



INFORMATION BULLETIN

**Issue No.32
November 2016**



CONTENTS PAGE

Item	Page No.
RRF Update Report	3
Communications and Education Update Report	10
Unconfirmed Minutes – Audit Committee Meeting – 16 November 2016	23

RESOURCE RECOVERY FACILITY UPDATE REPORT	
File No:	WST/13-05
Attachment/s:	Nil
Date:	16 November 2016
Prepared by:	Director Corporate Services

This report presents a summary of activities that have taken place in the reporting period covering 6 October 2016 to 16 November 2016.

ONGOING MATTERS

There was a planned maintenance shutdown which occurred in October 2016 which was successfully undertaken and completed on schedule.

OPERATIONAL INFORMATION

Waste Delivery

Waste Delivery Summary for Reporting Period

MONTH	SCHEDULED TONNES	DELIVERED TONNES	DIFFERENCE TONNES
October 2016	6,400	6,415	15

For the 8th Contract Year, for the period to 31 October 2016, the RRF was 3,826 tonnes ahead of schedule as a result of additional throughput at the plant.

With the exception of the composter replacement, the RRF is operating as anticipated in the Resource Recovery Facility Agreement (RRFA), with average availability of 100% over the past 12 months.

On a monthly basis, Additional Tonnes (those tonnes greater than the monthly scheduled tonnes) only incur the Variable Operating Cost charge, but not the Capital Cost or Fixed Operating Cost charges.

Unavailable Tonnes (those tonnes less than the monthly scheduled tonnes) are not paid for unless:

- Within the Contract Year there is a positive balance of Additional Tonnes, these Additional Tonnes can be off-set against the Unavailable Tonnes. In this case, the off-set Additional Tonnes incur the full gate fee cost less the Variable Operating Cost (which has already been paid on the Additional Tonnes); or
- If the RRF Availability for a month is less than 92% of the monthly Scheduled Tonnes and there are no accumulated Additional Tonnes remaining to be off-set, then the MRC is required to pay the Capital Cost on all Unavailable Tonnes up to 92% of the monthly Scheduled Tonnes.

At the end of the Contract Year, if 100,000 tonnes of waste have been delivered to the RRF then the above “overs and unders” system should balance out.

The exception to the above is the tonnes not processed during the composter replacement.

The MRC entered into a standstill deed with BioVision which deals with the operations of the plant during this period. The tonnes scheduled for processing but not processed during the shutdown have been recorded as Accrued Tonnes. The MRC has already paid the capital cost component of the RRF Gate Fee in relation to these tonnes and so the Accrued Tonnes will be processed for the MRC at the end of the RRFA contract with the MRC only have to pay the fixed and variable components of the RRF Gate Fee.

Waste Diversion

Waste Diversion for the past six months (May 2016 to October 2016) has stabilised at 52.3% with a Waste Diversion Target of 51.3%.

Community Complaints

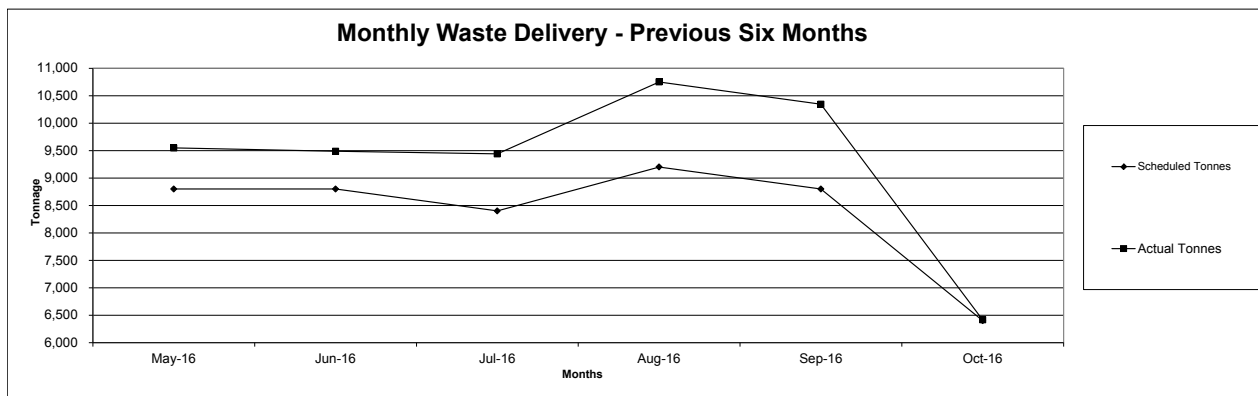
BioVision last met with its community stakeholder group on 30 November 2015 and no serious issues were raised.

COMMUNITY COMPLAINTS SUMMARY FOR THE REPORTING PERIOD

Date	Complaint	From	Outcome
Nil	No complaints have been received	Nil	Nil

The graphs below provide data up to **31 October 2016**.

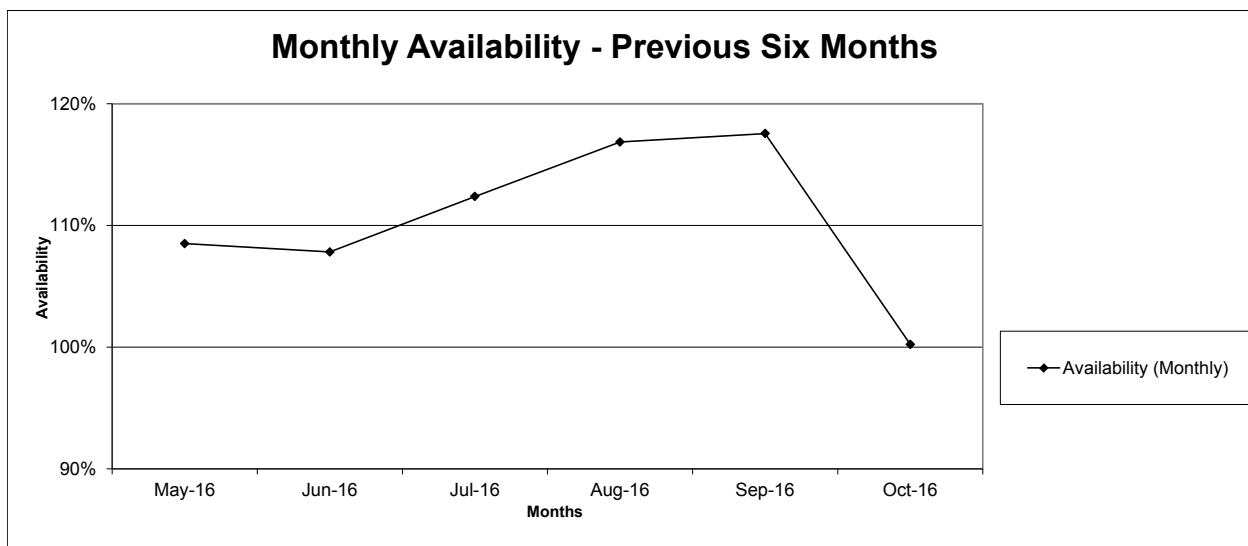
Graph No. 1 – Monthly Waste Delivery – Previous Six Months

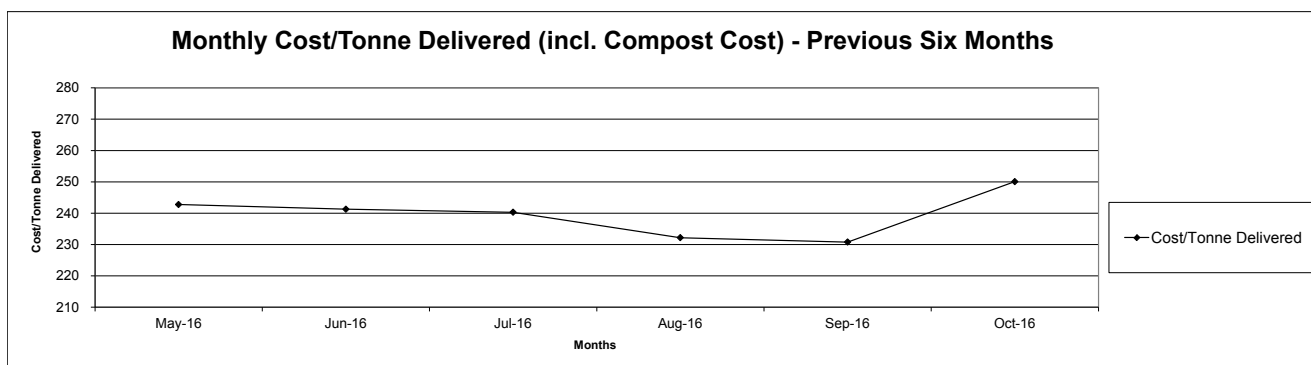
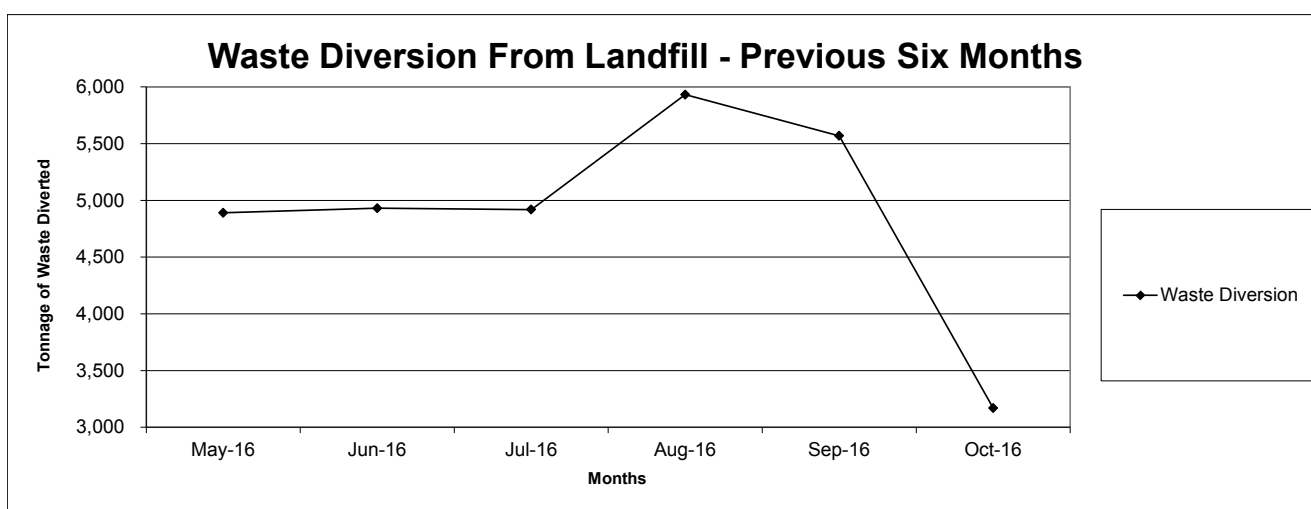


Graph No. 2 – Waste Delivery & Diversion – Previous Six Months



Graph No. 3 – Monthly Availability – Previous Six Months



Graph No. 4 – Monthly Cost/tonne Delivered (incl. Compost Cost) – Previous Six Months**Graph No. 5 – Waste Diversion from Landfill – Previous Six Months**

Performance Indicators

KPI's as per the RRFA are as follows:

Table No. 1 – KPI Summary (to 31 October 2016)

KPI	Target	Previous 6 Months	Oct		
Availability*	95%	111%	100%		
Environmental Standard - Number of Breaches	0	0	0		
Waste Diversion	51.3%	52.3%	49.4%		
Quality of Compost - Number of Breaches**	0	2 (Jun/Aug)	0		
Quantity of Recyclable Packaging ***	0.80%	n/a	1.27%		
Health and Safety - Number of LTI's	0	0	0		
Community Acceptance - Number of Complaints ****	0	0	0		
Project Culture - PAG Chairperson Score	100	100	100		

* The Target Availability during the Initial Operating Period is to achieve an Availability of greater than 95% over a six-month period.

