Executive Officer

I hereby nominate myself, \_\_\_\_\_ for the position of Chairman of the Eastern Metropolitan Regional Council Audit Committee for the term of Office commencing on the date of the election and continuing until the next ordinary elections day and/or other circumstances occur in accordance with section 5.11 of the *Local Government Act 1995*.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_



**Nomination for Chairman of the  
Audit Committee**

To the Chief Executive Officer

I hereby nominate \_\_\_\_\_ for the position of Chairman of the Eastern Metropolitan Regional Council Audit Committee for the term of Office commencing on the date of the election and continuing until the next ordinary elections day and/or other circumstances occur in accordance with section 5.11 of the *Local Government Act 1995*.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

\*I \_\_\_\_\_ hereby certify that I accept the above nomination to the position of Chairman of the Eastern Metropolitan Regional Council Audit Committee .

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

\*This certificate is to be completed when a Representative is nominated by another Representative.



**Eastern Metropolitan Regional Council  
Audit Committee  
Thursday 8 March 2018**

**BALLOT PAPER FOR THE  
ELECTION OF THE AUDIT COMMITTEE CHAIRMAN**

***HOW TO VOTE***

**Place a tick  in the box next to the candidate you want to elect.**

**Do not make any other marks on the ballot paper.**

**Firstname Lastname**

**Firstname Lastname**

**Firstname Lastname**



## 5.2 ELECTION OF A DEPUTY CHAIRMAN OF THE AUDIT COMMITTEE (AC)

REFERENCE: D2018/00227

### PURPOSE OF REPORT

The purpose of this report is to provide for an election to be conducted for the Office of Deputy Chairman of the Audit Committee (AC).

### KEY ISSUES AND RECOMMENDATION(S)

- In accordance with section 5.12(2) of the *Local Government Act 1995*, the members of a committee may elect a deputy presiding member from amongst themselves.

#### Recommendation(s)

That the members of the Audit Committee elect a Deputy Chairman.

### SOURCE OF REPORT

Director Corporate Services

### BACKGROUND

At the Special Meeting of Council held on Thursday 9 November 2017, the EMRC Chairman and Deputy Chairman were elected and members to the EMRC Committees were appointed.

### AC MEMBERS 2017 - 2019

The following members were appointed to the AC at the Special Meeting of Council held on 9 November 2017:

Cr Melissa Mykytiuk	Town of Bassendean
Cr Sally Palmer	City of Bayswater
Cr Janet Powell	City of Belmont
Cr Geoff Stallard	City of Kalamunda
Cr David Lavell	Shire of Mundaring
Cr David McDonnell	City of Swan

In accordance with section 5.12(2) of the *Local Government Act 1995*, (the Act) the members of a committee may elect a deputy presiding member from amongst themselves.

It is a requirement of Schedule 2.3 of the Act that the election of the Deputy Chairman is conducted by the Chairman and the nominations for the Office are to be given to the Chief Executive Officer (CEO) in writing before the meeting or the Chairman during the meeting before the close of nominations. Furthermore, if a member is nominated by another member, the Chairman is not to accept the nomination unless the nominee has advised the Chairman, orally or in writing, that he or she is willing to be nominated for the Office. Members are to vote on the matter by secret ballot.

The procedure outlined in Schedule 2.3 of the Act will be followed if there is an equality of votes.



*Item 5.2 continued*

## **REPORT**

The following material accompanies the agenda for this meeting as a means of assisting members of the Committee to nominate themselves or another member for the office of Deputy Chairman of the AC:

1. A blank nomination form for the Office of Deputy Chairman of the AC, nominate oneself;
2. A blank nomination form for the Office of Deputy Chairman of the AC, nominate another; and
3. A blank ballot paper for Election of Deputy Chairman of the AC.

Ballot papers will be made available prior to voting.

The completed nomination forms are to be given to the CEO before the meeting or when called for by the Chairman when dealing with this item at the meeting.

## **STRATEGIC/POLICY IMPLICATIONS**

Council Policy 2.1 Committees of Council provides for the establishment of the Audit Committee.

Key Result Area 3 – Good Governance

- 3.3 To provide responsible and accountable Governance and Management of the EMRC

## **FINANCIAL IMPLICATIONS**

Nil

## **SUSTAINABILITY IMPLICATIONS**

Nil

## **MEMBER COUNCIL IMPLICATIONS**

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

## **ATTACHMENT(S)**

1. A blank nomination form for the Office of Deputy Chairman of the AC, nominate oneself (Ref: D2018/00236)
2. A blank nomination form for the Office of Deputy Chairman of the AC, nominate another (Ref: D2018/00236)
3. Ballot Paper – Election of AC Deputy Chairman (Ref: D2018/00233)



*Item 5.2 continued*

#### VOTING REQUIREMENT

Secret Ballot

#### **RECOMMENDATION(S)**

That the members of the Audit Committee elect a Deputy Chairman.

The Chairman advised that she had received no nominations for the Office of Deputy Chairman of the AC prior to the meeting and called for nominations.

Cr Stallard nominated himself for the Office of Deputy Chairman of the Audit Committee.

The Chairman called for further nominations. No further nominations were received.

#### **ANNOUNCEMENT: OF THE OFFICE OF DEPUTY CHAIRMAN**

There being no other nominations, Cr Stallard was declared Deputy Chairman of the Audit Committee for the term commencing 8 March 2018 until 2019.

The Chairman congratulated Cr Stallard.





## **Nomination for Deputy Chairman of the Audit Committee**

To the Chief Executive Officer

I hereby nominate myself, \_\_\_\_\_ for the position of Deputy Chairman of the Eastern Metropolitan Regional Council Audit Committee for the term of Office commencing on the date of the election and continuing until the next ordinary elections day and/or other circumstances occur in accordance with section 5.11 of the *Local Government Act 1995*.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_



## Nomination for Deputy Chairman of the Audit Committee

To the Chief Executive Officer

I hereby nominate \_\_\_\_\_ for the position of Deputy Chairman of the Eastern Metropolitan Regional Council Audit Committee for the term of Office commencing on the date of the election and continuing until the next ordinary elections day and/or other circumstances occur in accordance with section 5.11 of the *Local Government Act 1995*.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

\*I \_\_\_\_\_ hereby certify that I accept the above nomination to the position of Deputy Chairman of the Eastern Metropolitan Regional Council Audit Committee.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

\*This certificate is to be completed when a Representative is nominated by another Representative.



**Eastern Metropolitan Regional Council  
Audit Committee  
Thursday 8 March 2018**

**BALLOT PAPER FOR THE  
ELECTION OF THE AUDIT COMMITTEE  
DEPUTY CHAIRMAN**

***HOW TO VOTE***

**Place a tick  in the box next to the candidate you want to elect.**

**Do not make any other marks on the ballot paper.**

**First Name, Last name**

**First Name, Last name**

**First Name, Last name**



**6 PETITIONS, DEPUTATIONS AND PRESENTATIONS**

Nil

**7 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS**

**7.1 MINUTES OF AUDIT COMMITTEE MEETING HELD ON 7 SEPTEMBER 2017**

That the Minutes of the Audit Committee meeting held 7 September 2017, which have been distributed, be confirmed.

**AC RESOLUTION(S)**

MOVED CR STALLARD

SECONDED CR LAVELL

THAT THE MINUTES OF THE AUDIT COMMITTEE HELD ON 7 SEPTEMBER 2017, WHICH HAVE BEEN DISTRIBUTED, BE CONFIRMED.

**CARRIED UNANIMOUSLY**

**8 QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN**

Nil

**9 QUESTIONS BY MEMBERS WITHOUT NOTICE**

Nil

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

Nil

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

Nil



## 12 REPORTS OF EMPLOYEES

### 12.1 HALF YEAR BUDGET REVIEW 2017/2018

REFERENCE: D2018/00228

#### PURPOSE OF REPORT

The purpose of this report is to provide Council, via the Audit Committee, with details of the Eastern Metropolitan Regional Council's (EMRC's) 2017/2018 budget review for adoption and subsequent submission to the Department of Local Government and Communities.

#### KEY ISSUES AND RECOMMENDATION(S)

- It is a requirement of the *Local Government (Financial Management) Regulations 1996* r.33A that a Local Government, between 1 January and 31 March in each year, is to carry out a review of its annual budget for that year.
- Council receives monthly financial reports inclusive of end of year forecasts. Forecasts have been constantly monitored and reviewed based on current information and circumstances available to provide a more accurate forecast of the year end result.

#### Recommendation(s)

That Council, by an absolute majority in accordance with the provisions of the *Local Government (Financial Management) Regulations 1996* r.33A, adopts the review of the 2017/2018 budget and approves its submission to the Department of Local Government, Sport and Cultural Industries within 30 days.

#### SOURCE OF REPORT

Director Corporate Services

#### BACKGROUND

It is a requirement of the *Local Government (Financial Management) Regulations 1996* r.33A that a Local Government, between 1 January and 31 March in each year, is to carry out a review of its annual budget for that year.

Regulation 33A also states that within 30 days after a review of the annual budget of a local government is carried out it is to be submitted to the Council who is to consider the review submitted to it and is to determine, by absolute majority, whether or not to adopt the review, any parts of the review or any recommendation made to the review.

The EMRC's budget is presented in a format that separates operating income and expenditure from other revenue and expenses to provide improved disclosure of Council's underlying operating result.

Submitted to each meeting of Council is a financial report and summaries which provide an overview of year to date budget performance for operating activities and capital works. Variances greater than 10% or \$20,000, whichever is the greater, within each nature and type category on the Statement of Comprehensive Income are reported on in the body of the report. Also included are end of year forecasts by nature and type for operating activities and end of year forecasts for each capital works project. These forecasts are reviewed regularly in order to provide an accurate forecast of the end of year result.

The half year budget review was undertaken during January/February 2018 and is reflected in this report.



*Item 12.1 continued*

## **REPORT**

Whilst the budget review is a statutory requirement, due to the commercial nature of the EMRC's waste operations, forecasts are conducted throughout the year in order to adjust costs (where possible) in relation to available tonnage throughput.

### **Format of Budget Review**

The format of the statutory review undertaken is based on an examination by officers of all EMRC accounts (operating income, operating expenditure and capital expenditure accounts) within their area of responsibility.

A review of the tonnages budgeted to be received at the Red Hill Waste Management Facility is also undertaken. Tonnage budgets are reviewed to provide a forecast of volumes expected to be received by 30 June 2018. These forecasts, when calculated against the previously adopted disposal rates, provide financial forecasts relating to the following:

- Income from normal operations (including landfill levy);
- Secondary Waste Income;
- Landfill Levy Expenditure;
- Waste Education Levy Income; and
- Cell usage and depreciation.

All forecasts, which are an actual review of the budgets set against each account, are input into the financial management system in order to provide a more accurate forecast of the end of year result.

The year to date monthly budget allocations are also reviewed in order to match the appropriate timing for the various projects budgeted to be undertaken. A review is undertaken to ensure that the year to date budget allocations best reflect the timing applicable either to expenditure expected to be incurred or income to be received. This process commences immediately following adoption of the budget and is constantly being monitored and reviewed based on current information and circumstances available. This process provides a better comparison between the year to date actual and year to date budget figures.

### **Adjustments resulting from Budget Review**

EMRC officers undertook the latest review based on the actual financial data provided for the period ended 31 December 2017. The financial report relating to the period ended 31 January 2018 will be submitted to Council at its meeting to be held on 22 March 2018. Variances reported in that report will be based on the budget review as specified within the body of this report. This is undertaken as part of the EMRC's ongoing budget and forecast review process and in accordance with Council's adopted criteria.

In accordance with the process followed in previous years, the original budget is not updated with the revised forecasts, as relevant regulations require the end of year results to be compared to the original adopted annual budget, rather than the reviewed budget.

Whilst it is accepted that many costs are incurred generally within a specific pattern, many are not. These include significant costs incurred relating to operating and capital projects, which depend solely on the timing of when the project is undertaken.



*Item 12.1 continued*

The following is a summary of the forecast changes to budget provisions resulting from the half year budget review:

Increase / (Decrease) in Operating Income/Other Revenues:	(\$ 7,993,587)
(Increase) / Decrease in Operating Expenditure/Other Expenses:	\$ 8,259,272
Increase / (Decrease) in Other Comprehensive Income:	\$ 4,235,645
Increase / (Decrease) in Change in net assets from operations:	\$ 4,501,330
(Increase) / Decrease in Capital Expenditure:	\$ 8,434,971
(Increase) / Decrease in overall expenditure:	\$ 12,936,301

Provided below is a summary of changes between the original budget and the forecast for the financial year ending 30 June 2018. Comments are provided for significant variances using Council's adopted criteria of 10% or \$20,000, whichever is the greater, as a guide:

**Operating Income/Other Revenues**

User Charges

- Current Budget: \$29,714,288    Forecast Budget: \$23,699,790    Variance: (\$6,014,498);    (20.24%)

The full year forecast for User Charges is below the annual budget by \$6,014,498 (20.24%). This is due to the lower than budget tonnages forecast to be received from commercial operators.