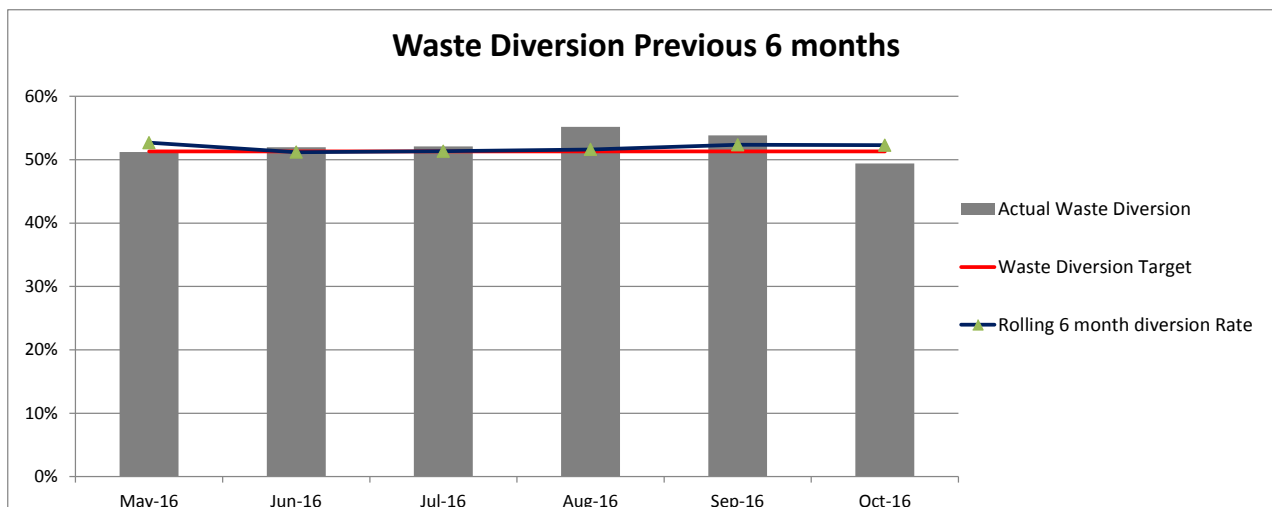
** The compost standard within the RRFA was amended by the revisions to the RRFA approved by Council at its meeting of 6 December 2012 and signed under common seal in May 2013.

*** Financial impacts of the KPI were removed by the revisions to the RRFA approved by Council at its meeting of 6 December 2012 and signed under common seal in May 2013. Ferrous diversion has recommenced.

**** Numerous complaints relating to a single event are treated as a single complaint. Biofilter odour is not registered as a complaint as this is seen as a normal operating odour condition.

Waste Diversion

The average waste diversion for the past six months (May 2016 to October 2016) has been 52.3%.



Project Advisory Group (PAG) as at 16 November 2016

MRC Representatives:

Cr Dot Newton JP
 Brian Callander (CEO)
 Gunther Hoppe
 Cr Samantha Jenkinson (Deputy)

BioVision Representatives:

Craig Barker
 Emmanuel Vivant
 Nial Stock
 Alan Turner (Alternate)

Chairperson:

Ian Watkins

The PAG last met on 12 October 2016.

Items dealt with by the group included:

- Contract Variations (including the maintenance cost discussions)
- Composter Structural Issues
- BioVision Monthly Report/Update
- Compost Marketing and Compost Quality
- Residue management
- Insurance

Copies of the meeting minutes are distributed to the Strategic Working Group members and all MRC Councillors following the meetings.

FINANCIAL IMPLICATIONS

Operational Expenditure

The Project Operational Summary below sets out the 2016/17 facility operating budget against which operational costs are tracked throughout the year. The variance over budget is as a result of the additional tonnes put through the facility during the year.

Project Operational Costs Summary for 2016/17 Financial Year – for the period ended 31 October 2016

Mindarie Regional Council					
OPERATING STATEMENT					
For the month ended 31 October 2016					
Description	Adopted Budget	YTD Budget	YTD Actual	\$ Variance	%
Resource Recovery Facility					
Operating Expenditure					
Employee Costs					
Salaries	-	-	-	-	
Allowances	-	-	-	-	
Workers Compensation Premium	-	-	-	-	
	-	-	-	-	
Consultants and Contract Labour					
Consultancy	15,000	4,800	4,757	(43)	
Contract Labour External	-	-	-	-	
	15,000	4,800	4,757	(43)	
Office Expenses					
Cleaning of Buildings	11,000	3,667	4,329	662	
	11,000	3,667	4,329	662	
Information System Expenses					
Computer System Maintenance	20,000	6,000	5,161	(839)	
	20,000	6,000	5,161	(839)	
Building Maintenance					
Building Maintenance	12,500	1,000	389	(611)	
Building Security	5,000	667	609	(58)	
	17,500	1,667	998	(669)	
RRF Operation Expenses					
Fencing and Gate Maintenance	10,000	3,600	3,600	-	
Road Maintenance	-	-	-	-	
Bores and Pipework	10,000	1,000	1,050	50	
Vehicle Wash Facility Operations	-	-	-	-	
Landscaping and Gardens	12,000	1,100	1,685	585	
Compost Disposal	408,300	114,600	141,349	26,749	
Contractor's Fees	25,521,000	8,268,804	8,658,162	389,358	
RRF Maintenance Funding	250,000	-	-	-	
	26,211,300	8,389,104	8,805,847	416,743	
Utilities					
Electricity	10,000	3,333	-	(3,333)	
Rates	25,829	8,610	35,721	27,112	
	35,829	11,943	35,721	23,778	
Insurance					
Municipal Property Insurance	3,000	1,000	-	(1,000)	
Public Liability Insurance	5,600	1,867	-	(1,867)	
	8,600	2,867	-	(2,867)	
Cost of Borrowings					
Interest on Loans	82,472	27,491	33,303	5,813	
Loan Expenses	-	-	1,065	1,065	
	82,472	27,491	34,368	6,877	
Amortisations					
Amortisation Pre-operating Costs	104,700	34,900	34,900	-	
Amortisation Costs	386,648	128,883	128,883	-	
	491,348	163,783	163,783	-	
Depreciation					
Depreciation on Building	23,600	7,867	7,868	1	
Depreciation on Infrastructure	26,700	8,900	8,899	(1)	
	50,300	16,767	16,766	(0)	
Total Operating Expenditure	26,943,349	8,628,087	9,071,730	443,644	
Net Total	(26,943,349)	(8,628,087)	(9,071,730)	(443,644)	

COMMUNICATIONS AND EDUCATION REPORT	
File No:	WST/178-02
Attachment(s):	Nil
Date:	16 November 2016
Responsible Officer:	Education Manager

Communication and Education Report – September/October 2016

The Mindarie Regional Council's (MRC) Education Team's main focus is on Winning Back Waste through community engagement within the region. The main objectives are to:

- improve community awareness and understanding of waste issues,
- encourage a reduce, reuse, recycle and dispose wisely ethos and behaviours associated with this,
- encourage engagement on many levels to have waste dealt with as high on the waste hierarchy as is practicable and to divert waste from landfill.

This is largely done through the provision of:

- advocacy for change at various levels,
- the Earth Carer community outreach program,
- facility tours,
- visits to schools and community groups to deliver workshops and talks,
- displays within the community (including shopping centres, libraries, fairs and events), and
- special projects/programs to facilitate greater community participation in recycling and waste disposal initiatives.

The Team works closely with:

- the Member Councils through the region's Waste Education Strategic Steering Group (WESSG) to support the councils by assisting them in delivering their waste messages and in providing programs to enable improved recycling and waste disposal outcomes to the community.
- the State Waste Educator Groups (WMAA-WA WEWG and WENG) which include representatives from the other Regional Councils, Local Governments, WALGA, Waste Wise Schools, KABWA, Waste Authority and a variety of other members (government/community/business) interested in waste issues.



The MRC recognises that waste has a value as a resource and is committed to managing waste in line with the waste hierarchy and diverting waste from landfill.

This report will look to summarise the education activity for the months of September and October 2016.

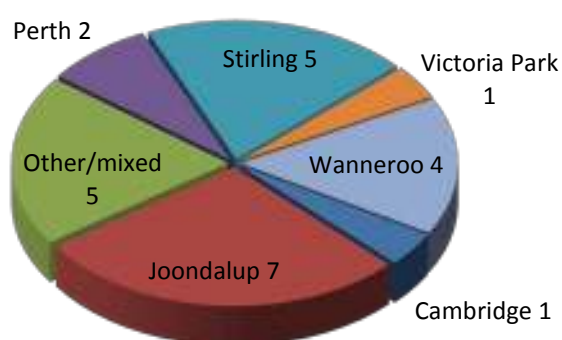
Community Engagement

Tours

The tours of the MRC facilities (Tamala Park and Resource Recovery Facility) are run on request Monday to Saturday and are popular with people of all age groups and from all walks of life. The duration of each tour ranges from one to three hours depending on the requirement of the group attending.

During the September/October period **25 tours** took place with **550 people**.

Tours by Council September - October 2016



TOURS BY GROUP	
	Number
Business	4
Community	8
Schools	12
Out of School	0
Tertiary	1
TOTAL	25

TOURS BY LOCATION	
	Number
Tamala Park	21
RRF	2
TP & RRF	2
TP & Balcatta	0
TP, RRF & Gas & Landfill	0
TOTAL	25

The feedback given about these tours continues to report a high level of participant satisfaction with them being described as very informative. The tours don't just point out operational aspects of the sites but discuss the 'story of waste', engaging people in how

the Waste Hierarchy works and discuss behaviours that create the best outcomes. People are continually amazed at how a 'trip to the tip' can be such an eye opener and be very enjoyable.

Schools that visited the facilities during this period included: Mecs College (CoS), Quinns Baptist (CoW), Kinross PS (CoS), International School of WA (ToC), Inglewood PS (CoS), St Marks ACS (CoJ) and Belridge Ed Support (CoJ).

Roaming Recycler Waste Education Display

The Spring season sees the return of a number of festivals and fairs.

Total number of events: 10

ROAMING RECYCLER EVENTS	
	No Days Out
Cambridge	1
Joondalup	1
Perth	1
Stirling	2
Victoria Park	1
Vincent	1
Wanneroo	1
Other	11
TOTAL	19

The events in this period included: Wembley Downs District fair (CoS), Lake Monger GST (TOC), Good Day Out (ToVP), Lief and Leisure Expo (CoW), Eco Fest (CoP), Little Feet Festival (CoJ).

In addition to these events the MRC was at the Perth Royal Show on the waste education site, this year named 'Is Plastic Fantastic?' The focus, as the name suggests, was the issues surrounding plastic waste.





Waste and Recycle Conference Booth

Each year, the MRC hosts a display booth at the Waste and Recycle Conference. This year we decided to do something different, so the team set up a mini Tip Shop using items from our shop at Tamala Park. This had the dual purpose of showcasing the good work that we are doing at Tamala Park by Winning Back Waste through the tip shop, as well as helping WALGA promote its new Reuse Shop Guidelines.

The booth was very well received and in fact we were awarded a prize for being the best booth at the conference!



Visits, Talks and Workshops

Talks and visits to schools and community groups remains a focus of the MRC education team. The topics of these talks and visits vary according to the group but the sessions mainly focus on three main areas:

- Organics – composting and worm farming
- The bin system – what goes in what bin
- Waste Hierarchy – reduce, reuse, recycle and dispose wisely.

The duration of the sessions range from an hour through to a full day and, in the case of schools, may be for single classes or for the whole school.

VISITS/TALKS	
	Number
Cambridge	2
Joondalup	5
Perth	0
Stirling	1
Victoria Park	0
Vincent	1
Wanneroo	4
Other	0
TOTAL	13

During the September/October period 13 visits/talks were conducted all to schools and day care centres with 9 of them looking at waste organics, home composting and worm farming.

TYPES OF TALKS	
	Number
Waste & recycling	3
Composting, worms & gardens	9
Nude Your Food	1
Battery assembly	0
Other	0
TOTAL	13

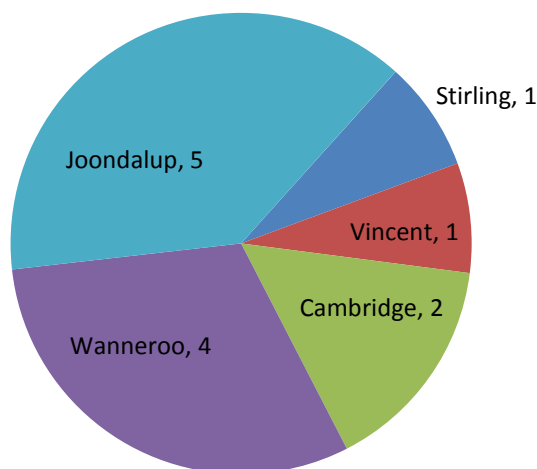
Schools

With the 2016 school year beginning all schools in the region were sent a flyer to inform them of the services the MRC offers to them. In consultation with MRC's education team schools can then use the services MRC provides to enhance their curriculum. Tours, talks, workshops and activities can be tailored to meet the individual requirements of the school. The MRC Education Team are developing a closer working relationship with Waste Wise Schools to develop a broader and more consistent waste education program into schools throughout the region.