Special Charges

- Current Budget: \$467,651    Forecast Budget: \$431,911    Variance: (\$35,740);    (7.64%)

Contributions

- Current Budget: \$589,972    Forecast Budget: \$563,943    Variance: (\$26,029);    (4.41%)

Operating Grants

- Current Budget: \$560,175    Forecast Budget: \$506,845    Variance: (\$53,330);    (9.52%)

Interest Municipal Cash & Investments

- Current Budget: \$400,000    Forecast Budget: \$693,000    Variance: \$293,000;    73.25%

The full year forecast for Interest on Municipal Funds is \$293,000 (73.25%) above the budget of \$400,000. This is attributable to the higher level of funds available as at 30 June 2017 compared to budget together with a higher average interest rate received (2.65% to January 2018 compared to the budgeted rate of 2.54%). Also contributing is the lower level of capital expenditure which has been forecast to be \$8,434,971 below the budget of \$25,956,194.

Reimbursements

- Current Budget: \$749,688    Forecast Budget: \$732,944    Variance: (\$16,744);    (2.23%)



*Item 12.1 continued*

Other Income

- Current Budget: \$2,484,662      Forecast Budget: \$2,072,969      Variance: (\$411,693);      (16.57%)

The full year forecast for Other Income of \$2,072,969 is \$411,693 (16.57%) below the budget of \$2,484,662. Major factors attributable to this variance include the sale of Greenwaste products which has been forecast to be \$130,000 compared to a budget of \$248,499, the sale of Woodwaste products forecast to be \$709,931 compared to a budget of \$850,000 and royalty income from methane gas forecast to be \$386,000 compared to a budget of \$700,000. This is offset by an increase in Laterite sales forecast to be \$450,000 compared to a budget of \$313,496.

User Charges (Other Revenues)

- Current Budget: \$1,350,000      Forecast Budget: \$486,000      Variance: (\$864,000);      (64.00%)

The full year forecast for User Charges (Other Revenues) is below the annual budget by \$864,000 (64.00%). The variance is due to the lower level of tonnages forecast to be received at the Hazelmere C&I facility. This is offset by a forecast reduction in expenditure relating to this project.

Secondary Waste Charge (Other Revenues)

- Current Budget: \$4,810,120      Forecast Budget: \$4,442,508      Variance: (\$367,612);      (7.64%)

Interest Restricted Cash Investments (Other Revenues)

- Current Budget: \$1,759,626      Forecast Budget: \$2,108,000      Variance: \$348,374;      19.80%

The full year forecast for Interest on Restricted Cash Investments is \$348,374 (19.80%) above the budget of \$1,759,626. This is attributable to the higher level of funds available as at 30 June 2017 compared to budget together with a higher average interest rate received (2.65% to January 2018 compared to the budgeted rate of 2.54%).

Reimbursements (Other Revenues)

- Current Budget: \$50      Forecast Budget: \$150,050      Variance: \$150,000;      N/A

The full year forecast for Reimbursements (Other Revenues) is \$150,000 above the budget of \$50. This is attributable to the reimbursement of shared expenditure associated with the Resource Recovery Facility tender from Mindarie Regional Council.

Proceeds from Sale of Assets (Other Revenues)

- Current Budget: \$605,924      Forecast Budget: \$672,500      Variance: \$66,576;      10.99%

The full year forecast for Proceeds from Sale of Assets (Other Revenues) is \$66,576 above the budget of \$605,924. The variance relates specifically to the timing of various items of plant and vehicles not previously budgeted for change over during the 2017/2018 financial year that have been forecast to attain the specified criteria for change over. This is offset by the increase in the Carrying Amount of Assets Disposed Of (Other Expenses).

Other (Other Revenues)

- Current Budget: \$1,216,891      Forecast Budget: \$155,000      Variance: (\$1,061,891);      (87.26%)

The full year forecast for Other Revenues is below the annual budget by \$1,061,891 (87.26%). The variance relates specifically to the sale of products from the Hazelmere C&I Project which is not as yet generating sufficient material for sale (\$120,000 forecast compared to a budget of \$348,215) as well as the sale of electricity from the Wood Waste to Energy facility which is yet to be completed (\$0 forecast compared to a budget of \$868,676).





Item 12.1 continued

### Other Comprehensive Income

#### Other Comprehensive Income

- Current Budget: \$0                      Forecast Budget: \$4,235,645                      Variance: \$4,235,645;

Council at its meeting held on 24 August 2017, resolved as follows:

*“THAT COUNCIL APPROVES USE OF RETAINED FUNDS FROM THE EARLY COLLECTION OF CARBON TAX IN THE DEVELOPMENT OF THE HAZELMERE RESOURCE RECOVERY PARK AND/OR THE RESOURCE RECOVERY FACILITY PROJECT.”*

As a result the amount of \$4,235,645 was transferred from the Non-Current Carbon Pricing Provision in the Statement of Financial Position and recognised as income in the Statement of Comprehensive Income.

### Operating Expenditure/Other Expenses

#### Salary Expenses

- Current Budget: \$8,911,576                      Forecast Budget: \$7,775,071                      Variance: \$1,136,505;                      12.75%

The full year forecast for Salary Expenses is below the annual budget by \$1,136,505 (12.75%). The variance is attributable to the timing of filling vacant positions and budgeted positions that will not to be filled by year end.

#### Contract Expenses

- Current Budget: \$6,129,201                      Forecast Budget: \$4,455,084                      Variance: \$1,674,117;                      27.31%

The full year forecast for Contract Expenses is below the annual budget by \$1,674,117 (27.31%).

The variance is attributable to the timing of various projects from different business units where savings have been achieved or where the project expenditure has been deferred or carried forward. Major variances from the Waste Services directorate include:

- Operate and Maintain Class IV Cell - Leachate Removal - Red Hill Landfill Facility - \$750,000;
- Operate and Maintain Plant - Waste Management Facilities - \$156,250;
- Rehabilitate Class III Cells - Red Hill Landfill Facility - \$97,970; and
- Monitor Environmental Impacts - Red Hill Landfill Facility - \$80,568.

Other projects where the expenditures are lower than budget for various directorates/business units include: Corporate Services (\$341,565), Regional Development (\$76,000) and other Waste Services minor projects (\$170,684).

#### Material Expenses

- Current Budget: \$1,036,679                      Forecast Budget: \$912,395                      Variance: \$124,284;                      11.99%

The full year forecast for Material Expenses is below the annual budget by \$124,284 (11.99%). Projects where the expenditure has been forecast to be lower than budget for various directorates/business units include: Corporate Services (\$69,982) and Waste Services (\$53,666).

#### Utility Expenses

- Current Budget: \$310,517                      Forecast Budget: \$312,506                      Variance: (\$1,989);                      (0.64%)

#### Fuel Expenses

- Current Budget: \$615,656                      Forecast Budget: \$605,545                      Variance: \$10,111;                      1.64%



*Item 12.1 continued*

Insurance Expenses

- Current Budget: \$260,979      Forecast Budget: \$253,845      Variance: \$7,134;      2.73%

Depreciation Expenses

- Current Budget: \$4,312,811      Forecast Budget: \$3,483,544      Variance: \$829,267;      19.23%

The full year forecast for Depreciation Expenses is \$829,267 (19.23%) below the budget of \$4,312,811.

This is attributable to the lower level of forecast and actual capital expenditure to-date (full year forecast of \$17,521,223 compared to a budget of \$25,956,194 together with changes to the asset life of EMRC's buildings class of assets in accordance with accounting standards following valuations undertaken in June 2017 have contributed to the lower expenditure.

Miscellaneous Expenses (incl. landfill levy expenditure)

- Current Budget: \$13,513,783      Forecast Budget: \$10,653,066      Variance: \$2,860,717;      21.17%

The full year forecast Miscellaneous Expenses is \$2,860,717 (21.17%) below the budget of \$13,513,783. This variance is primarily attributable to a lower than budgeted landfill levy payable (\$2,731,583) as a result of lower tonnages forecast to be received by year end.

Provision Expenses

- Current Budget: \$204,047      Forecast Budget: \$170,477      Variance: \$33,570;      16.45%

The full year forecast Provision Expenses is \$33,570 (16.45%) below the budget of \$204,047. These provisions relate to provisions for Site Rehabilitation and Environmental Monitoring and are based on the level of tonnages received. The variance is attributable to lower tonnages forecast to be received by year end.

Costs Allocated

- Current Budget: (\$1,263,122)      Forecast Budget: (\$896,947)      Variance: (\$366,175);      28.99%

The full year forecast for Cost Allocations is \$366,175 (28.99%) below the budget of \$1,263,122. This variance relates specifically to the internal costs allocated between the Resource Recovery C&I Project and the Red Hill Landfill Facility Class III cell. This variance is predominantly offset against Costs Allocated (Other Expenses).

Salary Expenses (Other Expenses)

- Current Budget: \$578,888      Forecast Budget: \$575,278      Variance: \$3,610;      0.62%

Contract Expenses (Other Expenses)

- Current Budget: \$1,280,297      Forecast Budget: \$413,554      Variance: \$866,743;      67.70%

The full year forecast for Contract Expenses (Other Expenses) is \$866,743 (67.70%) below the budget of \$1,280,297. The variance relates to contract and associated consultancy expenses specifically for the Hazelmere C&I Project which is not as yet operating at full capacity.

Material Expenses (Other Expenses)

- Current Budget: \$122,368      Forecast Budget: \$21,315      Variance: \$101,053;      82.58%

The full year forecast for Material Expenses (Other Expenses) is \$101,053 (82.58%) below the budget of \$122,368. The variance relates specifically to the Hazelmere C&I Project which is not as yet operating at full capacity (\$5,500 forecast compared to a budget of \$26,000) as well as the Wood Waste to Energy facility which is yet to be completed (\$6,818 forecast compared to a budget of \$81,818).



*Item 12.1 continued*

Utility Expenses (Other Expenses)

- Current Budget: \$92,584      Forecast Budget: \$18,624      Variance: \$73,960;      79.88%

The full year forecast for Utility Expenses (Other Expenses) is \$73,960 (79.88%) below the budget of \$92,584. The variance relates specifically to the electricity expenses for the Hazelmere C&I Project which is not as yet operating at full capacity (\$15,000 forecast compared to a budget of \$81,902) as well as the Wood Waste to Energy facility which is yet to be completed (\$1,364 forecast compared to a budget of \$8,182).

Fuel Expenses (Other Expenses)

- Current Budget: \$10,000      Forecast Budget: \$0      Variance: \$10,000;      100.00%

The full year forecast for Fuel Expenses (Other Expenses) is \$10,000 (100.00%) below the budget of \$10,000. The variance is due to distillate purchases budgeted for the Hazelmere C&I Project which is no longer required.

Insurance Expenses (Other Expenses)

- Current Budget: \$57,167      Forecast Budget: \$19,334      Variance: \$37,833;      66.18%

The full year forecast for Insurance Expenses (Other Expenses) is \$37,833 (66.18%) below the budget of \$57,167. The variance is due to insurance premiums not required to be paid on the Wood Waste to Energy facility which is yet to be completed.

Depreciation Expenses (Other Expenses)

- Current Budget: \$315,322      Forecast Budget: \$146,047      Variance: \$169,275;      53.68%

The full year forecast for Depreciation Expenses (Other Expenses) is \$169,275 (53.68%) below the budget of \$315,322. The variance is due to the timing and subsequent carry forward or deferment of capital expenditure associated with the Resource Recovery projects.

Miscellaneous Expenses (Other Expenses)

- Current Budget: \$483,627      Forecast Budget: \$52,182      Variance: \$431,445;      89.21%

The full year forecast for Miscellaneous Expenses (Other Expenses) is \$431,445 (89.21%) below the budget of \$483,627. The variance relates predominantly to miscellaneous expenses for the C&I Project at Hazelmere which is not as yet operating at full capacity (\$7,500 forecast compared to a budget of \$40,000) as well as the Wood Waste to Energy facility which is yet to be completed (\$32,727 forecast compared to a budget of \$392,727).

Carrying Amount of Assets Disposed Of (Other Expenses)

- Current Budget: \$571,325      Forecast Budget: \$643,488      Variance: (\$72,163);      (12.63%)

The full year forecast for Carrying Amount of Assets Disposed Of is \$72,163 (12.63%) above the budget of \$571,325. The variance relates specifically to the timing of various items of plant and vehicles not previously budgeted for change over during the 2017/2018 financial year that have been forecast to attained the specified criteria for change over. This is mostly offset by the increase in the Proceeds from Sale of Assets (Other Revenues).



Item 12.1 continued

Costs Allocated (Other Expenses)

- Current Budget: \$1,190,122      Forecast Budget: \$860,147      Variance: \$329,975;      27.73%

The full year forecast for Cost Allocations is \$329,975 (27.73%) below the budget of \$1,190,122. This variance relates specifically to the internal costs allocated between the Resource Recovery C&I Project and the Red Hill Landfill Facility Class III cell. This variance is predominantly offset against Costs Allocated in the general Operating Expenditure section.

**Capital Expenditure**

- Current Budget: \$25,956,194      Forecast Budget: \$17,521,223      Variance: \$8,434,971;      34.50%

The Capital Expenditure budgets as at year end were reviewed as part of the half year budget review undertaken during January/February 2018 in order to reflect the actual timing of various projects and match expenditure requirements in relation to tonnage forecasts.

Full Year Capital Expenditure has been forecast to be \$8,434,971 (34.50%) below the budget of \$25,956,194.

Significant reductions to capital budgets where savings have been achieved or where project expenditure has been deferred and/or carried forward include the following:

- Construct Class III Cell - Farm Stage 3 - Red Hill Landfill Facility - \$3,665,000;
- Purchase / Replace Plant - Hazelmere - \$1,300,000;
- Purchase / Replace Plant - Red Hill Landfill Facility - \$1,050,000;
- Construct Class III Cell - Stage 15B - Red Hill Landfill Facility - \$901,222;
- Construct and Commission Resource Recovery Park - Community Reuse Store - \$500,000;
- Purchase Information Technology & Communications Equipment - \$430,750;
- Construct Roads/Carparks - Red Hill Landfill Facility - \$309,201;
- Construct and Commission Resource Recovery Park - Site Workshop - \$250,000;
- Construct and Commission Resource Recovery Park - Reuse Store Car Park - \$250,000;
- Construct Access Road to Lots 8, 9 & 10 - Red Hill Landfill Facility - \$225,000;
- Construct Drainage Diversion & Infrastructures - Red Hill Landfill Facility - \$220,000;
- Construct Water Storage Dam - Red Hill Landfill Facility - \$150,000;
- Design & Construct Class IV Cell - Stage 2 - Red Hill Landfill Facility - \$150,000; and
- Construct and Commission Resource Recovery Park - Community Transfer Station - \$110,000.

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

- Resource Recovery Park Wood Waste to Energy Utilities/Infrastructure - \$631,757;
- Purchase Resource Recovery Park C&I facility Plant & Equipment - \$500,000; and
- Purchase Resource Recovery Park Wood Waste to Energy Plant & Equipment - \$150,367.



*Item 12.1 continued*

## **STRATEGIC/POLICY IMPLICATIONS**

Key Result Area 3 - Good Governance

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

## **FINANCIAL IMPLICATIONS**

Nil

## **SUSTAINABILITY IMPLICATIONS**

Nil

## **MEMBER COUNCIL IMPLICATIONS**

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

## ATTACHMENT(S)

1. Statement of Comprehensive Income by Nature and Type (Ref: D2018/02604)
2. Capital Expenditure Statement (Ref: D2018/02605)
3. Statement of Financial Position (Ref: D2018/02606)
4. Statement of Cash and Investments (Ref: D2018/02607)

## VOTING REQUIREMENT

Absolute Majority

## **RECOMMENDATION(S)**

That Council, by an absolute majority in accordance with the provisions of the *Local Government (Financial Management) Regulations 1996 r.33A*, adopts the review of the 2017/2018 budget and approves its submission to the Department of Local Government, Sport and Cultural Industries within 30 days.

The CEO provided a brief overview of the budget review and discussion ensued.

The CEO commended EMRC staff for their support in controlling expenditure during these tough trading conditions.



**AC RECOMMENDATION(S)**

MOVED CR STALLARD

SECONDED CR LAVELL

That Council, by an absolute majority in accordance with the provisions of the *Local Government (Financial Management) Regulations 1996* r.33A, adopts the review of the 2017/2018 budget and approves its submission to the Department of Local Government, Sport and Cultural Industries within 30 days.

**CARRIED UNANIMOUSLY**



## STATEMENT OF COMPREHENSIVE INCOME

### Nature and Type

Year to Date				JANUARY 2018				Full Year			
Actual	Budget	Variance		Forecast	Budget	Variance		Forecast	Budget	Variance	
<b>Operating Income</b>											
\$13,370,684	\$17,395,910	(\$4,025,226)	(U)	User Charges	\$23,699,790	\$29,714,288	(\$6,014,498)	(U)			
\$256,311	\$275,113	(\$18,802)	(U)	Special Charges	\$431,911	\$467,651	(\$35,740)	(U)			
\$383,583	\$403,101	(\$19,518)	(U)	Contributions	\$563,943	\$589,972	(\$26,029)	(U)			
\$237,500	\$231,593	\$5,907	(F)	Operating Grants	\$506,845	\$560,175	(\$53,330)	(U)			
\$340,364	\$313,412	\$26,952	(F)	Interest Municipal Cash Investments	\$693,000	\$400,000	\$293,000	(F)			
\$325,036	\$359,283	(\$34,247)	(U)	Reimbursements	\$732,944	\$749,688	(\$16,744)	(U)			
\$852,286	\$1,391,012	(\$538,726)	(U)	Other	\$2,072,969	\$2,484,662	(\$411,693)	(U)			
<b>\$15,765,765</b>	<b>\$20,369,424</b>	<b>(\$4,603,659)</b>	<b>(U)</b>	<b>Total Operating Income</b>	<b>\$28,701,401</b>	<b>\$34,966,436</b>	<b>(\$6,265,035)</b>	<b>(U)</b>			
<b>Operating Expenditure</b>											
\$4,177,340	\$4,965,816	\$788,476	(F)	Salary Expenses	\$7,775,071	\$8,911,576	\$1,136,505	(F)			
\$1,937,999	\$3,553,900	\$1,615,901	(F)	Contract Expenses	\$4,455,084	\$6,129,201	\$1,674,117	(F)			
\$490,472	\$603,883	\$113,411	(F)	Material Expenses	\$912,395	\$1,036,679	\$124,284	(F)			
\$153,249	\$168,069	\$14,820	(F)	Utility Expenses	\$312,506	\$310,517	(\$1,989)	(U)			
\$351,261	\$353,065	\$1,804	(F)	Fuel Expenses	\$605,545	\$615,656	\$10,111	(F)			
\$144,306	\$154,661	\$10,355	(F)	Insurance Expenses	\$253,845	\$260,979	\$7,134	(F)			
\$1,818,596	\$2,017,089	\$198,493	(F)	Depreciation Expenses	\$3,483,544	\$4,312,811	\$829,267	(F)			
\$5,982,624	\$7,868,427	\$1,885,803	(F)	Miscellaneous Expenses	\$10,653,066	\$13,513,783	\$2,860,717	(F)			
\$91,921	\$99,021	\$7,100	(F)	Provision Expenses	\$170,477	\$204,047	\$33,570	(F)			
(\$590,810)	(\$726,557)	(\$135,747)	(U)	Costs Allocated	(\$896,947)	(\$1,263,122)	(\$366,175)	(U)			
<b>\$14,556,958</b>	<b>\$19,057,374</b>	<b>\$4,500,416</b>	<b>(F)</b>	<b>Total Operating Expenditure</b>	<b>\$27,724,586</b>	<b>\$34,032,127</b>	<b>\$6,307,541</b>	<b>(F)</b>			
<b>\$1,208,807</b>	<b>\$1,312,050</b>	<b>(\$103,243)</b>	<b>(U)</b>	<b>OPERATING RESULT FROM NORMAL ACTIVITIES</b>	<b>\$976,815</b>	<b>\$934,309</b>	<b>\$42,506</b>	<b>(F)</b>			
Surplus	Surplus				Surplus	Surplus					

## Notes:

1. User Charges - include member Councils and casual users pertaining to waste, risk management and environmental services fees and charges;
2. Special Charges - Waste Education Levy;
3. Contributions - member Councils' contributions to projects and services;
4. Operating Grants - grant income predominantly from government agencies;
5. Other Operating Income - includes income from the sale of products; and
6. Miscellaneous Expenses - includes the landfill levy expense of \$5,540,036 as at 31 January 2018.
7. Other Comprehensive Income on page 2 of this report is inclusive of \$4,235,645 of retained residual carbon tax previously collected now being utilised for the Resource Recovery Project (refer Council meeting 24/8/17 - TAC Item 11.2)

(F) denotes Favourable variance and (U) denotes Unfavourable variance



# STATEMENT OF COMPREHENSIVE INCOME

## Nature and Type

**JANUARY 2018**

Year to Date							Full Year			
Actual	Budget	Variance					Forecast	Budget	Variance	
<b>Other Revenues</b>										
\$274,146	\$787,500	(\$513,354)	(U)	User Charges	\$486,000	\$1,350,000	(\$864,000)	(U)		
\$2,636,343	\$2,829,937	(\$193,594)	(U)	Secondary Waste Charge	\$4,442,508	\$4,810,120	(\$367,612)	(U)		
\$0	\$0	\$0	(F)	Operating Grants	\$0	\$0	\$0	(F)		
\$1,060,494	\$1,027,403	\$33,091	(F)	Interest Restricted Cash Investments	\$2,108,000	\$1,759,626	\$348,374	(F)		
\$137,076	\$28	\$137,048	(F)	Reimbursements	\$150,050	\$50	\$150,000	(F)		
\$197,773	\$194,924	\$2,849	(F)	Proceeds from Sale of Assets	\$672,500	\$605,924	\$66,576	(F)		
\$75,659	\$203,119	(\$127,460)	(U)	Other	\$155,000	\$1,216,891	(\$1,061,891)	(U)		
<b>\$4,381,492</b>	<b>\$5,042,911</b>	<b>\$661,419</b>	<b>(U)</b>	<b>Total Other Revenues</b>	<b>\$8,014,059</b>	<b>\$9,742,611</b>	<b>(\$1,728,552)</b>	<b>(U)</b>		
<b>Other Expenses</b>										
\$222,502	\$322,911	\$100,409	(F)	Salary Expenses	\$575,278	\$578,888	\$3,610	(F)		
\$233,108	\$246,732	\$13,624	(F)	Contract Expenses	\$413,554	\$1,280,297	\$866,743	(F)		
\$5,868	\$13,328	\$7,460	(F)	Material Expenses	\$21,315	\$122,368	\$101,053	(F)		
\$9,302	\$13,631	\$4,329	(F)	Utility Expenses	\$18,624	\$92,584	\$73,960	(F)		
\$0	\$0	\$0	(F)	Fuel Expenses	\$0	\$10,000	\$10,000	(F)		
\$11,351	\$13,448	\$2,097	(F)	Insurance Expenses	\$19,334	\$57,167	\$37,833	(F)		
\$45,638	\$56,384	\$10,746	(F)	Depreciation Expenses	\$146,047	\$315,322	\$169,275	(F)		
\$4,454	\$52,859	\$48,405	(F)	Miscellaneous Expenses	\$52,182	\$483,627	\$431,445	(F)		
\$240,188	\$242,325	\$2,137	(F)	Carrying Amount of Assets Disposed Of	\$643,488	\$571,325	(\$72,163)	(U)		
\$509,852	\$683,549	\$173,697	(F)	Costs Allocated	\$860,147	\$1,190,122	\$329,975	(F)		
<b>\$1,282,262</b>	<b>\$1,645,167</b>	<b>\$362,905</b>	<b>(F)</b>	<b>Total Other Expenses</b>	<b>\$2,749,969</b>	<b>\$4,701,700</b>	<b>\$1,951,731</b>	<b>(F)</b>		
<b>\$3,099,230</b>	<b>\$3,397,744</b>	<b>\$298,514</b>	<b>(U)</b>	<b>OPERATING RESULT FROM OTHER ACTIVITIES</b>	<b>\$5,264,090</b>	<b>\$5,040,911</b>	<b>\$223,179</b>	<b>(F)</b>		
Surplus	Surplus				Surplus	Surplus				
<b>\$4,308,036</b>	<b>\$4,709,794</b>	<b>\$401,758</b>	<b>(U)</b>	<b>NET RESULT</b>	<b>\$6,240,905</b>	<b>\$5,975,220</b>	<b>\$265,685</b>	<b>(F)</b>		
Surplus	Surplus				Surplus	Surplus				
<b>Realised/Unrealised (Gain)/Loss From Change in Fair Value of Investments</b>										
\$0	\$0	\$0	(F)	Unrealised (Gain)/Loss	\$0	\$0	\$0	(F)		
\$0	\$0	\$0	(F)	Realised (Gain)/Loss	\$0	\$0	\$0	(F)		
<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(F)</b>	<b>Total (Gain)/Loss from change in Fair Value of Investments</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(F)</b>		
<b>Other Comprehensive Income</b>										
\$0	\$0	\$0	(F)	Revaluation of Assets	\$0	\$0	\$0	(F)		
\$4,235,645	\$0	\$4,235,645	(F)	Other Comprehensive Income	\$4,235,645	\$0	\$4,235,645	(F)		
<b>\$4,235,645</b>	<b>\$0</b>	<b>\$4,235,645</b>	<b>(F)</b>	<b>Total Other Comprehensive Income</b>	<b>\$4,235,645</b>	<b>\$0</b>	<b>\$4,235,645</b>	<b>(F)</b>		
<b>\$8,543,682</b>	<b>\$4,709,794</b>	<b>\$3,833,888</b>	<b>(F)</b>	<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>\$10,476,550</b>	<b>\$5,975,220</b>	<b>\$4,501,330</b>	<b>(F)</b>		
Surplus	Surplus				Surplus	Surplus				