Visits to Child Care centres have increased in the last year with the Centres looking to enhance the environmental and sustainability education programs they do with the children.

These visits aim to not only foster an interest in waste for the youngsters but also to connect with educators and to a different parent group.

Visits To Schools and Day Care Centres by Council (September - October 2016)



Schools visited included: Lake Monger PS (ToC), Liwara CPS (CoJ), Churchlands SHS (CoS), Higate PS (CoV), Ocean Reef PS (CoJ), Our Lady of Good Counsel (CoS), Sorrento PS (CoJ), Connolly PS (CoJ), Quinns Rock PS (CoW).

Earth Carers

MRC Earth Carers continue to meet and engage with the community. A number of Earth Carers link in with Community Garden groups, Transition Towns and other groups of like minded people. These provide very fertile grounds for information exchange and promoting waste wise messages.

The Earth Carers are seen as long term valued people interested in waste and spreading a 'Waste Less' message. Since 2008 over 400 people have completed the MRC Earth Carer training courses and of them 345 are still active, a good retention rate.

The 6 monthly Earth Carer training course was held in August and September. 19 began the course and all graduated the 5 session, 3 week course that included tours of the landfill and composting facility, visits to City Farm, a community garden and RErida reuse centre. Attendees saw how their waste is dealt with by the council services and then how they could reduce their own quantities by processing more at home and correct disposal of tricky materials. A big part of the course is how we communicate the message to others, and how we can reduce our waste production initially. We maintain contact after the course, with Earth Carers assisting at events on an MRC stall, in schools, and through on going workshops we offer. Earth Carers are very important ambassadors for a responsible waste message as they have credibility with friends and neighbours we could not hope to maintain.

An Earth Carers Food Waste workshop was held with 74 attendees. A further 23 visited Food bank and Food Rescue to further extend their knowledge of the food waste issue.

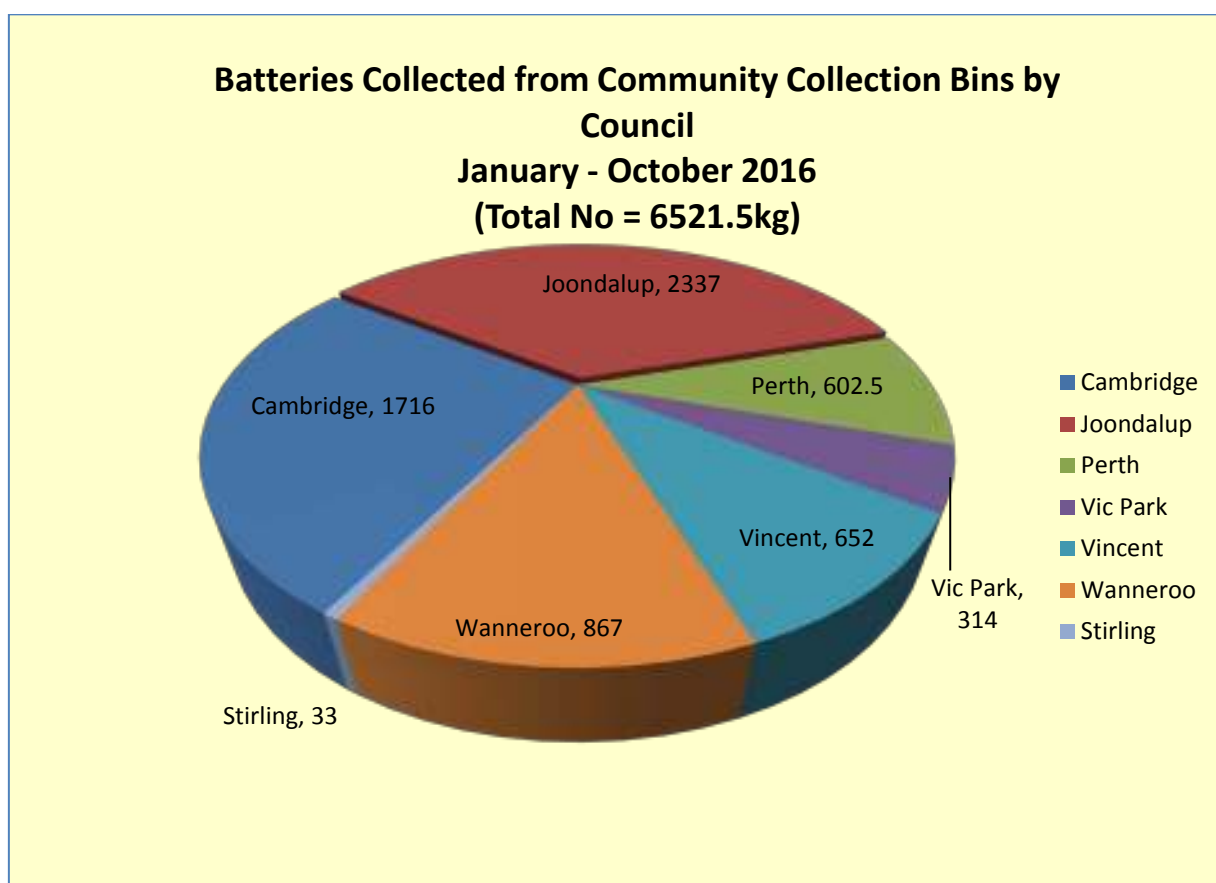
Reduce, Reuse, Recycle and Dispose Wisely

There are many items that the MRC and the Member Councils no longer want residents to put in any of the verge collection bins (green, yellow or red). A number of programs have been set up in the Region to help dispose of these items effectively.

Battery Program

Batteries from school and community bins continued to be collected in large numbers. Importantly most of these batteries previously would have gone into the household green top wheelie-bin then to the RRF and the chemicals contained within ultimately into the compost. However large quantities of batteries are bought and disposed of and although the MRC is collecting and recycling tonnes of batteries it is only the tip of the iceberg.

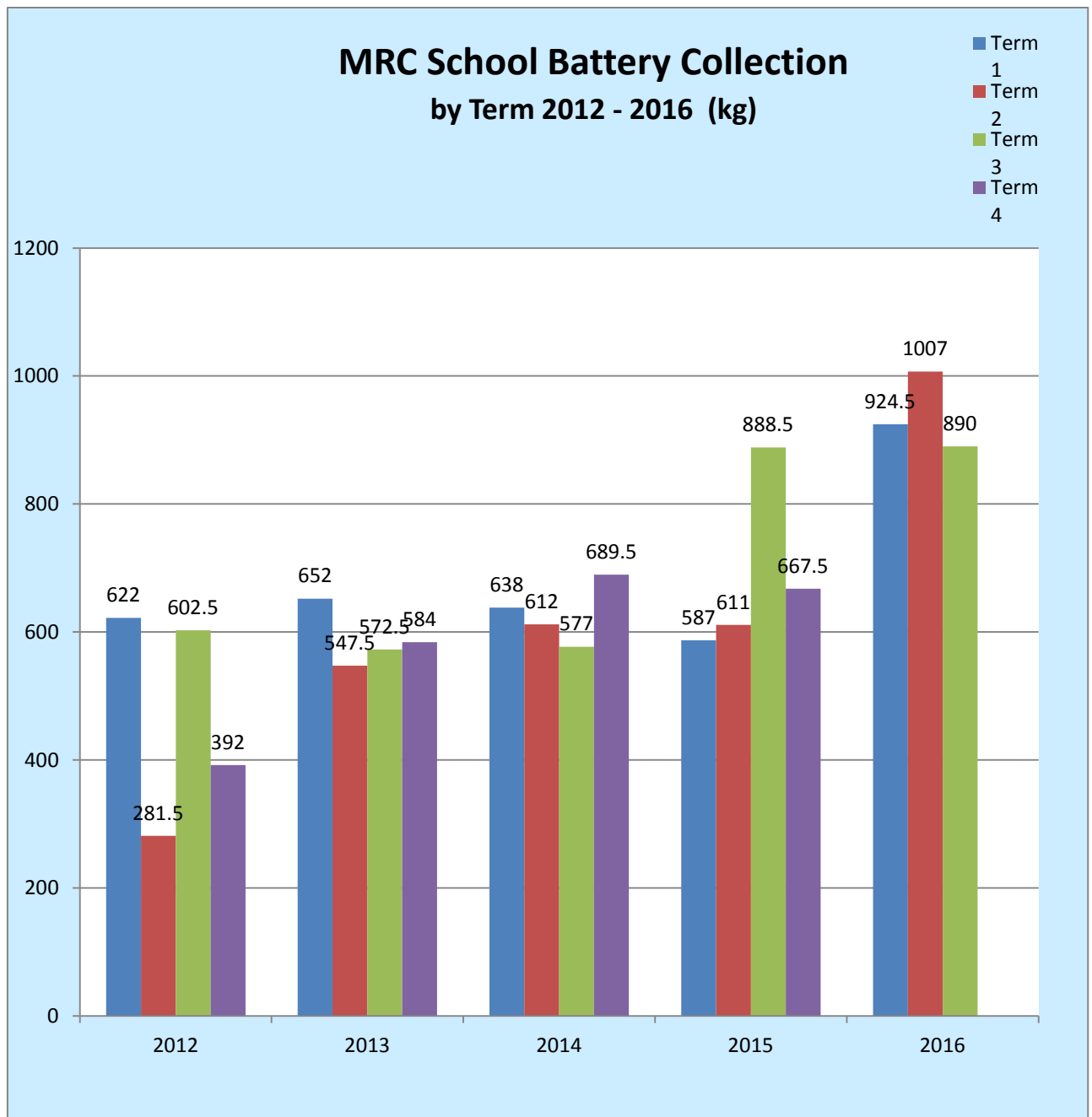
The following are collection figures for MRC battery collection bins and recycling stations. These figures do not include those of the City of Stirling who operate their own battery collection program.

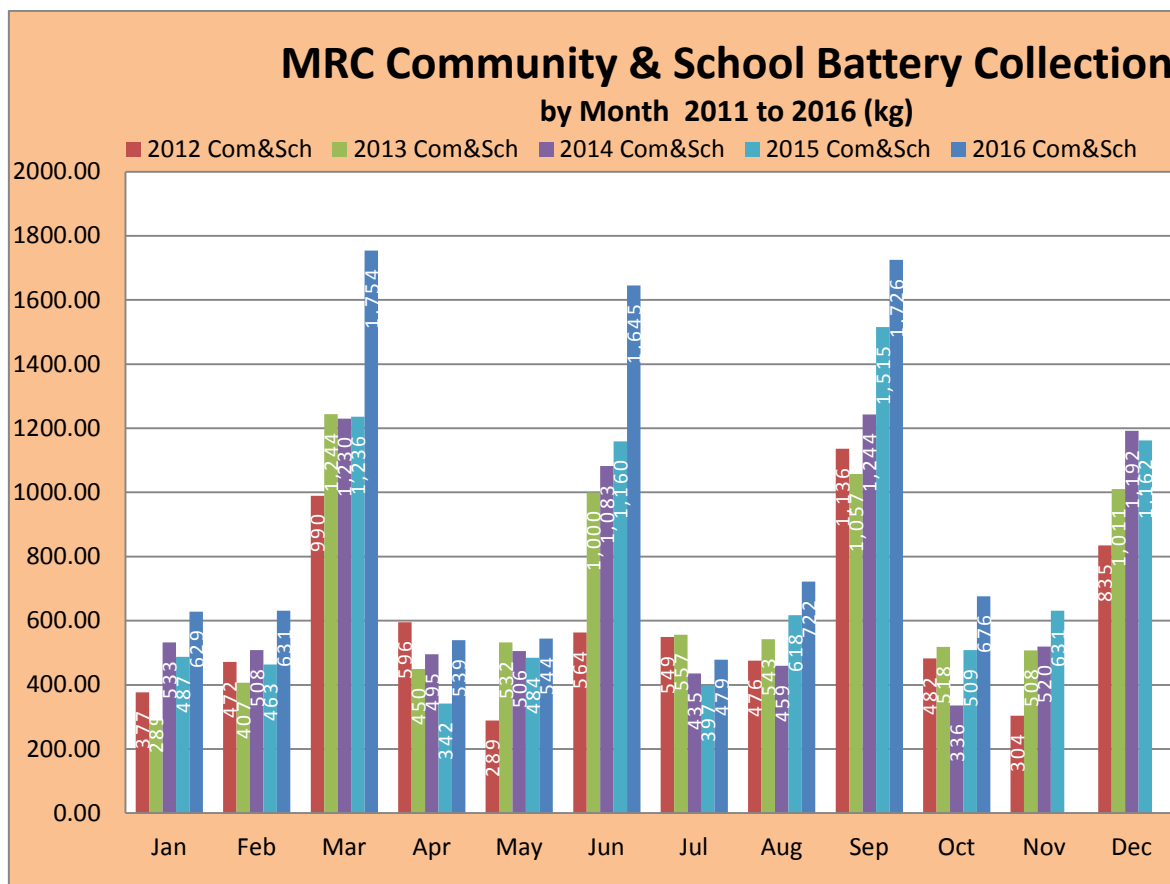


The schools battery program continues to grow. The schools find it is a good way to engage students in a meaningful recycling program. From an MRC point of view it offers collection sites throughout the community and unlike the public battery collection bins the school ones are generally free of contamination.