# CAPITAL EXPENDITURE STATEMENT

## JANUARY 2018

Year to Date						Full Year		
Actual	Budget	Variance		On Order	(F) = Favourable variation (U) = Unfavourable variation	Forecast	Budget	Variance
<b>Governance and Corporate Services</b>								
\$85,499	\$130,000	\$44,502 (F)		\$0	<b>Purchase Vehicles - Ascot Place</b> ( 24440/00 )	\$120,706	\$173,706	\$53,000 (F)
\$0	\$8,000	\$8,000 (F)		\$0	<b>Purchase Furniture Fittings &amp; Equipment - Corporate Services</b> ( 24510/01 )	\$31,500	\$31,500	\$0 (F)
\$34,326	\$95,000	\$60,674 (F)		\$4,105	<b>Purchase Information Technology &amp; Communication Equipment</b> ( 24550/00 )	\$250,300	\$681,050	\$430,750 (F)
\$0	\$0	\$0 (F)		\$0	<b>Purchase Art Works</b> ( 24620/00 )	\$30,000	\$30,000	\$0 (F)
\$0	\$0	\$0 (F)		\$0	<b>Capital Improvement Administration Building - Ascot Place</b> ( 25240/01 )	\$257,000	\$257,000	\$0 (F)
\$0	\$0	\$0 (F)		\$0	<b>Upgrade Security Equipment - Ascot Place</b> ( 25530/01 )	\$10,000	\$10,000	\$0 (F)
<b>\$119,825</b>	<b>\$233,000</b>	<b>\$113,176 (F)</b>		<b>\$4,105</b>		<b>\$699,506</b>	<b>\$1,183,256</b>	<b>\$483,750 (F)</b>



# CAPITAL EXPENDITURE STATEMENT

JANUARY 2018

Year to Date					Full Year		
Actual	Budget	Variance	On Order	(F) = Favourable variation (U) = Unfavourable variation	Forecast	Budget	Variance

## Environmental Services

\$770	\$0	(\$770) (U)	\$0	Purchase Other Equipment - Environmental Services ( 24590/05 )	\$770	\$0	(\$770) (U)
<b>\$770</b>	<b>\$0</b>	<b>(\$770) (U)</b>	<b>\$0</b>		<b>\$770</b>	<b>\$0</b>	<b>(\$770) (U)</b>

## Resource Recovery

\$0	\$0	\$0 (F)	\$0	Construct and Commission Resource Recovery Park - Community Transfer Station ( 24259/06 )	\$0	\$110,000	\$110,000 (F)
\$0	\$10,000	\$10,000 (F)	\$0	Construct and Commission Resource Recovery Park - Site/Administration Office ( 24259/07 )	\$330,000	\$330,000	\$0 (F)
\$0	\$0	\$0 (F)	\$0	Construct and Commission Resource Recovery Park - Community Reuse Store ( 24259/08 )	\$0	\$500,000	\$500,000 (F)
\$0	\$0	\$0 (F)	\$0	Construct and Commission Resource Recovery Park - MRF Building - Hazelmere ( 24259/09 )	\$15,000	\$35,000	\$20,000 (F)
\$0	\$0	\$0 (F)	\$0	Construct and Commission Resource Recovery Park - Weighbridge Office ( 24259/12 )	\$70,000	\$70,000	\$0 (F)
\$0	\$0	\$0 (F)	\$0	Construct and Commission Resource Recovery Park - Site Workshop ( 24259/13 )	\$0	\$250,000	\$250,000 (F)
\$0	\$0	\$0 (F)	\$0	Construct and Commission Resource Recovery Park - Weighbridges (x2) ( 24392/02 )	\$225,000	\$225,000	\$0 (F)
\$221,620	\$330,000	\$108,380 (F)	\$11,975	Construct and Commission Resource Recovery Park - Site Infrastructure ( 24399/01 )	\$3,000,000	\$3,000,000	\$0 (F)



# CAPITAL EXPENDITURE STATEMENT

JANUARY 2018

Year to Date						Full Year		
Actual	Budget	Variance		On (F) = Favourable variation Order (U) = Unfavourable variation		Forecast	Budget	Variance
<b>Resource Recovery</b>								
\$0	\$0	\$0 (F)	\$0			\$0	\$250,000	\$250,000 (F)
\$538,599	\$200,000	(\$338,599) (U)	\$181,886			\$831,757	\$200,000	(\$631,757) (U)
\$85,055	\$164,000	\$78,945 (F)	\$85,055			\$2,142,000	\$1,991,633	(\$150,367) (U)
\$0	\$0	\$0 (F)	\$0			\$500,000	\$0	(\$500,000) (U)
\$0	\$2,000	\$2,000 (F)	\$0			\$2,000	\$2,000	\$0 (F)
<b>\$845,274</b>	<b>\$706,000</b>	<b>(\$139,274) (U)</b>	<b>\$278,916</b>			<b>\$7,115,757</b>	<b>\$6,963,633</b>	<b>(\$152,124) (U)</b>

## Waste Management

\$14,620	\$11,000	(\$3,620) (U)	\$12,000			\$25,000	\$25,000	\$0 (F)
\$49,364	\$70,000	\$20,636 (F)	\$44,513			\$100,204	\$3,765,204	\$3,665,000 (F)
\$14,108	\$0	(\$14,108) (U)	\$0			\$0	\$0	\$0 (F)
\$14,164	\$330,500	\$316,336 (F)	\$95,455			\$710,000	\$1,611,222	\$901,222 (F)
\$81,905	\$265,000	\$183,096 (F)	\$17,465			\$600,000	\$600,000	\$0 (F)
\$100,095	\$417,647	\$317,552 (F)	\$3,288,475			\$2,355,958	\$2,423,169	\$67,211 (F)



# CAPITAL EXPENDITURE STATEMENT

JANUARY 2018

Year to Date			On (F) = Favourable variation Order (U) = Unfavourable variation	Full Year		
Actual	Budget	Variance		Forecast	Budget	Variance

## Waste Management

\$0	\$0	\$0 (F)	\$0	<b>Design and Construct Class IV Cell Stage 2 - Red Hill Landfill Facility ( 24330/04 )</b>	\$350,000	\$500,000	\$150,000 (F)
\$22,605	\$80,000	\$57,395 (F)	\$22,624	<b>Construct Stormwater and Siltation Ponds - Red Hill Landfill Facility ( 24350/01 )</b>	\$200,000	\$200,000	\$0 (F)
\$0	\$0	\$0 (F)	\$0	<b>Construct Roads / Carparks - Red Hill Landfill Facility ( 24370/00 )</b>	\$20,000	\$329,201	\$309,201 (F)
\$0	\$0	\$0 (F)	\$0	<b>Construct Access Road to Lots 8 9 10 - Red Hill Landfill Facility ( 24370/02 )</b>	\$250,000	\$475,000	\$225,000 (F)
\$0	\$100,000	\$100,000 (F)	\$0	<b>Construct Drainage Diversion and Earthworks Infrastructures - Red Hill Landfill Facility ( 24380/00 )</b>	\$200,000	\$420,000	\$220,000 (F)
\$0	\$0	\$0 (F)	\$0	<b>Construct Water Storage Dams - Red Hill Landfill Facility ( 24393/00 )</b>	\$0	\$150,000	\$150,000 (F)
\$20,526	\$50,000	\$29,474 (F)	\$0	<b>Construct Litter Fence - Redhill Landfill Facility ( 24394/05 )</b>	\$50,000	\$50,000	\$0 (F)
\$1,861	\$20,500	\$18,639 (F)	\$0	<b>Construct Hardstand and Road - Hazelmere ( 24395/01 )</b>	\$53,706	\$53,706	\$0 (F)
\$14,015	\$31,000	\$16,986 (F)	\$0	<b>Construct Monitoring Bores - Red Hill Landfill Facility ( 24396/00 )</b>	\$40,000	\$60,000	\$20,000 (F)
\$0	\$20,000	\$20,000 (F)	\$0	<b>Washdown bay Upgrade - Red Hill Landfill Facility ( 24399/04 )</b>	\$20,000	\$20,000	\$0 (F)
\$0	\$0	\$0 (F)	\$0	<b>Truck Washdown Bay for Member Councils - Red Hill Landfill Facility ( 24399/05 )</b>	\$0	\$30,000	\$30,000 (F)
\$0	\$25,000	\$25,000 (F)	\$0	<b>Air Supply lines - Waste Management Structures - Red Hill Landfill Facility ( 24399/10 )</b>	\$50,000	\$50,000	\$0 (F)
\$39,497	\$80,000	\$40,503 (F)	\$0	<b>Purchase / Replace Plant - Red Hill Landfill Facility ( 24410/00 )</b>	\$2,539,497	\$3,589,497	\$1,050,000 (F)



# CAPITAL EXPENDITURE STATEMENT

JANUARY 2018

Year to Date					Full Year			
Actual	Budget	Variance	On Order	(F) = Favourable variation (U) = Unfavourable variation	Forecast	Budget	Variance	
<b>Waste Management</b>								
\$13,724	\$10,000	(\$3,724)	(U)	\$0	<b>Purchase / Replace Plant - Hazelmere ( 24410/01 )</b>	\$580,000	\$1,880,000	\$1,300,000 (F)
\$0	\$50,000	\$50,000	(F)	\$0	<b>Purchase Plant for Leachate Project - Red Hill Landfill Facility ( 24410/08 )</b>	\$530,000	\$530,000	\$0 (F)
\$38,140	\$80,000	\$41,860	(F)	\$21,427	<b>Purchase / Replace Minor Plant and Equipment-Red Hill Landfill Facility ( 24420/00 )</b>	\$190,000	\$190,000	\$0 (F)
\$22,290	\$10,000	(\$12,290)	(U)	\$0	<b>Purchase / Replace Minor Plant and Equipment - Hazelmere ( 24420/02 )</b>	\$34,519	\$10,000	(\$24,519) (U)
\$1,189	\$22,000	\$20,812	(F)	\$0	<b>Purchase Minor Plant for Leachate Project - Red Hill Landfill Facility ( 24420/06 )</b>	\$100,000	\$100,000	\$0 (F)
\$35,888	\$36,000	\$112	(F)	\$720	<b>Purchase / Replace Vehicles - Red Hill Landfill Facility ( 24430/00 )</b>	\$69,276	\$69,276	\$0 (F)
\$0	\$2,000	\$2,000	(F)	\$0	<b>Purchase / Replace Office Equipment - Red Hill Landfill Facility ( 24510/08 )</b>	\$4,000	\$4,000	\$0 (F)
\$0	\$10,000	\$10,000	(F)	\$0	<b>Purchase Fire Fighting System/Equipment - Hazelmere ( 24520/07 )</b>	\$13,400	\$13,400	\$0 (F)
\$0	\$13,000	\$13,000	(F)	\$0	<b>Purchase / Replace Security System - Red Hill Waste Management Facility ( 24530/08 )</b>	\$83,000	\$83,000	\$0 (F)
\$2,650	\$20,000	\$17,350	(F)	\$0	<b>Purchase / Replace Security System - Hazelmere ( 24530/10 )</b>	\$49,130	\$49,130	\$0 (F)
\$6,130	\$32,000	\$25,870	(F)	\$516	<b>Purchase / Replace Other Equipment - Red Hill Landfill Facility ( 24590/00 )</b>	\$424,000	\$424,000	\$0 (F)
\$0	\$1,000	\$1,000	(F)	\$0	<b>Purchase / Replace Miscellaneous Equipment - Hazelmere ( 24590/02 )</b>	\$2,500	\$2,500	\$0 (F)
\$1,115	\$1,000	(\$115)	(U)	\$0	<b>Purchase/Replace Other Equipment - Engineering and Waste Management ( 24590/03 )</b>	\$2,000	\$2,000	\$0 (F)