The MRC has 83 schools in the program – 66 in the North Area, 17 in the South Area.

City of Stirling operate their own schools battery program and their figures are not included here.





The battery program is particularly important to MRC operations in that batteries have shown themselves to be the cause of many of the landfill fires at Tamala Park and they are still a significant problem at the RRF – providing a source of metals contamination.

Glass

The **'No Glass' Campaign**, to create behavioural change by residents to reduce the glass component in the compost, was rolled out into the participating councils, these being Cities of Joondalup, Vincent and Wanneroo and the Town of Victoria Park. These being chosen as they currently deliver the majority of waste received by the RRF.

The project uses a sticker placed on all the green lid bins and a flyer to explain why glass in the green lid bin is an issue. The sticker campaign was supported by advertising in newspapers and online via council websites and social media networks. Removing the glass from the green top bin having many potential benefits.



No Glass displays and banners have been taken to all events held within the participating councils to promote the campaign and engage in discussion with the community. Surveys were also conducted to gauge resident awareness of the campaign and behaviour change as a result. Most of the feedback has been very positive.

A horizontal banner for the 'No Glass in the Green Bin' campaign. On the left is a circular logo with 'NO GLASS (whole or broken)' at the top, a red prohibition symbol over a glass bottle, and 'IN THE GREEN TOP BIN' at the bottom, with a note 'Put glass in the yellow top recycling bin'. To the right, the text reads: 'NO GLASS in your GREEN top bin. Put glass (whole or broken) in the yellow top recycling bin'. Below this, it explains: 'The organic waste (kitchen scraps, paper, lawn clippings, leaves, prunings etc.) from your green top bin is used to make compost. It's really important to keep glass out of this bin. If there's glass in this bin, it can contaminate the compost.' An illustration of a hand holding a green bin lid with the 'NO GLASS' sign is shown. At the bottom, contact information for Mindarie Regional Council is provided.

NO GLASS in your **GREEN** top bin.
Put glass (whole or broken) in the **yellow top** recycling bin

The organic waste (kitchen scraps, paper, lawn clippings, leaves, prunings etc.) from your green top bin is used to make compost. It's really important to keep glass out of this bin.

If there's glass in this bin, it can contaminate the compost.

For more information contact Mindarie Regional Council, Call 9306 6303 or visit our website www.mrc.wa.gov.au

Infinity Awards

Each year the Waste Authority sponsors awards for those people and organisations who are leading the way in the waste industry. The MRC was awarded an Infinity Award in the Local Government Section for the very successful 'No Glass in the Green Bin' campaign.



The MRC has been working hard to promote the use of the Neerabup Resource Recovery Facility's compost which is derived from the organics contained within the general waste 'green top' bins collected from within the region. This campaign had immediate effect with glass levels dropping to record lows for the first time since the Facility opened in 2009.

Minister for the Environment, the Hon Albert Jacob, visited and toured the site before presenting the Infinity Award to the MRC Chairman, Russ Fishwick (below)



In October 10 Transperth buses took to the streets with the No Glass campaign message, this as part of an on-going effort to keep residents engaged with the message.



WESSG

The Waste Education Strategic Steering Group (WESSG) meets at the end of each month. These meetings continue to be an important forum for exchanging ideas and keeping everyone updated on happenings associated with waste within the Member Councils. The Group has been invaluable in providing networking opportunity for its participants. People aren't confined to council boundaries so being aware of what is happening elsewhere is important in delivering messages to the community.

The importance of **Regional messaging** remains on the agenda as does the group's role in dealing with regional waste issues. Many events and activities within the Region occur regularly with a Regional calendar being developed to help streamline communications, messaging and coordination between both the MRC and the Member Councils and the Member Councils themselves. This is to share the load and get best value for the Region, including looking at ways to improve waste diversion figures for the Region.

Event planning, Compost in May, Plastic Free July, Garage Sale Trail, e-waste and HHW events, public place recycling initiatives and clothes drop off days have all been discussed at the meetings.

Waste Educators

The MRC education team participates in the State Waste Educators Working Groups (WEWG/WENG) which include representatives from the other Regional Councils, Local Governments, WALGA, Waste Wise Schools, KABWA, Waste Authority and a variety of other members (government/community/business) interested in waste issues.

This group meets monthly to share ideas, programs and resources. It is WMAA-WA most active working groups.

Every year the group has promoted into their communities events like Compost in May, Garage Sale Trail, Plastic Free July and Recycling Week. The group has a site at the Perth Royal Show to promote 'waste less' messages and is involved in projects like e-waste recycling, HHW and battery/fluoro recycling programs.

The group for 2016 is looking at developing resources and a campaign to target nappies and their correct disposal, many of which are disposed of incorrectly in the recycling bin. The campaign will also focus on reducing the number of disposable nappies which totals millions each year in Australia.



Nappies don't belong in your recycling bin

Put them in your general waste bin

For more information, visit recycleright.wa.gov.au/nappies

recycle right
IN PART MESSENGER WITH

SOUTHERN METROPOLITAN REGIONAL COUNCIL

EMRC

MANDURAH REGIONAL COUNCIL

Rivers REGIONAL COUNCIL

WESTERN METROPOLITAN REGIONAL COUNCIL



MINUTES

AUDIT COMMITTEE MEETING

16 November 2016

TIME: 7.30AM

CITY OF STIRLING

Winning Back Waste
Constituent Members: Cities of Perth, Joondalup, Stirling, Vincent and Wanneroo
Towns of Cambridge and Victoria Park



TABLE OF CONTENTS

1	DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS	3
2	ATTENDANCE / APOLOGIES	3
3	TERMS OF REFERENCE	3
4	DECLARATION OF INTERESTS.....	4
5	CONFIRMATION OF MINUTES OF PREVIOUS MEETING – 4 AUGUST 2016	4
6	REPORTS	4
	ITEM 6.1 Financial Report 2015/16	4
	ITEM 6.2 Audit Completion Report 2015/16	6
	ITEM 6.3 Interim Audit Management Letter 2015/16	6
	ITEM 6.4 Risk Register Summary	6
7	NEW BUSINESS	7
8	NEXT MEETING	7
9	CLOSURE	7
	ATTACHMENT 1	8
	ATTACHMENT 2	65
	ATTACHMENT 3	80
	ATTACHMENT 4	88

1 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

The Chair opened the meeting at 7.30am.

2 ATTENDANCE / APOLOGIES

MEMBERS

Cr Russ Fishwick (Chairman)	City of Joondalup
Cr David Boothman	City of Stirling
Cr Stephanie Proud (Deputy Chairman)	City of Stirling
Ms Gayle Rogers	External member

IN ATTENDANCE

Mr Brian Callander	CEO MRC
Mr Gunther Hoppe	Director Corporate Services MRC
Ms Andrea Slater-Cartwright	Finance Manager MRC

VISITORS

Mr Tony Macri	Audit Partner at Marci Partners
Mr Suren Herathmudalige	Audit Manager at Macri Partners

APOLOGIES

Nil

3 TERMS OF REFERENCE

At an Ordinary Council Meeting held on 7 July 2005 the Audit Committee was established by Council under s7.1A of the Local Government Act 1995 and at an Ordinary Council Meeting held on 27 October 2005 Council adopted the Terms of Reference for the operation of the Audit Committee. These terms of reference were subsequently revised by Council at an Ordinary Council Meeting held on 24 April 2014.

At an Ordinary Council Meeting held on 27 October 2005 under s7.1B of the Local Government Act 1995, Council approved the Audit Committee, under s.7.12A(2) of the Act, to meet with Council's auditor.

The primary objective of the Audit Committee is to accept responsibility for the annual external audit and liaise with the Council's auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.

The Committee is to facilitate:

- The enhancement of the credibility and objectivity of 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 relative to auditing;
- The provision of an effective means of communication between the external auditor, the CEO and the Council.

The full Terms of Reference can be found on the MRC's website at:

<http://mrc.wa.gov.au/Documents/Agenda---2014/20140424---Members-Information-Bulletin-No-16.aspx>

4 DECLARATION OF INTERESTS

Nil

5 CONFIRMATION OF MINUTES OF PREVIOUS MEETING – 4 AUGUST 2016

RESOLVED

Cr Boothman moved, Ms Rogers seconded

That the Minutes of the Audit Committee Meeting held on 4 August 2016 be taken as read, confirmed and the Chairman invited to sign same as a true record of the proceedings.

(Carried: 3/0)

Cr Proud arrived at 7.34am.

6 REPORTS

Report items 6.2 and 6.3 were moved ahead of item 6.1 on the agenda for consideration, however they are minuted in the order presented in the agenda.

Messrs Macri and Harathmudalige left the meeting after items 6.2 and 6.3 were considered.

Mr Callander left the meeting while item 6.1 was under consideration.

ITEM 6.1 FINANCIAL REPORT 2015/16

BACKGROUND

The Mindarie Regional Council (MRC), in accordance with the Local Government Act 1995 Section 5.53, is required to submit an Annual Report. The Local Government Act specifies that the Annual Report is to contain:

- A report from the Chairman.
- A report from the Chief Executive Officer (CEO).
- A report of the principal activities commenced or continued during the Financial Year.
- An assessment of the Local Government's performance in relation to each principal activity.
- An overview of the principal activities that are proposed to commence or to continue in the next Financial Year.
- The **Financial Report** for the Financial Year.
- Such information as may be prescribed in relation to the payments made to employees.
- The Auditor's Report for the Financial Year.
- Such other information as may be prescribed.

The annual audit of the Financial Statements for the financial year ended 30 June 2016 has been completed and the Financial Report is now submitted to the Audit

Committee for consideration. The draft Financial Report is included as **Attachment 1** to this agenda.

The full Annual Report, including the Financial Report, will be presented to the Council at its Ordinary Council Meeting on 1 December 2016.

The Annual Report for a Financial Year is to be accepted by the Local Government by no later than 31 December after that Financial Year.

DETAIL

Annual Audit Process

The Auditor, in accordance with the Local Government (Audit) Regulations 1996 Sections 10.2 and 10.3 is required to issue an audit report after the completion of the annual audit that expresses an opinion on the financial position and results of the operations of the local government for each financial year.

The draft Audit Report from the MRC's auditor is included as part of **Attachment 2**. It is anticipated that an unqualified Audit Report will be issued in respect of the MRC's accounts. The MRC, in accordance with the Local Government (Financial Management) Regulations 1996 Section 51.1, is required to include in the annual Financial Statements a signed Statement of Declaration by the CEO after this report has been audited in accordance with the Local Government Act 1995. This declaration is on page 5 of Attachment 1.

STATUTORY ENVIRONMENT

The submission of the Financial Report for 2015/16 is in conformity with the requirements of the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996. The Auditor's Report for 2015/16 conforms to the requirements of the Local Government (Audit) Regulations 1996.

POLICY IMPLICATIONS

Not applicable.

STRATEGIC IMPLICATIONS

Not applicable.

COMMENT

The Financial Report of the MRC has been prepared in accordance with the requirements of Local Government Act 1995 and applicable Australian Accounting Standards.