# CAPITAL EXPENDITURE STATEMENT

JANUARY 2018

Year to Date				Full Year					
Actual	Budget	Variance		On Order	(F) = Favourable variation (U) = Unfavourable variation	Forecast	Budget	Variance	
<b>Waste Management</b>									
\$0	\$1,500	\$1,500	(F)	\$0	Purchase / Replace Office Furniture and Fittings - Red Hill Landfill Facility ( 24610/08 )	\$3,000	\$3,000	\$0	(F)
\$0	\$500	\$500	(F)	\$0	Purchase Office Furniture and Fittings-Hazelmere ( 24610/10 )	\$4,000	\$4,000	\$0	(F)
\$0	\$1,000	\$1,000	(F)	\$0	Purchase Miscellaneous Furniture and Fittings - Red Hill Education Programme ( 24690/01 )	\$1,000	\$1,000	\$0	(F)
\$0	\$1,000	\$1,000	(F)	\$0	Refurbish Environmental Education Centre - Redhill Landfill Facility ( 25253/00 )	\$1,000	\$2,000	\$1,000	(F)
\$0	\$10,000	\$10,000	(F)	\$0	Refurbish Plant - Red Hill Landfill Facility ( 25410/00 )	\$20,000	\$20,000	\$0	(F)
\$0	\$10,000	\$10,000	(F)	\$0	Refurbish Plant - Hazelmere ( 25410/01 )	\$30,000	\$70,000	\$40,000	(F)
<b>\$493,884</b>	<b>\$1,811,647</b>	<b>\$1,317,763</b>	<b>(F)</b>	<b>\$3,503,194</b>		<b>\$9,705,190</b>	<b>\$17,809,305</b>	<b>\$8,104,115</b>	<b>(F)</b>
<b>\$1,459,753</b>	<b>\$2,750,647</b>	<b>\$1,290,894</b>	<b>(F)</b>	<b>\$3,786,215</b>	<b>TOTAL CAPITAL EXPENDITURE</b>	<b>\$17,521,223</b>	<b>\$25,956,194</b>	<b>\$8,434,971</b>	<b>(F)</b>



# STATEMENT OF FINANCIAL POSITION

## JANUARY 2018

Actual June 2017	Actual Year to Date	(F) = Favourable variation (U) = Unfavourable variation	Full Year		
			Forecast	Budget	Variance
<b>Current Assets</b>					
\$2,099,929	\$2,677,606	Cash and Cash Equivalents	\$7,542,795	\$2,066,442	\$5,476,353 (F)
\$89,754,975	\$91,429,675	Investments	\$81,739,601	\$75,239,601	\$6,500,000 (F)
\$2,578,375	\$3,001,710	Trade and Other Receivables	\$2,578,375	\$2,578,375	\$0 (F)
\$28,834	\$20,473	Inventories	\$28,834	\$28,834	\$0 (F)
\$115,197	\$200,571	Other Assets	\$115,197	\$115,197	\$0 (F)
<b>\$94,577,311</b>	<b>\$97,330,035</b>	<b>Total Current Assets</b>	<b>\$92,004,802</b>	<b>\$80,028,449</b>	<b>\$11,976,353 (F)</b>
<b>Current Liabilities</b>					
\$3,846,227	\$1,554,325	Trade and Other Payables	\$3,846,227	\$3,846,227	\$0 (F)
\$1,438,690	\$1,438,690	Provisions	\$1,467,299	\$1,467,299	\$0 (F)
<b>\$5,284,917</b>	<b>\$2,993,015</b>	<b>Total Current Liabilities</b>	<b>\$5,313,526</b>	<b>\$5,313,526</b>	<b>\$0 (F)</b>
<b>\$89,292,394</b>	<b>\$94,337,020</b>	<b>Net Current Assets</b>	<b>\$86,691,276</b>	<b>\$74,714,923</b>	<b>\$11,976,353 (F)</b>
<b>Non Current Assets</b>					
\$50,570,000	\$50,570,000	Land	\$50,570,000	\$50,570,000	\$0 (F)
\$7,485,440	\$7,436,338	Buildings	\$8,071,525	\$8,887,032	(\$815,507) (U)
\$14,922,102	\$14,561,326	Structures	\$22,943,945	\$27,985,285	(\$5,041,340) (U)
\$12,083,389	\$10,855,990	Plant	\$15,989,720	\$17,407,848	(\$1,418,128) (U)
\$672,540	\$596,294	Equipment	\$1,372,342	\$1,608,392	(\$236,050) (U)
\$158,479	\$155,636	Furniture and Fittings	\$195,264	\$190,130	\$5,134 (F)
\$7,405,074	\$8,476,772	Work in Progress	\$7,402,372	\$7,405,074	(\$2,702) (U)
<b>\$93,297,025</b>	<b>\$92,652,356</b>	<b>Total Non Current Assets</b>	<b>\$106,545,169</b>	<b>\$114,053,762</b>	<b>(\$7,508,593) (U)</b>
<b>Non Current Liabilities</b>					
\$7,579,647	\$3,435,923	Provisions	\$7,750,124	\$7,783,694	\$33,570 (F)
<b>\$7,579,647</b>	<b>\$3,435,923</b>	<b>Total Non Current Liabilities</b>	<b>\$7,750,124</b>	<b>\$7,783,694</b>	<b>\$33,570 (F)</b>
<b>\$175,009,772</b>	<b>\$183,553,453</b>	<b>Net Assets</b>	<b>\$185,486,321</b>	<b>\$180,984,991</b>	<b>\$4,501,330 (F)</b>
<b>Equity</b>					
\$66,248,026	\$67,432,438	Accumulated Surplus/Deficit	\$67,395,109	\$66,248,025	\$1,147,084 (F)
\$65,431,736	\$65,431,736	Cash Backed Reserves	\$65,431,736	\$65,431,736	\$0 (F)
\$43,330,010	\$42,145,597	Asset Revaluation Reserve	\$42,182,926	\$43,330,010	(\$1,147,084) (U)
<b>\$0</b>	<b>\$8,543,682</b>	<b>Net change in assets from operations</b>	<b>\$10,476,550</b>	<b>\$5,975,220</b>	<b>\$4,501,330 (F)</b>
<b>\$175,009,772</b>	<b>\$183,553,453</b>	<b>Total Equity</b>	<b>\$185,486,321</b>	<b>\$180,984,991</b>	<b>\$4,501,330 (F)</b>



# CASH AND INVESTMENTS

## JANUARY 2018

Actual June 2017	Actual Year to Date	(F) = Favourable variation (U) = Unfavourable variation	Full Year		
			Forecast	Budget	Variance
<b>Municipal Cash and Investments</b>					
2,096,479	2,674,156	Cash at Bank - Municipal Fund 01001/00	7,539,345	2,062,992	5,476,353 (F)
3,450	3,450	Cash on Hand 01019/00 - 02	3,450	3,450	0 (F)
24,153,474	24,767,680	Investments - Municipal Fund 02021/00	8,947,076	2,447,076	6,500,000 (F)
<b>26,253,403</b>	<b>27,445,286</b>	<b>Total Municipal Cash</b>	<b>16,489,871</b>	<b>4,513,518</b>	<b>11,976,353 (F)</b>
<b>Restricted Cash and Investments</b>					
1,372,015	1,395,990	Restricted Investments - Plant and Equipment 02022/01	653,438	653,438	0 (F)
2,314,792	2,355,242	Restricted Investments - Post Closure Site Rehabilitation Red Hill 02022/02	2,502,154	2,502,154	0 (F)
6,238,460	6,347,473	Restricted Investments - Future Development 02022/03	20,530,086	20,530,086	0 (F)
885,502	900,976	Restricted Investments - Environmental Monitoring Red Hill 02022/04	987,123	987,123	0 (F)
13,506	13,742	Restricted Investments - Environmental Insurance Red Hill 02022/05	11,811	11,811	0 (F)
14,378	14,629	Restricted Investments - Risk Management 02022/06	14,747	14,747	0 (F)
563,778	573,630	Restricted Investments - Class IV Cells Red Hill 02022/07	74,900	74,900	0 (F)
195,232	198,644	Restricted Investments - Regional Development 02022/08	141,786	141,786	0 (F)
48,550,081	49,398,464	Restricted Investments - Secondary Waste Processing 02022/09	45,920,296	45,920,296	0 (F)
4,344,485	4,420,402	Restricted Investments - Class III Cells 02022/10	800,946	800,946	0 (F)
72,594	73,862	Restricted Investments - Building Refurbishment (Ascot Place) 02022/11	74,456	74,456	0 (F)
169,765	86,880	Restricted Investments - Accrued Interest 02022/19	169,765	169,765	0 (F)
0	0	Restricted Investments - Unrealised Loss/Gain on Investments 02022/20	0	0	0 (F)
866,914	882,062	Restricted Investments - Long Service Leave 02022/90	911,018	911,018	0 (F)
<b>65,601,501</b>	<b>66,661,996</b>	<b>Total Restricted Cash</b>	<b>72,792,525</b>	<b>72,792,525</b>	<b>0 (F)</b>
<b>91,854,904</b>	<b>94,107,282</b>	<b>TOTAL CASH AND INVESTMENTS</b>	<b>89,282,396</b>	<b>77,306,043</b>	<b>11,976,353 (F)</b>

The Cash at Bank - Municipal Fund represents the balance on the last day of the relevant month. Any portion of the balance available for investment is transferred into the Investment - Municipal Fund account in the following period. Funds held in the Cash at Bank - Municipal Fund continue to accrue interest as per the Westpac commercial rates.





## 12.2 COMPLIANCE AUDIT RETURN 2017

REFERENCE: D2018/00229

### PURPOSE OF REPORT

The purpose of this report is to present to Council for adoption the Compliance Audit Return (CAR) for the year ending 31 December 2017.

### KEY ISSUES AND RECOMMENDATION(S)

- Each local government is required to complete a CAR at the end of each calendar year.
- The CAR is required to be reviewed by the Audit Committee (AC) before being adopted by Council, certified by the Chairman and Chief Executive Officer (CEO) and uploaded to the Department of Local Government, Sport and Cultural Industries Smart Hub portal by 31 March 2018.

#### Recommendation(s)

That Council adopts the draft Compliance Audit Return 2017, forming an attachment to this report, that it be certified by the Chairman and Chief Executive Officer and submitted to the Department of Local Government, Sport and Cultural Industries by 31 March 2018.

### SOURCE OF REPORT

Director Corporate Services

### BACKGROUND

The audit and applicable return is completed in accordance with the requirements of Regulations 14 and 15 of the *Local Government (Audit) Regulations 1996*. It is a compliance audit for the period 1 January to 31 December 2017 against the requirements included in the Compliance Audit Return for that period.

Regulation 14 requires the Audit Committee to review the CAR and to report the results of the review to Council prior to adoption by Council.

### REPORT

The CAR, as required by the *Local Government Act 1995* (the Act) and relevant Regulations, is now completed and submitted via the Department of Local Government, Sport and Cultural Industries Smart Hub portal and this year there are an additional optional 7 questions to answer about Integrated Planning and Reporting which the EMRC officers have completed as part of the return.

The CAR sought advice on the extent of compliance by the EMRC to a range of sections of the Act and the local government regulations.

The review process includes a rigorous assessment being undertaken by responsible officers for each section. It is then input by the Manager Administration & Compliance which is why their name appears on the "respondent" column of the CAR document.

A high level of compliance was achieved. Where applicable, the details and explanations relating to the completion of the return appear in the relevant comment sections of the CAR.

After the CAR has been adopted by Council a certified copy of the Return along with the relevant section of the minutes and additional information explaining or qualifying the compliance audit, is to be uploaded to the Department of Local Government, Sport and Cultural Industries Smart Hub portal by 31 March 2018.



*Item 12.2 continued*

## **STRATEGIC/POLICY IMPLICATIONS**

Key Result Area 3 – Good Governance

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

## **FINANCIAL IMPLICATIONS**

Nil

## **SUSTAINABILITY IMPLICATIONS**

Nil

## **MEMBER COUNCIL IMPLICATIONS**

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

## **ATTACHMENT(S)**

Local Government Compliance Audit Return from 1 January 2017 to 31 December 2017  
(Ref: D2018/02671)

## **VOTING REQUIREMENT**

Simple Majority

## **RECOMMENDATION(S)**

That Council adopts the draft Compliance Audit Return 2017, forming an attachment to this report, that it be certified by the Chairman and Chief Executive Officer and submitted to the Department of Local Government, Sport and Cultural Industries by 31 March 2018.

## **AC RECOMMENDATION(S)**

MOVED CR KOVALEVS                      SECONDED CR LAVELL

That Council adopts the draft Compliance Audit Return 2017, forming an attachment to this report, that it be certified by the Chairman and Chief Executive Officer and submitted to the Department of Local Government, Sport and Cultural Industries by 31 March 2018.

**CARRIED UNANIMOUSLY**



Department of  
**Local Government, Sport  
and Cultural Industries**

## Eastern Metropolitan Regional Council - Compliance Audit Return Regional Local Government 2017

### Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government, Sport and Cultural Industries together with a copy of section of relevant minutes.

<b>Commercial Enterprises by Local Governments</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2017.	N/A		Terri-Ann Ashton
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2017.	N/A		Terri-Ann Ashton
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2017.	N/A		Terri-Ann Ashton
4	s3.59(4)	Has the local government given Statewide public notice of each proposal to commence a major trading undertaking or enter into a major land transaction for 2017.	N/A		Terri-Ann Ashton
5	s3.59(5)	Did the Council, during 2017, resolve to proceed with each major land transaction or trading undertaking by absolute majority.	N/A		Terri-Ann Ashton



<b>Delegation of Power / Duty</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority.	Yes		Terri-Ann Ashton
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing.	Yes		Terri-Ann Ashton
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17.	Yes		Terri-Ann Ashton
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations.	Yes		Terri-Ann Ashton
5	s5.18	Has Council reviewed delegations to its committees in the 2016/2017 financial year.	Yes		Terri-Ann Ashton
6	s5.42(1),5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act.	Yes		Terri-Ann Ashton
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority.	Yes		Terri-Ann Ashton
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing.	Yes		Terri-Ann Ashton
9	s5.44(2)	Were all delegations by the CEO to any employee in writing.	Yes		Terri-Ann Ashton
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority.	N/A		Terri-Ann Ashton
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees.	Yes		Terri-Ann Ashton
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2016/2017 financial year.	Yes		Terri-Ann Ashton
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required.	Yes		Terri-Ann Ashton

<b>Disclosure of Interest</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68).	Yes		Terri-Ann Ashton
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings.	Yes		Terri-Ann Ashton



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No	Reference	Question	Response	Comments	Respondent
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made.	Yes		Terri-Ann Ashton
4	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day.	Yes		Terri-Ann Ashton
5	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day.	Yes		Terri-Ann Ashton
6	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2017.	Yes		Terri-Ann Ashton
7	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2017.	Yes		Terri-Ann Ashton
8	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return.	Yes		Terri-Ann Ashton
9	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76	Yes		Terri-Ann Ashton
10	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28.	Yes		Terri-Ann Ashton
11	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76.	Yes		Terri-Ann Ashton
12	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee.	Yes		Terri-Ann Ashton
13	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes.	Yes		Terri-Ann Ashton
14	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report.	Yes		Terri-Ann Ashton



No	Reference	Question	Response	Comments	Respondent
15	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee.	Yes		Terri-Ann Ashton
16	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees.	Yes		Terri-Ann Ashton

### Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5)).	N/A		Terri-Ann Ashton
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property.	N/A		Terri-Ann Ashton

### Finance

No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act.	Yes		Terri-Ann Ashton
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority.	N/A		Terri-Ann Ashton
3	s7.3	Was the person(s) appointed by the local government to be its auditor, a registered company auditor.	N/A		Terri-Ann Ashton
4	s7.3, 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council.	N/A		Terri-Ann Ashton
5	Audit Reg 10	Was the Auditor's report for the financial year ended 30 June 2017 received by the local government within 30 days of completion of the audit.	Yes		Terri-Ann Ashton
6	s7.9(1)	Was the Auditor's report for the financial year ended 30 June 2017 received by the local government by 31 December 2017.	Yes		Terri-Ann Ashton
7	S7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken by the local government, was that action undertaken.	N/A		Terri-Ann Ashton



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No	Reference	Question	Response	Comments	Respondent
8	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a report prepared on any actions undertaken.	N/A		Terri-Ann Ashton
9	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a copy of the report forwarded to the Minister by the end of the financial year or 6 months after the last report prepared under s7.9 was received by the local government whichever was the latest in time.	N/A		Terri-Ann Ashton
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit.	N/A		Terri-Ann Ashton
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit.	N/A		Terri-Ann Ashton
12	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit.	N/A		Terri-Ann Ashton
13	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor.	N/A		Terri-Ann Ashton
14	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor.	N/A		Terri-Ann Ashton



<b>Integrated Planning and Reporting</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.56 Admin Reg 19DA (6)	Has the local government adopted a Corporate Business Plan. If Yes, please provide adoption date of the most recent Plan in Comments. This question is optional, answer N/A if you choose not to respond.	Yes	22 June 2017	Terri-Ann Ashton
2	s5.56 Admin Reg 19DA (6)	Has the local government adopted a modification to the most recent Corporate Business Plan. If Yes, please provide adoption date in Comments. This question is optional, answer N/A if you choose not to respond.	No		Terri-Ann Ashton
3	s5.56 Admin Reg 19C (7)	Has the local government adopted a Strategic Community Plan. If Yes, please provide adoption date of the most recent Plan in Comments. This question is optional, answer N/A if you choose not to respond.	Yes	Adopted by Council 18 August 2016	Terri-Ann Ashton
4	s5.56 Admin Reg 19C (7)	Has the local government adopted a modification to the most recent Strategic Community Plan. If Yes, please provide adoption date in Comments. This question is optional, answer N/A if you choose not to respond.	No		Terri-Ann Ashton
5	S5.56	Has the local government adopted an Asset Management Plan. If Yes, in Comments please provide date of the most recent Plan, plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond.	Yes	Asset Management Plan forms part of the basis of the Corporate Business Plan that was adopted by Council 22 June 2017.	Terri-Ann Ashton
6	S5.56	Has the local government adopted a Long Term Financial Plan. If Yes, in Comments please provide date of the most recent Plan, plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond.	Yes	Long Term Financial Plan forms part of the basis of the 10 Year Strategic Plan that was adopted by Council 18 August 2016 and the Corporate Business Plan that was adopted by Council 22 June 2017.	Terri-Ann Ashton
7	S5.56	Has the local government adopted a Workforce Plan. If Yes, in Comments please provide date of the most recent Plan plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond.	Yes	Workforce Plan forms part of the basis of the Corporate Business Plan that was adopted by Council 22 June 2017.	Terri-Ann Ashton





<b>Local Government Employees</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised.	N/A		Terri-Ann Ashton
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A.	N/A		Terri-Ann Ashton
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4).	N/A		Terri-Ann Ashton
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only).	N/A		Terri-Ann Ashton
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss a designated senior employee.	N/A		Terri-Ann Ashton



<b>Official Conduct</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer.	Yes		Terri-Ann Ashton
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c).	Yes		Terri-Ann Ashton
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made.	Yes		Terri-Ann Ashton
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint.	Yes		Terri-Ann Ashton
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred.	Yes		Terri-Ann Ashton
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) or (c).	Yes		Terri-Ann Ashton

<b>Tenders for Providing Goods and Services</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2)).	Yes		Terri-Ann Ashton
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract.	Yes		Terri-Ann Ashton
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via Statewide public notice.	Yes		Terri-Ann Ashton
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16.	Yes		Terri-Ann Ashton



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No	Reference	Question	Response	Comments	Respondent
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation.	Yes		Terri-Ann Ashton
6	F&G Reg 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Reg 16.	Yes		Terri-Ann Ashton
7	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender.	Yes		Terri-Ann Ashton
8	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria.	Yes		Terri-Ann Ashton
9	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17.	Yes		Terri-Ann Ashton
10	F&G Reg 19	Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted.	Yes		Terri-Ann Ashton
11	F&G Reg 21 & 22	Did the local governments's advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22.	N/A		Terri-Ann Ashton
12	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice.	N/A		Terri-Ann Ashton
13	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services.	N/A		Terri-Ann Ashton
14	F&G Reg 24	Was each person who submitted an expression of interest, given a notice in writing in accordance with Functions & General Regulation 24.	N/A		Terri-Ann Ashton
15	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice.	N/A		Terri-Ann Ashton
16	F&G Reg 24AD(4) & 24AE	Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE.	N/A		Terri-Ann Ashton



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No	Reference	Question	Response	Comments	Respondent
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16 as if the reference in that regulation to a tender were a reference to a panel application.	N/A		Terri-Ann Ashton
18	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application, notice of the variation.	N/A		Terri-Ann Ashton
19	F&G Reg 24AH(1)	Did the local government reject the applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time specified in the invitation for applications.	N/A		Terri-Ann Ashton
20	F&G Reg 24AH(3)	In relation to the applications that were not rejected, did the local government assess which application (s) to accept and which application(s) were most advantageous to the local government to accept, by means of written evaluation criteria.	N/A		Terri-Ann Ashton
21	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers, comply with the requirements of F&G Reg 24AG.	N/A		Terri-Ann Ashton
22	F&G Reg 24AI	Did the local government send each person who submitted an application, written notice advising if the person's application was accepted and they are to be part of a panel of pre-qualified suppliers, or, that the application was not accepted.	N/A		Terri-Ann Ashton
23	F&G Reg 24E	Where the local government gave a regional price preference in relation to a tender process, did the local government comply with the requirements of F&G Reg 24E in relation to the preparation of a regional price preference policy (only if a policy had not been previously adopted by Council).	N/A		Terri-Ann Ashton
24	F&G Reg 24F	Did the local government comply with the requirements of F&G Reg 24F in relation to an adopted regional price preference policy.	N/A		Terri-Ann Ashton
25	F&G Reg 11A	Does the local government have a current purchasing policy in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$150,000 or less.	Yes		Terri-Ann Ashton



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I certify this Compliance Audit return has been adopted by Council at its meeting on

22 March 2018

A handwritten signature in blue ink, consisting of a large, stylized initial 'M' followed by a wavy line.

Signed Mayor / President, Eastern Metropolitan  
Regional Council

A handwritten signature in blue ink, consisting of a stylized initial 'P' followed by a wavy line.

Signed CEO, Eastern Metropolitan Regional  
Council



### **13 REPORTS OF STRATEGIC RISK STEERING GROUP**

#### **13.1 Minutes of the Strategic Risk Steering Group Meeting Held On 14 February 2018**

That Council notes the Minutes of the Strategic Risk Steering Group meeting held 14 February 2018.

#### **RECOMMENDATION(S)**

That Council notes the Minutes of the Strategic Risk Steering Group meeting held 14 February 2018.

#### **AC RESOLUTION(S)**

MOVED CR STALLARD

SECONDED CR KOVALEVS

THAT COUNCIL NOTES THE MINUTES OF THE STRATEGIC RISK STEERING GROUP MEETING HELD 14 FEBRUARY 2018.

**CARRIED UNANIMOUSLY**

Cr Palmer enquired what the loan agreement reflected in item 4.1 of the minutes of the Strategic Risk Steering Group was.

The CEO advised that this was a loan agreement provided to Ansac to expedite the completion of the woodwaste to energy plant construction and commissioning as resolved by Council at its 24 August 2017 meeting.

## **STRATEGIC RISK STEERING GROUP**

**Wednesday, 14 February 2018 – 9.30am - ASCOT PLACE**

### **MINUTES**

#### **1. ATTENDANCES**

Peter Schneider	Chief Executive Officer
Stephen Fitzpatrick	Director Waste Services
Wendy Harris	Director Regional Services
Hua Jer Liew	Director Corporate Services
Rob Medbury	Senior Risk Advisor
Annie Hughes-d'Aeth	PA Director Corporate Services (Minutes)

#### **2. APOLOGIES**

Nil

#### **3. ADOPTION OF NEW RISK MANAGEMENT POLICY AND STRATEGIC RISK MANAGEMENT PLAN**

The new draft of the Risk Management Policy and Strategic Risk Management Plan were discussed in brief and adopted.

Attachment 1: 7.1 Risk Management Policy  
Attachment 2: Strategic Risk Management Plan

#### **4. STRATEGIC RISK EXPOSURES**

##### **4.1 Projects/ Contracts**

###### **Resource Recovery Facility**

CEO advised that the Town of Bassendean has withdrawn from the RRF project and the City of Bayswater has not committed to the project at this point in time. In the event that the EMRC cannot meet the current deadline of 19 February 2018, the EMRC will need to seek an extension with the nominated tenderer.

###### **Wood Waste To Energy Plant**

Pursuant to the report that was presented to Council outlining project delays, the following steps have been taken to ensure the project meets the planned schedule:

- An independent Superintendent has been appointed to oversee the construction scheduling and site budget control; and
- A Loan Agreement has been put in place to expedite the completion of the project.

##### **4.2 Market Place**

In December 2017, China banned the import of recycled waste from Australia. This will have a significant impact on the economics of waste collection and management for local governments around Australia, including the EMRC. As a result, the flow on effects of this decision on waste diversion in the Perth market will be closely monitored. One of these effects may be an enhanced impact of the State landfill levy on rate payers and commercial customers.

#### **4.3 Reputation/ Image**

No matters reported.

#### **4.4 Environmental**

No matters reported.

#### **4.5 Political**

The State Waste Strategy is currently being reviewed and consequent decisions of the government may have ramifications for the EMRC. The EMRC will be making a submission as part of this review to help ensure that the strategic objectives of the EMRC would continue to be supported.

#### **4.6 Liability/Legal**

No matters reported.

### **5 RISK MANAGEMENT SYSTEM**

#### **5.1 Internal Audit Process**

This year represents the third year of the four-year audit programme previously endorsed by Council in March 2016. Arrangements are being made with our internal auditors, Paxon, regarding the timing of this year's internal audit with the view of tabling the internal audit report to the Audit Committee and Council for the September 2018 round of meetings.

#### **5.2 Key Changes To System / Framework**

No matters reported.

#### **5.3 Regulatory Environment**

On 7 April 2016 Circular No 3-2016 titled "*Auditing of Local Government by the Auditor General - Renewal of Audit Contracts*", was issued and outlined the intention to amend the Act to allow for the Auditor General and the Office of the Auditor General (OAG) to take responsibility for the local government financial audits from 1 July 2017.