RESPONSIBLE OFFICER RECOMMENDATION

That the Audit Committee recommends that Council adopt the Financial Report for year ended 30 June 2016.

Mr Hoppe spoke to the item and provided a detailed review of the financial report and answered questions raised by the audit committee members.

RESOLVED

Cr Boothman moved, Ms Rogers seconded

That the Audit Committee recommends that Council adopt the Financial Report for year ended 30 June 2016.

(Carried: 4/0)

ITEM 6.2 AUDIT COMPLETION REPORT 2015/16

The Auditor's Audit completion Report is included as **Attachment 2** to this agenda.

RESPONSIBLE OFFICER RECOMMENDATION

That the Audit Committee note the Audit Completion Report for 2015/16 issued by the Auditors.

Mr Macri spoke briefly to the item and answered questions from the audit committee.

RESOLVED

Ms Rogers moved, Cr Boothman seconded

That the Audit Committee note the Audit Completion Report for 2015/16 issued by the Auditors.

(Carried: 4/0)

ITEM 6.3 INTERIM AUDIT MANAGEMENT LETTER 2015/16

The Auditor's Interim Audit Management Letter for the audit of the year ended 30 June 2016 is included as **Attachment 3** to this agenda.

RESPONSIBLE OFFICER RECOMMENDATION

That the Audit Committee note the Interim Audit Management Letter issued by the Auditors on completion of the 2015/16 audit.

Mr Macri spoke briefly to the item and answered questions from the audit committee.

RESOLVED

Cr Proud moved, Cr Boothman seconded

That the Audit Committee note the Interim Audit Management Letter issued by the Auditors on completion of the 2015/16 audit.

(Carried: 4/0)

ITEM 6.4 RISK REGISTER SUMMARY

SUMMARY

The MRC's Risk Register summary was first tabled at the Audit Committee meeting held on 24 November 2014.

At the meeting it was agreed that a summarised risk register would be tabled with the Audit Committee every six months for discussion. The summarised risk register was last presented to the Audit Committee at its meeting of 11 February 2016.

Under the Audit Committee's terms of reference, the Committee is required to:

"6(w) Perform a biannual review of the material risks identified in the Council's Risk Register."

A summarised risk register which outlines those risks rated as 'High' or 'Extreme' is included as **Attachment 4** to this agenda.

Management have prepared management plans for each of the risks included in the summary.

Management have not conducted a risk register review since July 2016, but no new 'High' or 'Extreme' risks have been identified in the ordinary course of business and as a result, the summary of risks presented remains unchanged.

RESPONSIBLE OFFICER RECOMMENDATION

That the Audit Committee note the Risk Register Summary presented.

Mr Hoppe spoke briefly to the item.

RESOLVED

Cr Boothman moved, Cr Proud seconded

That the Audit Committee note the Risk Register Summary presented.

(Carried: 4/0)

7 NEW BUSINESS

Nil

8 NEXT MEETING

The next Audit Committee meeting will be held in February 2016 with the date yet to be advised.

9 CLOSURE

The Chairman closed the meeting at 8.37am.

These Minutes were confirmed by the Audit Committee as a true and accurate record of the Audit Committee Meeting held on 16 November 2016.

Signed

Chairman

Dated this day of

2017

ATTACHMENT 1
TO ITEM 6.1
AUDIT COMMITTEE MEETING
16 NOVEMBER 2016
DRAFT FINANCIAL REPORT 2015/16

REVIEW OF FINANCIAL PERFORMANCE FOR THE YEAR

The financial statements included in this report reflect the results and financial position of the Mindarie Regional Council (MRC) for the year ended 30 June 2016 and should be read in conjunction with the accounting policies and precepts adopted by the MRC.

Total comprehensive income

The total comprehensive income for the year ended 30 June 2016 was a surplus of \$2,924,294 (2014/15: \$24,679,946).

The surplus for the year is primarily attributable to strong operating results achieved through effective cost control.

Total operating revenues

The total operating income of \$50,903,111 has increased by \$1,185,848 (2.3%) compared with the previous year, primarily as a result of the increase in fees and charges received, coupled with higher revenues in respect of other revenue streams.

Operating expenses

The total operating expenditures for the year of \$47,584,938 has decreased by \$804,569 (1.7%) compared to the previous year, primarily as a result of the reduction in contract costs associated with the Resource Recovery Facility (RRF) which was shut for three months of the year for capital repairs to be undertaken, which was partially offset by higher landfill costs associated with the tonnes not processed during this period being taken to landfill.

Actual expenses are \$4,137,633 less than the budget for 2015/16, as a result of lower tonnes received from member councils during the year, combined with operational savings achieved across the business.

Significant variances in operating expenditures compared to the prior year were as a result of:

- Materials and Contracts
Expenditure was \$2,813,023 lower than 2014/15 primarily as a result of a 3 month shutdown of the RRF to allow for capital repair work to be undertaken.
- Other expenses
Expenditure increased by \$1,720,481 primarily as a result of the additional tonnes being landfilled during the RRF closure period.

Overall, the MRC produced a strong surplus position which will be used to fund the future operations and commitments of the council.

DISPOSAL FEES AND CHARGES

Disposal fees and charges for the year ended 30 June 2016 are shown in the table below, as dollars per tonne inclusive of GST, unless otherwise indicated.

GENERAL ENTRY

0. Member local governments	\$170.50
1. Minimum entry to site	\$16.00
2. General waste – price per tonne	\$195.00

SPECIFIED MATERIALS

3. Asbestos – price per tonne	\$210.00
4. Mattresses – per item <i>(in addition to general entry rate where part of a mixed load)</i>	\$23.00
5. Tyres – price per tonne	\$350.00
6. Small animals – per animal	\$16.00
7. Large animals – per animal	\$30.00
8. Controlled waste – per tonne	\$225.00
9. Lightweight bulk material – per cubic metre	\$75.00
10. Special burials – per 5 cubic metres <i>(in addition to general entry rate)</i>	\$225.00
11. Odorous loads – per tonne	\$225.00
12. Car gas cylinders/industrial gas cylinders – per item	\$60.00
13. Fluorescent tubes – commercial loads – per item	\$0.40

PENALTY CHARGES

14. Replacement of Drive Control Station cards	\$60.00
15. Replacement of gate access remotes	\$150.00
16. Tipping with no payment (drive-aways)	\$100.00
17. Clean up charge (per half hour) plus any 3 rd party costs	\$150.00

WEIGHBRIDGE UNAVAILABILITY

18. Uncompacted waste – per axle	\$45.00
19. Compacted waste – per axle	\$90.00

FACILITY HIRE

20. Conference facilities – per hour	\$175.00
--------------------------------------	----------

DISCOUNTS

Discounts may be granted at the discretion of the Chief Executive Officer.

WASTE PROCESSED BY THE MINDARIE REGIONAL COUNCIL

The table below reflects the waste received for processing by the MRC over the period since it commenced operations in 1991.

Period/Year	Total tonnes received by the MRC	Tonnes diverted to the RRF	Residue returned from RRF	Tonnes landfilled at Tamala Park	Tonnes landfilled offsite
1991	32,991	-	-	32,991	-
1992	150,487	-	-	150,487	-
1993	156,024	-	-	156,024	-
1994	151,945	-	-	151,945	-
1995	163,818	-	-	163,818	-
1996	179,006	-	-	179,006	-
1997	186,875	-	-	186,875	-
1998	225,620	-	-	225,620	-
1999	249,114	-	-	249,114	-
2000	336,502	-	-	336,502	-
2001	339,285	-	-	339,285	-
2002	331,576	-	-	331,576	-
2003	319,756	-	-	319,756	-
2004	328,655	-	-	328,655	-
2005	333,437	-	-	333,437	-
2006	349,156	-	-	349,156	-
2007	352,544	-	-	352,544	-
2008	380,189	-	-	380,189	-
2009	368,495	7,868	2,112	362,739	-
2010	352,035	65,010	28,889	315,914	-
2011	323,834	97,353	44,489	270,970	4,276
2012	249,783	105,213	45,414	189,984	6,239
2013	234,237	97,957	48,016	184,296	965
2014	339,262	101,622	44,059	281,699	-
2015	320,785	105,657	51,575	266,703	-
2016	267,798	76,126	39,076	230,748	-
TOTAL	7,023,209	656,806	303,630	6,670,033	11,480

WASTE DELIVERED ANALYSED BY SOURCE

Waste received by the MRC is analysed by major source in the table below for the current and previous years.

Source	Tonnes received by the MRC 2016	Tonnes diverted to the RRF	Tonnes landfilled at Tamala Park	Tonnes received by the MRC 2015	Variance
Town of Cambridge	7,814	19	7,795	8,011	(197)
City of Joondalup	62,496	29,726	32,770	65,320	(2,824)
City of Perth	13,036	-	13,036	13,344	(308)
City of Stirling	75,536	-	75,536	114,751	(39,215)
Town of Victoria Park	12,460	5,993	6,467	12,990	(530)
City of Vincent	14,643	5,284	9,359	15,094	(451)
City of Wanneroo	65,609	35,104	30,505	66,516	(907)
Total members	251,594	76,126	175,468	296,026	(44,432)
Other casuals	16,067	-	16,067	19,897	(3,830)
Total casuals	16,067	-	16,067	19,897	(3,830)
RRF residue*	39,076	-	39,076	51,575	(12,499)
City of Wanneroo	137	-	137	4,862	(4,725)
Total other	39,213	-	39,213	56,437	(17,224)
TOTAL	306,874	76,126	230,748	372,360	(65,486)

* Not considered as part of the external tonnes received by the MRC in calculating the 267,798 tonnes (2015: 320,785) of waste received by the MRC.

MINDARIE REGIONAL COUNCIL
Financial Report
For the year ended 30 June 2016

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

STATEMENT BY THE CHIEF EXECUTIVE OFFICER

The attached financial statements, including the supporting notes and information, of the Mindarie Regional Council for the financial year ended 30 June 2016 are in my opinion drawn up so as to present fairly the financial position of the Mindarie Regional Council as at 30 June 2016 and the results of its operations for the financial year then ended in accordance with Australian Accounting Standards and in compliance with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the xxth day of xx 2016.

Brian Callander
Chief Executive Officer

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MINDARIE
REGIONAL COUNCIL**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MINDARIE
REGIONAL COUNCIL**

Mindarie Regional Council
Statement of comprehensive income (by nature and type)
For the year ended 30 June 2016

	Notes	ACTUAL 2015/2016 \$	BUDGET 2015/2016 \$	ACTUAL 2014/2015 \$
Revenue from ordinary activities				
Grants and subsidies	35	169,580	-	10,000
Contributions, reimbursements and donations		18,681	5,000	25,178
Fees and charges		48,098,908	51,148,561	47,693,731
Gas generation services	2	1,187,830	505,000	825,075
Interest earnings	2	571,836	700,900	658,942
Other revenue	2	<u>856,276</u>	<u>892,490</u>	<u>504,337</u>
Total operating income		50,903,111	53,251,951	49,717,263
Operating expenses				
Employee costs		(4,846,788)	(4,869,406)	(4,554,715)
Materials and contracts		(23,196,372)	(26,105,559)	(26,009,395)
Utilities		(252,597)	(193,400)	(186,542)
Depreciation	2	(1,815,444)	(1,862,591)	(1,124,413)
Borrowing costs	2	(351,856)	(388,000)	(568,087)
Insurance		(168,860)	(324,102)	(177,011)
Amortisation	2	(4,403,274)	(4,584,100)	(4,940,078)
Other expenses	2	<u>(12,549,747)</u>	<u>(13,395,413)</u>	<u>(10,829,266)</u>
Total operating expenses		(47,584,938)	(51,722,571)	(48,389,507)
Profit from ordinary activities		3,318,173	1,529,380	1,327,756
Impairment on revaluation of assets	23	-	-	(620,988)
Profit on sales of assets	24	15,585	17,331	-
Loss on sale of assets	24	<u>(24,773)</u>	<u>(58,404)</u>	<u>(298,329)</u>
		(9,188)	(41,073)	(919,317)
NET RESULT		<u>3,308,985</u>	<u>1,488,307</u>	<u>408,439</u>
Other comprehensive income				
Changes on revaluation of assets	18	<u>(384,691)</u>	-	<u>24,271,507</u>
Total other comprehensive income		(384,691)	-	24,271,507
TOTAL COMPREHENSIVE INCOME		<u>2,924,294</u>	<u>1,488,307</u>	<u>24,679,946</u>

This statement should be read in conjunction with the accompanying notes.

Mindarie Regional Council
Statement of comprehensive income (by program)
For the year ended 30 June 2016

	Notes	ACTUAL 2015/2016 \$	BUDGET 2015/2016 \$	ACTUAL 2014/2015 \$
Operating revenues				
General Purpose Funding		<u>50,903,111</u>	<u>53,251,951</u>	<u>49,717,263</u>
Total operating revenues		50,903,111	53,251,951	49,717,263
Operating expenses				
Governance		(3,657,226)	(4,030,224)	(4,554,715)
Community amenities		(22,347,980)	(26,022,608)	(18,988,567)
Resource recovery facility		<u>(21,227,876)</u>	<u>(21,281,739)</u>	<u>(24,278,138)</u>
Total operating expenses		(47,233,082)	(51,334,571)	(47,821,420)
Loss on sale of assets				
Governance		-	-	(9,158)
Community amenities		<u>(9,188)</u>	<u>(41,073)</u>	<u>(289,171)</u>
Total loss on sale of assets	24	(9,188)	(41,073)	(298,329)
Finance costs				
Community amenities		(151,665)	(163,400)	(310,732)
Resource recovery facility		<u>(200,191)</u>	<u>(224,600)</u>	<u>(257,355)</u>
Total finance costs	2	(351,856)	(388,000)	(568,087)
Impairment of assets				
Community amenities	23	<u>-</u>	<u>-</u>	<u>(620,988)</u>
Total impairment on revaluation of assets		-	-	(620,988)
NET RESULT		<u>3,308,985</u>	<u>1,488,307</u>	<u>408,439</u>
Other comprehensive income				
Changes on revaluation of assets	18	<u>(384,691)</u>	<u>-</u>	<u>24,271,507</u>
Total other comprehensive income		(384,691)	-	-
TOTAL COMPREHENSIVE INCOME		<u><u>2,924,294</u></u>	<u><u>1,488,307</u></u>	<u><u>24,679,946</u></u>

This statement should be read in conjunction with the accompanying notes.

Mindarie Regional Council
Statement of financial position
As at 30 June 2016

	Notes	ACTUAL 2015/2016 \$	ACTUAL 2014/2015 \$
Current assets			
Cash and cash equivalents	3	24,793,165	26,497,613
Trade and other receivables	4	3,536,793	3,024,878
Inventories	5	12,100	11,459
Other current assets	6	217,286	228,556
Total current assets		<u>28,559,344</u>	<u>29,762,506</u>
Non-current assets			
Property, plant and equipment	7	14,296,267	14,739,058
Infrastructure	8	6,182,057	4,876,416
Excavation work	9	29,950,903	32,531,628
Resource recovery facility	10	6,042,926	6,583,125
Rehabilitation asset	11	6,919,015	7,765,115
Total non-current assets		<u>63,391,168</u>	<u>66,495,342</u>
TOTAL ASSETS		91,950,512	96,257,848
Current liabilities			
Trade and other payables	12	5,649,899	5,981,272
Provisions	13	822,553	657,538
Borrowings	14	4,187,049	3,786,698
Other liabilities	16	-	3,340,731
Total current liabilities		<u>10,659,501</u>	<u>13,766,239</u>
Non-current liabilities			
Provisions	13	83,191	116,913
Borrowings	14	1,196,489	5,382,541
Rehabilitation provision	15	14,949,143	14,517,443
Other liabilities	16	39,983	644,848
Total non-current liabilities		<u>16,268,806</u>	<u>20,661,745</u>
TOTAL LIABILITIES		26,928,307	34,427,984
NET ASSETS		<u>65,022,205</u>	<u>61,829,864</u>
EQUITY			
Retained surplus		18,558,616	13,108,614
Reserves	17	13,236,507	15,377,524
Revaluation surplus	18	29,499,833	29,884,524
Council contributions	19	3,727,249	3,459,202
TOTAL EQUITY		<u>65,022,205</u>	<u>61,829,864</u>

This statement should be read in conjunction with the accompanying notes.

Mindarie Regional Council
Statement of changes in equity
For the year ended 30 June 2016

	Retained Surplus \$	Reserves \$	Revaluation Surplus \$	Council Contributions \$	Total \$
Balance as at 1 July 2014	12,941,596	15,136,103	5,613,017	3,206,446	36,897,162
Net result	408,439	-	-	-	408,439
Capital contributions	-	-	-	252,756	252,756
Transfer (to)/from reserves	(241,421)	241,421	-	-	-
Increases on revaluation of assets	-	-	24,271,507	-	24,271,507
Balance as at 30 June 2015	<u>13,108,614</u>	<u>15,377,524</u>	<u>29,884,524</u>	<u>3,459,202</u>	<u>61,829,864</u>
Balance as at 1 July 2015	13,108,614	15,377,524	29,884,524	3,459,202	61,829,864
Net result	3,308,985	-	-	-	3,308,985
Capital contributions	-	-	-	268,047	268,047
Transfer (to)/from reserves	2,141,017	(2,141,017)	-	-	-
Revaluation of assets	-	-	(384,691)	-	(384,691)
Balance as at 30 June 2016	<u>18,558,616</u>	<u>13,236,507</u>	<u>29,499,833</u>	<u>3,727,249</u>	<u>65,022,205</u>

This statement should be read in conjunction with the accompanying notes.

Mindarie Regional Council
Statement of cash flows
For the year ended 30 June 2016

	ACTUAL 2015/2016 \$	BUDGET 2015/2016 \$	ACTUAL 2014/2015 \$
Cash flows from operating activities			
<u>Receipts</u>			
Grants and subsidies	169,580	-	10,000
Contributions, reimbursements and donations	18,681	5,000	25,178
Service charges	1,187,830	505,000	825,075
Fees and charges	47,488,745	52,991,460	47,804,617
Interest earnings	634,731	700,900	624,770
Other revenue	307,615	373,700	483,829
<u>Payments</u>			
Employee costs	(4,692,493)	(4,574,605)	(4,475,589)
Materials and contracts	(23,447,181)	(27,944,665)	(24,952,550)
Utilities	(252,597)	(193,400)	(186,542)
Borrowing costs	(351,856)	(576,500)	(568,087)
Insurance	(168,860)	(323,060)	(177,011)
Other expenditure	<u>(12,549,747)</u>	<u>(13,395,413)</u>	<u>(10,829,266)</u>
Net cash from operating activities 20(b)	8,344,448	7,568,417	8,584,424
Cash flows from investing activities			
Payments for purchases of property, plant and equipment and infrastructure	(3,338,468)	(2,694,500)	(1,662,159)
Payments for excavation works	-	(15,272,000)	(2,067,412)
Council contributions	268,047	252,800	252,756
Payments for work-in-progress	(4,550)	-	-
Proceeds from sale of assets	<u>266,295</u>	<u>52,000</u>	<u>317,905</u>
Net cash used in investing activities	(2,808,676)	(17,661,700)	(3,158,910)
Cash flows from financing activities			
Repayments of loans 14	(3,785,702)	(3,995,124)	(2,679,776)
(Payments for)/proceeds from Carbon Price	(2,849,654)	-	(56,534)
(Payments for)/Proceeds from security deposits	(604,864)	-	19,738
Proceeds from new loans	<u>-</u>	<u>15,146,000</u>	<u>-</u>
Net cash (used in)/from financing activities	(7,240,220)	11,150,876	(2,716,572)
Net increase in cash and equivalents	(1,704,448)	1,057,593	2,708,938
Cash and cash equivalents 1 July 2015 20(a)	26,497,613	21,439,106	23,788,675
Cash and cash equivalents 30 June 2016 20(a)	<u>24,793,165</u>	<u>22,496,699</u>	<u>26,497,613</u>

This statement should be read in conjunction with the accompanying notes.

Mindarie Regional Council
Notes to and forming part of the financial statements
 For the year ended 30 June 2016

1. SIGNIFICANT ACCOUNTING POLICIES

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of this financial report:

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and Interpretations (as they apply to local governments), other mandatory professional reporting requirements, the Local Government Act 1995 and accompanying regulations.

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

Critical accounting estimates

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for judgements made in the absence of alternative sources of information. Actual results may differ from these estimates.

A key forecasting variable is the expected tonnes to landfill. Estimates of future tonnes have been based on the expected population growth forecasts for each of the member councils. There is inherent volatility in these estimates as they are subject to changes in consumer behavior, advances in technology and intervention by State Government through mechanisms such as the landfill levy.

The calculation of amortisation on the excavation assets is based on specific estimates and judgements on the total capital costs and capacity of the landfill site. The amortisation rate charged is reviewed regularly and is based on an average cost per tonne. The cost per tonne is arrived at after taking into account a standard engineering cost per cubic metre of landfill and the estimated density of the waste. The amortisation expense is arrived at by applying the amortisation rate to the actual tonnages sent to landfill during the financial year.

Mindarie Regional Council
Notes to and forming part of the financial statements
 For the year ended 30 June 2016

(b) The Local Government reporting entity

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

In the process of reporting on the MRC as a single unit, all transactions and balances between those funds (for example, loans and transfers between Funds) have been eliminated. The MRC did not hold any trust fund monies for the year ended 30 June 2016.

(c) Good and services tax

In accordance with recommended practice, revenues, expenses and assets are recognised net of any goods and services tax (GST) recoverable. Receivables and payables on the statement of financial position, are stated inclusive of GST.

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

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities is included as operating cash flows.

(d) Cash and cash equivalents

Cash and cash equivalents on the statement of financial position are comprised of cash at bank and in hand, and short term deposits with an original maturity of 12 months or less, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Bank overdrafts are shown as short term borrowings under current liabilities in the Statement of Financial Position.

For the purpose of the Statement of Cash Flows, cash and equivalents consists of cash and equivalents as defined above, net of outstanding bank overdrafts.

(e) Trade and other receivables

Trade and other receivables include amounts due from member councils for waste processing and gate fees and are recorded at amounts due, less any allowance for doubtful debts.

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

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

Mindarie Regional Council
Notes to and forming part of the financial statements
 For the year ended 30 June 2016

(f) Inventories

Inventories are valued at the lower of cost and net realisable value. Estimated replacement value is used as a proxy for net realisable value.

(g) Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition, plus any costs incidental to the acquisition. In the event that settlement of all or part of the acquisition price is deferred beyond normal credit terms, the purchase consideration is determined by discounting the amounts payable to their present value at date of acquisition.

(h) Property, plant and equipment, excavation work and infrastructure assets

Property, plant and equipment, excavation work and infrastructure assets are brought to account at cost, or fair value, less any accumulated depreciation, amortisation or impairment losses, where applicable.

Initial Recognition and Measurement between Mandatory Revaluation Dates

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the MRC and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in the statement of comprehensive income in the period in which they are incurred.

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Revaluation

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Those assets carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses, are to be revalued with sufficient regularity to ensure the carrying amount does not differ materially from that determined using fair value at reporting date.

In addition, the amendments to the Financial Management Regulations mandating the use of Fair Value impose a further minimum of 3 years revaluation requirement. As a minimum, all assets carried at a revalued amount, will be revalued at least every 3 years.

Plant and Equipment have been independently valued during the 2015/16 financial year. Plant and Equipment have been revalued to fair value in line with the valuer's report, with the increase in fair value being reflected in a revaluation surplus account. Any impairments in value have been recognised directly in the statement of comprehensive income in the current year.

The next valuation will be carried out in the 2016/17 financial year which will cover Land and Buildings. Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the financial report as necessary.

Fixed assets are written down to recoverable amount where the carrying value of any fixed asset exceeds its recoverable amount. In determining the recoverable amount of fixed assets, the expected net cash flows are discounted to their present value.

Land Under Control

In accordance with Local Government (Financial Management) Regulation 16(a), the MRC is required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a sporting or recreational facility of State or regional significance.

The MRC does not have any crown land which comes under this regulation.

Land Under Roads

In Western Australia, all land under roads is Crown land, the responsibility for managing which, is vested in the local government. Local Government (Financial

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Management) Regulation 16 (a)(i) prohibits local governments from recognising such land as an asset.

The MRC does not have any land which would fall within the ambit of the above regulation.

(i) Depreciation

Depreciation is provided on property, plant and equipment, including buildings but excluding freehold land. All non-current assets having a limited useful life are separately and systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets.