Consequently, the *Local Government Amendment (Auditing) Act 2017* (No 5 of 2017) which provides for the auditing of local governments by the Auditor General and for related purposes was proclaimed on Friday 27 October 2017 in the WA Government Gazette No. 207 page 5413.

The OAG will be outsourcing the audit function to various external auditors but are in the middle of finalising the arrangements. We have been informed by the OAG that our previous auditor will be conducting the audit but the scope of the audit will be expanded compared to those in previous years.

The Interim Audit has been organised to be onsite in March 2018 with the full audit being undertaken in August 2018.



#### **5.4 Business Continuity Planning**

The Group identified some improvements for the annual business continuity planning process which is to optimise the efficiency of dealing with the loss of the Ascot Place office building over the Christmas shut down period.

#### **5.5 Insurance Program**

In order for the new Local Government Insurance Service broker representative to familiarise himself with the general risk profile of the EMRC, site visits have been booked for the Red Hill and Hazelmere facilities in the latter half of February 2018. These visits allow for the Broker to be a better advocate for the EMRC when risks are being priced i.e. premium determination for insurance program renewal.

#### **5.6 Risk Management Culture**

No matters reported.

#### **5.7 System Performance**

For the year to date there has been 1 workers compensation claim against the total number of claims of 3 for the previous year; (2016/2017).

For the year to date there have been no significant property damage incidents.

### **6 CONSIDERATION OF REPORTS**

Nil

### **7 DATE AND TIME OF NEXT MEETING**

The date/time for the meetings will be aligned with the Audit Committee meeting dates.

The proposed dates are:

Friday	11 May	2:00pm
Friday	10 August	2:00pm

### **8 CLOSE OF MEETING**

Before the close of the meeting, the Group thanked the Senior Risk Advisor, Rob Medbury for his time and effort over the years as Chairman of the Group and wished him a happy retirement.

The meeting closed at 10:47am.



## 7.1 Risk Management Policy

### STRATEGIC PLAN OBJECTIVE

This policy supports the following Strategic Plan objective:

3.3 To provide responsible and accountable governance and management of the EMRC.

### PURPOSE

This Policy sets out the objectives and corporate approach for managing business and workplace related risk in a systematic and formal manner to ensure an efficient and effective organisation-wide risk management system.

### LEGISLATION / STANDARDS

Australian / New Zealand standard AS/NZS ISO 31000:2009 "Risk Management – Principles and Guidelines".

Definition of Risk Management: The application of coordinated activities to direct and control an organization with respect to risk.

### POLICY STATEMENT

The EMRC is committed to the principles, framework and process of managing risk as outlined in AS/NZS ISO 31000:2009.

The EMRC considers risk management to be an essential management function and a necessary part of good governance. Risk exposures will be managed via a process that involves identification, assessment, evaluation, treatment, monitoring and review. It will be applied to decision making throughout all levels of the organisation in relation to planning or executing functions, services or other activities.

#### Risk Management Objectives

These risk principles and framework will be diligently applied to help enable the EMRC to achieve its Strategic Plan together with financial sustainability. At a more detailed level the risk management system is in place to:

- Protect employees, contractors, customers and volunteers;
- Protect the natural and built environment;
- Ensure high quality services are delivered;
- Protect physical assets and intellectual property;
- Ensure contractual and statutory obligations are met;
- Protect and promote the image and reputation of the organisation; and
- Ensure the continuity of its business functions and services.

Risk management is a continuous process demanding awareness and proactive action from all employees and outsourced service providers to reduce the likelihood and impact of adverse events, whether caused by the EMRC or a business partner.



Senior management seeks to improve the integration of a formal risk management approach into the EMRC's everyday business operations and those of its contractors.. In this way the risk implications of decisions and actions will be better planned for and dealt with. The involvement of all staff is both encouraged and expected in order to meet the objectives of this policy.

The risk management system, as supported by suitable standards and guidelines, will involve risk evaluation linked to practical and cost-effective risk control measures commensurate with the business. The standards will also be flexible enough to consider the severity of consequences of new initiatives in a manner that does not stifle innovation.

The Risk Management Policy is supported by the Risk Management Plan which provides an operating framework that outlines:

- An overview of the EMRC 's risk management process;
- Summary of the EMRC 's key risks;
- Key strategies;
- Risk criteria to ensure the right focus;
- A risk assessment methodology;
- Risk management related responsibilities;
- Implementation, monitoring and review processes; and
- Risk management performance measurement.

## RESPONSIBILITIES

The Audit Committee, in conjunction with the CEO, has responsibility for monitoring the effectiveness of the EMRC's risk management function to ensure that the necessary resources and risk management processes are in place.

The primary responsibility for cascading risk standards and procedures and approval of the treatment of major risk exposures, ultimately rests with the Chief Executive Officer.

These risk management activities will have a strong emphasis toward the prevention of situations or incidents that may damage the EMRC as a corporate entity or injure staff and relevant others. The Chief Executive Officer to assist in meeting his responsibilities, has established a Risk Management Steering Group (RMSG) comprising the Executive team and two managers who will be responsible for:

- Review and determine the Risk Management Policy and Plans;
- Ensuring the organisation has a culture that is supportive of a formal risk management approach;
- Monitoring the efficiency and effectiveness of the risk management system, including the incorporation of suitable key performance indicators; and
- Reporting to Council on key elements of or changes to the EMRC risk management system.

The systematic management of business and workplace risk is a core responsibility of all managers. Suitable risk management requirements will be incorporated into business planning, operations and the management of contractors and other service providers where practicable.

## FINANCIAL CONSIDERATIONS

Funding will be provided to properly resource risk management activities as identified through the annual risk management planning and budgeting process.



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Adopted/Reviewed by Council

1. 31 October 2002
2. 20 May 2004
3. 23 February 2006
4. 18 September 2008
5. 23 September 2010
6. 18 September 2014

Next Review

November 2019

Responsible Directorate

Corporate Services



***STRATEGIC***  
**RISK MANAGEMENT PLAN**

**9 February 2018**

**2018/2019**



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## EXECUTIVE SUMMARY

Risk is inherent in everything the EMRC does and hence it is necessary to have a systematic approach to properly manage this risk to ensure the continuing success of the organisation.

Our aim is to achieve best practice in controlling the risks to which the EMRC is exposed. We will achieve this by identifying our risk exposures; addressing these and incorporating appropriate risk management strategies and improvements into our business.

Monitoring the effectiveness of risk management effort and maximising the use of our risk software system will enable us to make better risk related decisions going into the future.

This document outlines the framework for the EMRC's risk management system. Within this framework, training will provide appropriate tools and practices for the effective management of risks across the organisation. Our challenge is to infuse risk management into our culture, our everyday business operations and where practicable, those of our contractors.

Peter B. Schneider  
Chief Executive Officer

February 2018

# EMRC

## 1.0 INTRODUCTION

### 1.1 Background

To be sustainably successful in today's corporate environment the EMRC Management realises that this will only be possible where a high quality risk management system is installed and maintained. The hallmarks of such a system include the following.

- a) There is clear management understanding and support for the system.
- b) There is good alignment between the risk expectation (risk appetite) of the Council and that of the Executive.
- c) There is an acknowledgement that the organisation risk culture plays an important part in generating the required risk management outcomes.
- d) The system has clear objectives.
- e) There is a formal process to identify, assess, treat and monitor risk exposures.
- f) There is a clear process of risk management system performance measurement.

### 1.2 The Purpose of the Plan

The purpose of this document is to ensure the Council has a clear understanding of the organisation's risk management framework including the processes that will ensure that desired risk culture can be generated. More specifically this Plan enables the Council to understand how Management intends to protect the assets, human and otherwise, of the organisation.

The risk management framework forms the skeleton on which the risk management system sits.

The risk management system can be defined as the collective effort of human, procedural, physical and information system resources applied to the minimisation of risk and its associated adverse impacts.

### 1.3 Risk Management System Goals and Objectives

The main goals of the Risk Management System are to:

- Ensure the stability and viability of EMRC operations into the future;
- Enhance the overall governance of the Council;
- Ensure the EMRC is compliant with relevant legislation;
- Minimise insurance costs; and
- Generally to facilitate the organisation achieving its Strategic Objectives.

The achievement of these goals will be supported by the following objectives which are to:

- Protect employees, contractors, customers and volunteers;
- Protect the natural and built environment;
- Ensure high quality services are delivered;
- Protect physical assets and intellectual property;
- Ensure contractual and statutory obligations are met;
- Protect and promote the image and reputation of the organisation; and
- Ensure the continuity of its business functions and services.



## 2.0. RISK MANAGEMENT STRATEGIES

### 2.1 Key-Strategies of the Risk Management System

Key strategies of the risk management system include:

- Ensuring that risk exposures are managed according to Australian Standard for Risk Management, AS/NZS ISO 31000-2009. Hence, risks will be formally identified, assessed, treated and monitored;
- Using risk management software to ensure there is a clear, consistent and formal approach to dealing with risk exposures;
- Ensuring planning and administrative processes take into account related or inherent risks;
- Ensuring Management are aware of their risk management responsibilities and that they are held accountable for these;
- Ensuring that all staff receive risk management training that is commensurate with their responsibilities;
- Ensuring the Council is informed of broad measures of risk management performance;
- Ensuring that the insurance program covers all EMRC assets wherever practicable; and
- Ensuring that the required ethical standards are properly defined and articulated to staff.

A formal risk management approach will be applied to all significant EMRC activities and where practicable to those delivered on the EMRC's behalf by external service providers and project contractors. This will better enable the organisation to:

- Ensure that the quality and reliability of services and other program outputs are of a high standard; and
- Ensure services meet requirements and are delivered within budget and timing requirements.

## 3.0 THE RISK MANAGEMENT FRAMEWORK

### 3.1. Overview of the Risk Management Process

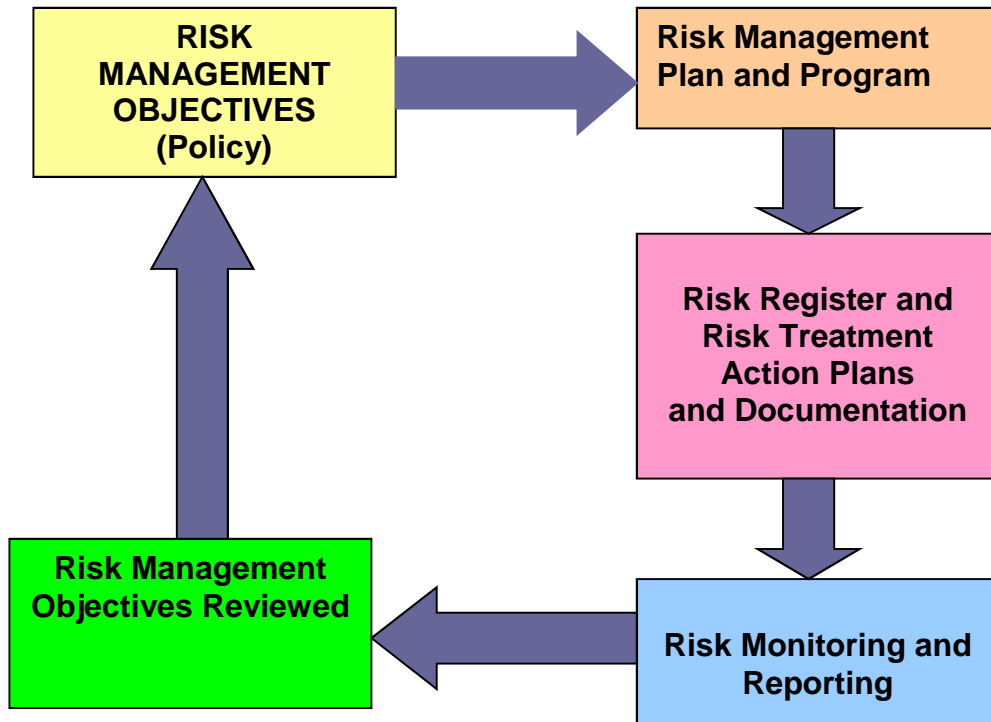
"Risk Management" is the application of coordinated activities to direct and control an organisation with respect to risk. The process seeks to minimise the impact and cost of risk exposures that the EMRC faces, in order to ensure the achievement of business objectives.

The EMRC's "Risk Management Policy 7.1" sets out the approach to, and objectives for, managing risk. It is in place to provide broad guidance for all risk related strategic planning and decision making.