Assets are depreciated on a straight-line basis using rates which are reviewed each financial year to take into account changes in the estimated useful lives of assets. The following estimated useful lives are used in the calculation of depreciation:

Buildings	20 years
Plant and equipment	6 $\frac{2}{3}$ years
Furniture and fittings	5 years
Computers and equipment (excluding servers)	3 years
Computers and equipment (servers)	5 years
Roads, landscaping, fences, walls and security lighting	20 years

Assets less than \$1,000 are not capitalised.

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

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

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

When revalued assets are disposed of, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

(j) Leased assets

The MRC has no leased assets classified as finance leases. Operating lease payments are recognised as an expense consistent with the pattern in which the economic benefits from the asset are consumed.

(k) Impairment

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

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another standard whereby an impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other standard.

(l) Trade and other payables

Trade payables and other accounts payable are recognised when the MRC becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured, recognised as a current liability and are usually paid within 30 days of recognition.

(m) Employee benefits

A provision is made for benefits accruing to employees in respect of salaries and wages, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Under the MRC workplace agreement, employees are paid for any unused sick on termination, based on a graduated entitlement defined in the agreement.

(i) Short term benefits

The provision for employees' benefits made in respect of salaries and wages, annual leave, sick leave and other employee benefits expected to be settled with 12 months represents the amount for which the MRC has an obligation arising from employee services received up to the year end date. The provision has been calculated at the nominal amounts due, based on the remuneration rates the MRC expects to pay and includes related on-costs.

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

(ii) Long term benefits

Employee benefits payable later than one year have been measured at the present value of the expected future payments to be made in respect of the services provided by employees up to the reporting date. Consideration is given to expected future remuneration rates, anticipated employee departures and periods of service. Expected future payments are discounted using an appropriate risk-free discount rate, determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations.

Any re-measurements for changes in assumptions of obligations for other long term employee benefits are recognised in profit or loss in the periods in which the changes occur. The MRC's obligations for long-term employee benefits are presented as non-

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

current provisions in its statement of financial position, except where the MRC does not have the unconditional right to defer settlement beyond 12 months after the end of the reporting period, in which case the liability is recognised as a current liability.

(n) Interest bearing loans and borrowings

All loans and borrowings are recognised at the fair value of the consideration received less any directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured using their applicable repayment schedules. Fees paid on the establishment of loan facilities are recognised in the income statement. Borrowings are classified as non-current liabilities, with repayments due in the 12 months after year end date recognised as current liabilities.

Borrowing costs are recognised as an expense when incurred, except where they are directly attributable to the acquisition, construction or production of a qualifying asset, where the commencement date for capitalisation is after 1 January 2009. Where this is the case, they are capitalised as part of the cost of the particular asset.

(o) Superannuation

In line with Superannuation Guarantee statutory requirements, the MRC makes a mandatory 9.5% contribution of the normal salary of qualifying employees, to the employees' nominated superannuation funds. In addition to this, the MRC matches contributions made by employees to these nominated superannuation funds on a sliding scale up to a limit of 7%.

(p) Provisions

Provisions are recognised when the MRC has a present legal or constructive obligation as a result of past events, which is likely to result in a reliably measurable outflow of resources to settle the obligation.

When the obligation is matched by a claim against a third party, the receivable from the third party claim is recognised as an asset to the extent that it is reliably measurable and likely to be realised.

(q) Provisions for restoration, rehabilitation, and site monitoring costs

The MRC complies with the full provision method for accounting provisions in respect of restoration, rehabilitation and site monitoring costs. Charges are made to expenses based on the estimated costs of restoring, rehabilitating and monitoring the Tamala Park landfill site. The rate charge is reviewed annually and is based on an estimated cost per tonne. The cost per tonne is arrived at after taking into account a standard engineering cost per cubic metre of landfill, the density of the waste and the most recent aerial surveys. Engineering rates differ according to the nature of the obligation to provide the service.

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

(r) Future capping expenditure

The liability for estimated future capping expenditure is provided for through a rehabilitation provision on a phase-by-phase basis and is discounted to its present value, with the unwinding of the discount being charged to the statement of comprehensive income within the amortisation charge. The discounted present value of the future capping expenditure is also capitalised as part of the rehabilitation asset and is amortised on a straight-line basis. Changes in estimates are recognised prospectively with corresponding adjustments to the provision and associated costs.

(s) Revenue recognition

Revenue from waste services is recognised when the waste is received.

Revenue from the disposal of assets is recognised when control of the asset has passed to the buyer.

Revenue from service contracts is recognised by reference to the stage of completion of the contract.

Revenue from the generation of gas services is recognised on an accrual basis. Proceeds from the sale of Renewable Energy Certificates are only recognised when the certificates are sold.

Interest income is recognised on an accrual basis.

Grants, donations and other contributions are recognised as revenues when received. Where conditional contributions are received and recognised in revenue in a period and the conditions attaching to the contributions have not yet been satisfied, they are disclosed in the notes to the financial statements as "Restricted assets".

(t) Carbon Price Mechanism

On 1 July 2012, a Federal Government Carbon Price Mechanism came into effect, affecting large landfill sites, of which the MRC's Tamala Park landfill site is one.

The MRC undertook detailed modeling to determine what the likely cost of the Carbon Price would be per tonne over the 40 year period during which the waste would produce methane and other gases. The funds collected in respect of the carbon price have been transferred to a cash-backed reserve and at the same time, a liability has been recognised for the full value of the cash received.

In August 2014, the Federal Government repealed the carbon price legislation with retrospective effect from 1 July 2014. In anticipation of the repeal, the MRC chose not to pass through any carbon related costs from 1 July 2014.

The MRC acquitted its full carbon liabilities under the scheme in January 2015.

With respect to the remaining funds, the MRC has decided to act in line with the spirit of the voluntary Waste Industry Protocol, whilst not formally adopting the protocol. The principles underlying the protocol have Federal Government approval.

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Acting in line with the protocol, the MRC has refunded those amounts received from member councils back to those member councils, net of any surrender costs. The remaining funds have been separately reserved to fund future carbon abatement projects.

(u) Comparative figures and rounding

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

When the MRC applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

All figures shown in this annual financial report, other than where it refers to a dollar rate, are rounded to the nearest dollar.

(v) Current and non-current classifications

In the determination of whether an asset or liability is current or non-current, consideration is given to the timing of expected settlement of the item. The item is classified as current if there is an expectation that it will be settled within 12 months. Notwithstanding the above, where the MRC does not have the unconditional right to defer settlement of a liability beyond 12 months, the amount is classified as current.

(w) Budget figures

Unless otherwise stated, the budget figures shown in this financial report relate to the revised budget adopted pertaining to the relevant item.

(x) Rates

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

(y) Intangible Assets

Easements

Regulation 16 of the Local Government (Financial Management) Regulations 1996 requires easements to be recognised as assets. The MRC does not have any easements.

(z) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Council commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Classification and subsequent measurement

Financial assets are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets).

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Council's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets).

Available for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets).

Financial Liabilities

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

Fair Value

Fair value is determined based on current bid prices of all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including arm's length transactions, reference to similar instruments and option pricing models.

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Impairment

At each reporting date, the Council assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

(aa) Fair Value of Assets and Liabilities

When performing a revaluation, the MRC uses a mix of both independent and management valuations using the following as a guide: Fair Value is the price that the MRC would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

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

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

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

Fair Value Hierarchy

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

Level 1

Mindarie Regional Council
Notes to and forming part of the financial statements
 For the year ended 30 June 2016

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued at least every 3 years.

(ab) Landfill Cells

There are three general components of landfill cell construction:

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

All cell excavation and development costs, cell liner costs and cell capping costs are capitalised and depreciated over the useful life of the cell, based on the volumetric consumption of the air space in the cell. Once a cell has been capped and is no longer available for use, the costs associated with the cell are written off.

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

	ACTUAL	ACTUAL
	2015/2016	2014/2015
	\$	\$
2. REVENUES AND EXPENSES		
The result from operating activities includes:		
<u>Revenue</u>		
Gas generation services		
Gas sales	1,187,830	825,075
Interest earnings		
Interest on reserve funds	496,591	465,080
Interest on other funds	<u>75,245</u>	<u>193,862</u>
	571,836	658,942
Other revenue		
Other revenue	856,276	504,337
<u>Expenses</u>		
Depreciation		
Buildings	282,197	187,441
Furniture and equipment	98,547	-
Computing equipment	250,553	81,975
Plant and machinery	<u>883,028</u>	<u>776,673</u>
	1,514,325	1,046,089
Infrastructure	<u>301,119</u>	<u>78,324</u>
	1,815,444	1,124,413
Borrowing costs		
Interest expense – loans	337,410	545,415
Loan expenses	<u>14,446</u>	<u>22,672</u>
	351,856	568,087
Amortisation		
Excavation works	2,585,275	3,082,581
Decommissioning provision accretion	431,700	471,197
Decommissioning asset	846,100	846,100
Resource recovery facility assets	<u>540,199</u>	<u>540,200</u>
	4,403,274	4,940,078
Other expenses		
State landfill levy	11,525,542	9,831,093
Other expenses	<u>1,024,205</u>	<u>998,173</u>
	12,549,747	10,829,266

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

	ACTUAL 2015/2016 \$	ACTUAL 2014/2015 \$
2. REVENUES AND EXPENSES (continued)		
Auditors' remuneration		
Audit of the financial report	25,640	10,209
3. CASH AND CASH EQUIVALENTS		
Unrestricted cash	11,556,659	10,515,224
Restricted cash	<u>13,236,506</u>	<u>15,982,389</u>
	24,793,165	26,497,613
The following restrictions have been imposed by Council resolution, regulation or external requirements:		
Site rehabilitation reserve	9,140,456	8,708,756
Carbon abatement reserve	491,076	3,340,731
Capital expenditure reserve	1,604,975	1,328,037
Participants' surplus reserve	<u>2,000,000</u>	<u>2,000,000</u>
Total reserves	13,236,507	15,377,524
Other restricted cash – Security deposit held*	<u>-</u>	<u>604,865</u>
Total restricted cash	13,236,507	15,982,389
*The security deposit from BioVision 2020 Pty Ltd was in lieu of a bank guarantee and was held in bank account separate from other municipal funds. This amount was refunded in year.		
4. TRADE AND OTHER RECEIVABLES		
<u>Current</u>		
Trade receivables	3,536,793	3,024,878
Less provision for doubtful debts	<u>-</u>	<u>-</u>
	3,536,793	3,024,878
5. INVENTORIES		
<u>Current</u>		
Fuel	12,100	11,459

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

	ACTUAL 2015/2016 \$	ACTUAL 2014/2015 \$
6. OTHER CURRENT ASSETS		
Prepaid expenses	83,638	89,598
Accrued income	<u>133,648</u>	<u>138,958</u>
	217,286	228,556
7. PROPERTY, PLANT AND EQUIPMENT		
Land at fair value	7,000,000	7,000,000
Less Accumulated depreciation	<u>-</u>	<u>-</u>
	7,000,000	7,000,000
Buildings – at fair value	3,247,653	3,211,299
Less Accumulated depreciation	<u>(282,197)</u>	<u>-</u>
	2,965,456	3,211,299
Furniture and fittings – at fair value	172,235	153,216
Less Accumulated depreciation	<u>(98,547)</u>	<u>-</u>
	73,688	153,216
Computers and equipment – at fair value	657,937	558,185
Less Accumulated depreciation	<u>(250,553)</u>	<u>-</u>
	407,384	558,185
Plant and equipment – at fair value	3,849,739	3,816,358
Less Accumulated depreciation	<u>-</u>	<u>-</u>
	3,849,739	3,816,358
	14,296,267	14,739,058

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Movements in carrying amounts of each class of property, plant and equipment during the financial year are shown in the table below.

	Land	Buildings	Furniture and fittings	Computers and equipment	Plant and equipment	Total
	\$	\$	\$	\$	\$	\$
Opening balance	7,000,000	3,211,299	153,216	558,185	3,816,358	14,739,058
Additions	-	36,354	19,019	99,752	1,576,583	1,731,708
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	(275,483)	(275,483)
Depreciation	-	(282,197)	(98,547)	(250,553)	(883,028)	(1,514,325)
Impairments	-	-	-	-	(490,891)	(490,891)
Revaluation	-	-	-	-	106,200	106,200
Closing Balance	7,000,000	2,965,456	73,688	407,384	3,849,739	14,296,267

The land owned by the MRC is the site which houses the RRF at 87 Pederick Road in Neerabup. Refer to note 21 for detailed disclosures regarding fair value measurements.