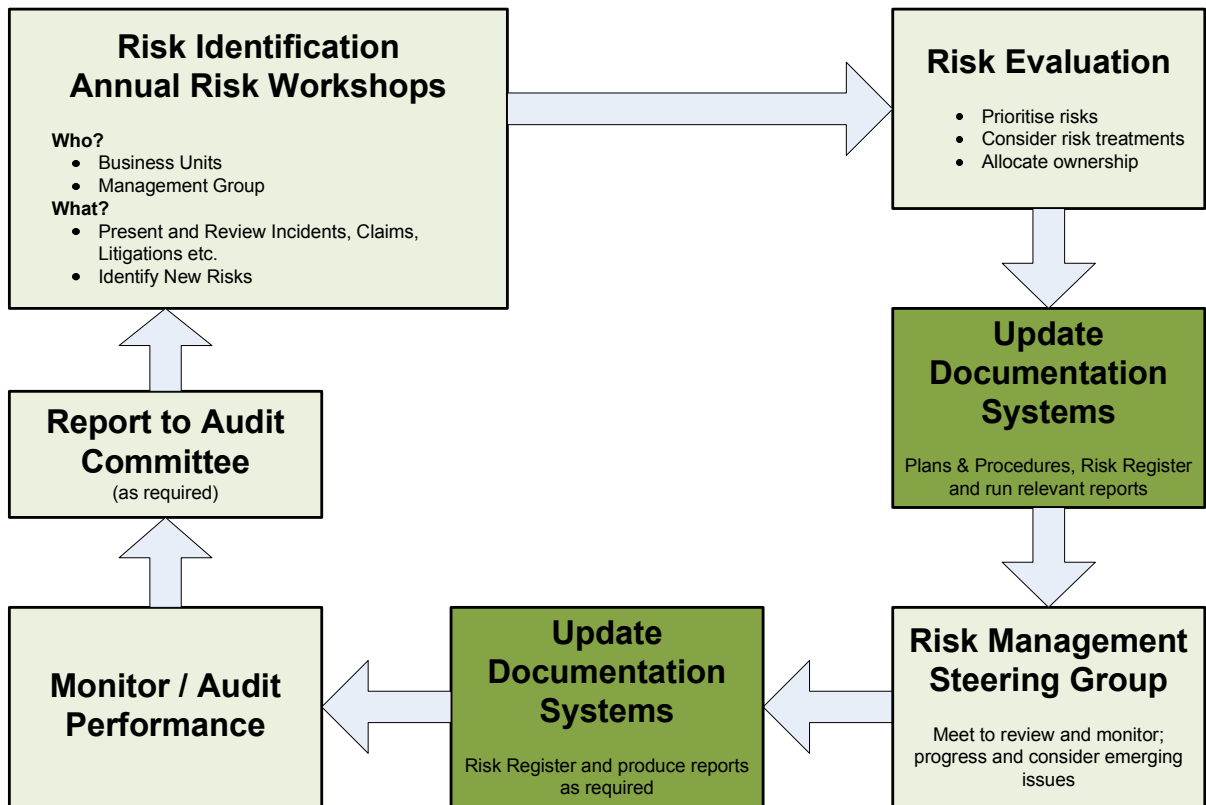
This "Strategic Risk Management Plan" provides the essential elements regarding how the EMRC's Risk Management Policy is implemented. The EMRC's risk management approach and process, follows that outlined by the Australian Standard for Risk Management, AS/NZS ISO 31000-2009. As a result, the basic risk management process followed by the organisation is summarized in Figure 1. In short, risk exposures will be identified, assessed, treated, monitored and reviewed to ensure that they are satisfactorily dealt with.

A key deliverable of the risk management system is to provide the Executive Management team with a regular report from the Corporate Risk Register covering higher level risk exposures and what is being done to manage them.

Figure 1: The EMRC's Risk Management Framework



**Figure 2 FRAMEWORK FOR THE RISK MANAGEMENT SYSTEM**



### 3.2 Risk Assessment Methodology

The following risk matrix is applied to establish a risk level for each risk exposure identified arising from risk identification and assessment processes. A risk matrix presents combinations of consequence and likelihood ratings to define risk levels associated with any given risk exposure.

Figure 3 - Risk Classification Matrix

Likelihood	Consequence				
	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Severe (5)
<b>Almost certain (5)</b>	Medium	Medium	High	Extreme	Extreme
<b>Likely (4)</b>	Low	Medium	High	High	Extreme
<b>Unlikely (3)</b>	Low	Medium	Medium	High	High
<b>Rare (2)</b>	Low	Low	Medium	Medium	Medium
<b>Possible (1)</b>	Low	Low	Low	Low	Medium

As examples of applying this matrix, an event that is **Almost Certain** to occur, which has a **Moderate** consequence, is considered to be a High Risk; while an event that is **Possible**, and has a **Minor** consequence, is considered to be a Low Risk. The definitions for each risk level are presented below.

#### Consequence - of Possible Injury or Damage

INJURY OUTCOME		PROPERTY DAMAGE / LOSS OUTCOME
<b>Severe</b>	(5) Permanent disablement or death is likely	> \$100,000
<b>Major</b>	(4) More than 2 weeks off work is likely	\$20,000 to \$99,999
<b>Moderate</b>	(3) More than a few hours off work is likely	\$5000 to \$19,999
<b>Minor</b>	(2) Will require medical treatment (may be 2/3 hours off work)	\$500 to \$4999
<b>Insignificant</b>	(1) May need First Aid	< \$500

#### Likelihood - descriptors

<b>Almost Certain</b>	(5) Event will occur every 12 months or less
<b>Likely</b>	(4) Event may occur say every 1 to 2 years
<b>Unlikely</b>	(3) Event has occurred a few times (e.g. 3 or 4 ) in 15 years
<b>Rare</b>	(2) Event may occur every 15 years
<b>Possible</b>	(1) Have heard of something like this occurring in the last 20 years



## **Risk Matrix - Responsibility and Action Requirements**

**EXTREME** priority risks demand urgent attention by Executive Management and cannot be simply accepted as part of routine operations. Actions required to treat an 'extreme risk' are likely to be beyond the standard operational procedures and require additional human and/or financial resources.

**HIGH** priority risks are the most severe that can be accepted as part of routine operations, but they will also be the responsibility of Executive Management who will ensure that the risk exposure is managed effectively and promptly. Business Unit Managers will assist with the assessment process and will be held accountable for applying remedial measures.

**MEDIUM** priority risks can be dealt with via routine operations but they will be explicitly assigned to relevant managers for action and to be kept under review as may be required.

**LOW** priority risks will be maintained under review but it is expected that existing controls will be sufficient.

In general, EXTREME and HIGH priority risks need to be treated immediately or subject to more detailed analysis. LOW priority risks on the other hand, may be set aside with no further action to treat them apart from routine reviews to ensure that there has been no change that would elevate the risk level.

### **3.3. Risk Management Structure and Responsibilities**

**All staff, project and program managers** are responsible for managing risk within their span of control, for promoting the application of risk management by contractors, and assisting with the identification of risks exposures that could adversely affect their operations.

**Business Unit managers** are accountable for ensuring that identified risks are up-loaded onto the Corporate Risk Register, (that is, via the Risk Module). The Business Unit Manager is responsible for overseeing the Business Unit Risk Management process and implementing the bulk of risk mitigation strategies and action plans as outlined in the Risk Treatment Action Plans.

**Note:** some actions may require consultation with and approval by the relevant Director.

**The Risk Management Steering Group (RMSG)** has been established by the Chief Executive Officer and is responsible for assisting the CEO to:

- Review and determine the Risk Management Policy and Risk Management Plans;
- Ensuring the organisation has a culture that is supportive of a formal risk management approach;
- Monitoring the efficiency and effectiveness of the risk management system, including the incorporation of suitable key performance indicators. and
- Reporting to Council on key elements of or changes to the EMRC risk management system.

The current Steering Group comprises the EMRC's Executive team plus two operational Managers.

The Risk Management System is sanctioned by the EMRC Council, implemented by the EMRC Management Team and supported and monitored by the Risk Management Steering Group.

The identification and review of strategic risk areas within the EMRC and the core features of the Risk Management System may also be the subject of internal audit protocols and / or direction by the Audit Committee.



### **3.4 Risk Criteria**

The EMRC has four main criteria for setting its risk management priorities as detailed below. Risk exposure identification, risk assessment and risk treatment need to be carried out with these four key elements in mind.

1. Risks affecting the safety, security and health of the EMRC's staff, contractors and visitors to its premises.
2. Risks affecting the EMRC's management of and accountability for the organisation's performance, including its compliance requirements, service delivery obligations, strategic priorities and business relationships.
3. Risks affecting the EMRC's reputation or trust in the EMRC.
4. Risks affecting the EMRC's primary revenue streams.

### **3.5 Program Consultation and Planning**

All Managers will be consulted regarding the Strategic Risk Management Plan prior to its adoption in June of each year.

Directors are requested to take the time to discuss the Strategic Risk Management Plan (i.e. once approved) with their staff to ensure that they are aware of the content and their role in facilitating its implementation.

### **3.6 Program Deliverables**

#### **3.6.1 At Program, Project and Contract Level**

The deliverable from the risk management process applied at program and contract level is a Risk Register and relevant Risk Treatments. The Risk Register documents the identification, analysis, and assessment of risks and the Risk Treatments provide for existing and proposed risk controls and measures.

The Risk Register and associated Risk Treatment Plans will all be entered into and be available from the Synergysoft Risk Module. This will also cover new projects and programs. Project plans will contain a section that identifies risks to the project and outlines how they will be mitigated, treated or avoided. (Refer Project Plan Example Template D2014/00141). Those staff managing such projects should be directly involved in this process.

A new Contract/Project Risk Assessment tool (D2017/06167 FORM H) has been introduced to ensure that an initial broad spectrum risk assessment process is carried out at the project generation phase. This will ensure that projects that appear to carry a potential downside that may breach the risk appetite of the organisation are either progressed cautiously or shelved. In each case, the project risk profile will have been formally developed and decisions regarding its progression can be well informed.

As key new risks are identified they are to be entered into the Synergysoft Risk Module (i.e. the Corporate Risk Register). This software will allow purpose made reports to be provided. The various reports available from the database will provide a clear picture of the organisation's risk status at any point in time.

#### **3.6.2 At Business Unit Level**

At Business Unit level, the risk management process comprises two deliverables:

- The uploading of all significant risk exposures as identified into the Corporate Risk Register; and
- The generation of risk treatment plans for all uploaded risks where either acceptance of the risk is not appropriate or where routine risk control measures are not likely to be adequate.



### **3.6.3 At Corporate Level**

The Director Corporate Services, as assisted by the rest of the Executive Team, will review the integrity of the Corporate Risk Register and Risk Treatment Plans.

Special consideration will be given to risk exposures that are identified as common across all Business Units and also of exposures that would apply only to the corporate body as a whole.

### **3.6.4 Training**

To ensure the successful implementation of risk management activities throughout the EMRC, appropriate training in risk management will be provided to staff and managers.

Training content will encompass the risk management process, AS/NZS ISO 31000-2009, application of risk management tools and assistance with identification and analysis of the EMRC's risk exposures.

The Director Corporate Services together with Business Unit Managers will be responsible for the delivery of appropriate training.

## **3.7 System Monitoring and Review**

The Corporate Risk Register will be formally reviewed annually as a part of the corporate business planning process. More regular reviews and updates by Business Unit, contract, project and program managers will be required to ensure that significant risk exposures are recorded as they are identified.

It is anticipated that these formal reviews will be concurrent with, and part of, the business and budget planning process due to the complementary nature of the two processes.

The monitoring, review and updating of the Corporate Risk Register and associated Risk Treatment Plans will be overseen by the EMRC's Risk Management Steering Group and actioned by Business Unit Managers in consultation with their Director as necessary.

The Annual Risk Workshop for each Business Unit will also help ensure the general integrity of the Corporate Risk Register and the closing out of risk treatment plans.

## **3.8 Risk Management Performance Measurement**

A range of both lead and lag performance indicators will be used to provide feedback to Council as to whether the risk management system is delivering the planned outcomes.

These may include:

Lead Indicators or inputs:

- Number of formal of risk treatment actions and the duration of the close-out process as it relates to strategic risk exposures.

Lag Indicators or outcomes:

- Number of workers compensation claims – moving annual figure graph;
- Number of adverse media statements – in the last 4 month period; and
- Number of improvement notices, non-compliance notices or similar received from government agencies in the last 4 month period.



First Adopted by Executive Management Group	February 2018
This Review & Adoption	February 2018
Next Review	May 2019
Responsible Business Unit	Corporate Services





## 14 REPORTS OF DELEGATES

Nil

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

Nil

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

Nil

## 17 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 2018**

Thursday	5	April	(if required)	at	EMRC Administration Office
Thursday	10	May	(if required)	at	EMRC Administration Office
Thursday	7	June		at	EMRC Administration Office
Thursday	5	July	(if required)	at	EMRC Administration Office
Thursday	9	August	(if required)	at	EMRC Administration Office
Thursday	6	September		at	EMRC Administration Office
Thursday	4	October	(if required)	at	EMRC Administration Office
Thursday	22	November	(if required)	at	EMRC Administration Office

## 18 DECLARATION OF CLOSURE OF MEETING

There being no further business the meeting was closed at 6:55pm.