	ACTUAL 2015/2016 \$	ACTUAL 2014/2015 \$
8. INFRASTRUCTURE		
Infrastructure – at fair value	4,876,416	4,876,416
Additions	1,606,760	-
Less Accumulated depreciation	<u>(301,119)</u>	<u>-</u>
	6,182,057	4,876,416

Movements in carrying amounts of infrastructure assets during the financial year are shown in the table below.

	Total \$
Opening balance	4,876,416
Additions	1,606,760
Depreciation	(301,119)
Closing balance	6,182,057

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

	ACTUAL 2015/2016 \$	ACTUAL 2014/2015 \$
9. EXCAVATION WORK		
Excavation work completed	32,531,628	32,531,628
Less Accumulated amortisation	(2,585,275)	-
Work In Progress	<u>4,550</u>	<u>-</u>
	29,950,903	32,531,628

Movements in carrying amounts of excavation assets during the financial year are shown in the table below.

	Total \$
Opening balance	<u>32,531,628</u>
Depreciation	(2,585,275)
Work In progress	<u>4,550</u>
Closing balance	<u>29,950,903</u>

	ACTUAL 2015/2016 \$	ACTUAL 2014/2015 \$
10. RESOURCE RECOVERY FACILITY		
Capital expenditures	7,728,481	7,728,481
Less Accumulated amortisation	<u>(3,045,751)</u>	<u>(2,610,252)</u>
	4,682,730	5,118,229
Pre-operating expenses (commissioning)	2,093,000	2,093,000
Less Accumulated amortisation	<u>(732,804)</u>	<u>(628,104)</u>
	1,360,196	1,464,896
	6,042,926	6,583,125

The RRF was commissioned on 15 July 2009.

Movements in carrying amounts of the RRF assets during the financial year are shown in the table below.

	Capital expenditures \$	Pre- operating expenses \$	Total \$
Opening balance	<u>5,118,229</u>	<u>1,464,896</u>	<u>6,583,125</u>
Amortisation	(435,499)	(104,700)	(540,199)
Closing balance	<u>4,682,730</u>	<u>1,360,196</u>	<u>6,042,926</u>

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

	ACTUAL 2015/2016 \$	ACTUAL 2014/2015 \$
11. REHABILITATION ASSET		
Decommissioning asset for stage 2 capping	9,203,830	9,203,830
Less Accumulated amortisation	<u>(5,089,175)</u>	<u>(4,554,675)</u>
	4,114,655	4,649,155
Post closure rehabilitation asset	4,050,757	4,050,757
Less Accumulated amortisation	<u>(1,246,397)</u>	<u>(934,797)</u>
	2,804,360	3,115,960
	<u>6,919,015</u>	<u>7,765,115</u>

Movements in carrying amounts of decommissioning assets during the financial year are shown in the table below.

	Stage 2 Phase 2 (east) \$	Stage 2 Phase 2 (West) \$	Stage 2 Phase 3 \$	Total \$
Opening balance	215,437	245,866	4,187,852	4,649,155
Amortisation	(71,800)	(82,000)	(380,700)	(534,500)
Closing balance	<u>143,637</u>	<u>163,866</u>	<u>3,807,152</u>	<u>4,114,655</u>

Movements in carrying amounts of post closure rehabilitation assets during the financial year are shown in the table below.

	Total \$
Opening balance	3,115,960
Amortisation	(311,600)
Closing balance	<u>2,804,360</u>

	ACTUAL 2015/2016 \$	ACTUAL 2014/2015 \$
12. TRADE AND OTHER PAYABLES		
<u>Current</u>		
Sundry creditors	5,385,913	5,434,422
Accrued expenses	144,515	352,133
Accrued salaries and wages	61,906	38,904
GST Payable	<u>57,565</u>	<u>155,813</u>

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

5,649,899
ACTUAL
2015/2016
\$

5,981,272
ACTUAL
2014/2015
\$

13. PROVISIONS

Current

Provision for annual leave and sick leave

542,950

473,268

Provision for long service leave

279,603

184,270

822,553

657,538

Non-current

Provision for long service leave

83,191

116,913

83,191

116,913

14. BORROWINGS

Current

Loan principal

4,187,049

3,786,698

Non-current

Loan principal

1,196,489

5,382,541

BUDGET

	Estimated principal 1 Jul 2015 \$	Budgeted Draw- downs \$	Budgeted Principal repayments \$	Projected principal 30 Jun 2016 \$	Interest payments \$
Tamala Park					
Loan 12	2,597,180	-	2,597,180	-	59,300
Loan 13	1,486,815	-	426,843	1,059,972	91,100
Loan 14	-	6,000,000	-	6,000,000	-
Loan 15	-	4,000,000	-	4,000,000	-
Loan 16	-	1,346,000	-	1,346,000	-
RRF					
Loan 10	4,570,811	-	703,000	3,867,811	187,200
Loan 11	626,523	-	268,100	358,423	29,400
Closing balance	9,281,329	11,346,000	3,995,123	16,632,206	367,000
Facility fee					<u>21,000</u>
					388,000

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

14. BORROWINGS (continued)

ACTUAL	Actual principal 1 Jul 2015 \$	Actual Draw- downs \$	Actual Principal repayments \$	Actual principal 30 Jun 2016 \$	Interest payments \$
Tamala Park					
Loan 12	2,479,127	-	2,479,127	-	55,966
Loan 13	1,486,815	-	335,658	1,151,157	91,053
Loan 14	-	-	-	-	-
Loan 15	-	-	-	-	-
Loan 16	-	-	-	-	-
RRF					
Loan 10	4,576,774	-	702,870	3,873,904	161,069
Loan 11	626,523	-	268,047	358,477	29,322
Closing balance	9,169,239	-	3,785,702	5,383,538	337,410
Facility fee					14,446
					351,856

Details of loans

Loan 10 – Resource Recovery Facility Infrastructure
Loan 11 – Resource Recovery Facility Land
Loan 12 – Construction Stage 2 – Phase 2
Loan 13 – Construction Stage 2 – Phase 3
Loan 14 – New landfill site purchase
Loan 15 – Sorting shed construction
Loan 16 – Cell development expenditure

The MRC has an overdraft facility of \$1,000,000 with National Australia Bank, which was undrawn as at year end.

Unspent Loans

All loan funds were fully expended.

New loans

No new loans were entered into during the year.

	ACTUAL 2015/2016 \$	ACTUAL 2014/2015 \$
15. REHABILITATION PROVISION		
Decommissioning provision for Stage 2 – Phase 2 (East)	497,880	483,380
Decommissioning provision for Stage 2 – Phase 2 (West)	497,880	483,380
Decommissioning provision for Stage 2 – Phase 3	8,145,470	7,908,170
Decommissioning provision for post closure rehabilitation	<u>5,807,913</u>	<u>5,642,513</u>
	14,949,143	14,517,443

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

	ACTUAL 2015/2016 \$	ACTUAL 2014/2015 \$	
16. OTHER LIABILITIES			
<u>Current</u>			
Carbon Abatement	-	3,340,731	
<u>Non-current</u>			
Security deposit	39,983	644,848	
	ACTUAL 2015/2016 \$	BUDGET 2015/2016 \$	ACTUAL 2014/2015 \$
17. RESERVES			
CASH BACKED			
<u>Site rehabilitation reserve</u>			
Opening balance	8,708,756	8,708,756	8,237,998
Transfer to reserve	431,700	431,700	470,758
Transfer from reserve	-	-	-
	9,140,456	9,140,456	8,708,756
<u>Capital expenditure reserve</u>			
Opening balance	1,328,037	1,007,523	1,500,840
Transfer to reserve	2,000,000	2,000,000	1,500,000
Transfer from reserve	(1,723,062)	(2,820,500)	(1,672,803)
	1,604,975	187,023	1,328,037
<u>Participants' Surplus Reserve</u>			
Opening balance	2,000,000	229,086	2,000,000
Transfer to reserve	-	-	-
Transfer from reserve	-	-	-
	2,000,000	229,086	2,000,000
<u>Carbon Abatement Reserve</u>			
Opening balance	3,340,731	3,309,266	3,397,265
Transfer to reserve	-	-	-
Transfer from reserve	(2,849,655)	-	(56,534)
	491,076	3,309,266	3,340,731
Total Reserves	13,236,507	12,865,831	15,377,524

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

17. RESERVES (continued)

All of the cash-backed reserve accounts are supported by money held with financial institutions which matches the amounts shown as restricted cash in note 3 to the financial report.

In accordance with Council resolutions in relation to each cash-backed reserve account, the purposes for which the respective funds are set aside for are as follows:

Site rehabilitation reserve – to be used to fund the rehabilitation following the closure of the landfill. In 2012, the Council approved the closure of the reserve and the transfer of the funds back to the municipal fund. In 2013, the Council approved a partial cash backing of the site rehabilitation liabilities, through a transfer of funds to the reserve.

Capital expenditure reserve – to be used to fund ongoing capital expenditure requirements.

Participants' Surplus Reserve – to be used to fund a deficit as shown in the year end accounts. In 2013, Council approved the renaming of the Members' revenue equalisation reserve account to the Participants' Surplus Reserve and approved the change in purpose of the reserve.

Carbon Abatement Reserve - to be used to fund carbon abatement projects.

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

	ACTUAL 2015/2016 \$	BUDGET 2015/2016 \$	ACTUAL 2014/2015 \$
18. REVALUATION SURPLUS			
Revaluation surpluses have arisen on the revaluation of the following classes of non-current assets:			
<u>Land and buildings</u>			
Opening balance	5,843,826	-	4,391,774
Revaluation increment	-	-	1,452,052
Revaluation decrement	-	-	-
	5,843,826	-	5,843,826
<u>Furniture and fittings</u>			
Opening balance	155,067	-	73,859
Revaluation increment	-	-	81,208
Revaluation decrement	-	-	-
	155,067	-	155,067
<u>Computers and equipment</u>			
Opening balance	538,668	-	-
Revaluation increment	-	-	538,668
Revaluation decrement	-	-	-
	538,668	-	538,668
<u>Plant and equipment</u>			
Opening balance	715,465	-	-
Revaluation increment	106,200	-	715,465
Revaluation decrement	(490,891)	-	-
	330,774	-	715,465
<u>Infrastructure</u>			
Opening balance	2,071,219	-	1,147,384
Revaluation increment	-	-	923,835
Revaluation decrement	-	-	-
	2,071,219	-	2,071,219
<u>Landfill cell development excavation</u>			
Opening balance	20,560,279	-	-
Revaluation increment	-	-	20,560,279
Revaluation decrement	-	-	-
	20,560,279	-	20,560,279
Total Revaluation Surplus	29,499,833	-	29,884,524
Surplus movement in year	(384,691)	-	24,271,507

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

		ACTUAL 2015/2016 \$	ACTUAL 2014/2015 \$
19. COUNCIL CONTRIBUTIONS			
City of Joondalup	(16.67%)	621,212	576,538
City of Wanneroo	(16.67%)	621,212	576,538
City of Stirling	(33.33%)	1,242,413	1,153,063
City of Perth	(8.33%)	420,412	398,074
City of Vincent	(8.33%)	274,000	251,663
Town of Cambridge	(8.33%)	274,000	251,663
Town of Victoria Park	(8.33%)	<u>274,000</u>	<u>251,663</u>
		3,727,249	3,459,202

20. NOTES TO THE STATEMENT OF CASH FLOWS

20(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the year is reconciled to the related items in the statement of financial position as follows:

Cash and cash equivalents	24,793,165	26,497,613
---------------------------	------------	------------

**20(b) Reconciliation of the Net Result to net cash provided
by operating activities**

Net result	3,308,985	408,439
Depreciation	1,815,444	1,124,413
Amortisation – excavation	2,585,275	3,082,581
Amortisation and finance charges for capping	1,112,400	1,104,569
Amortisation – post closure site monitoring	165,400	212,728
Amortisation – RRF assets	540,199	540,200
Loss on sale of assets	9,188	298,329
Impairment of assets on revaluation	-	620,988
(Increase)/decrease in receivables	(506,605)	110,886
(Increase)/decrease in inventories	(637)	817
(Increase)/decrease in prepayments and accrued income	5,955	(29,135)
(Decrease)/increase in payables	(331,373)	1,048,660
(Decrease)/increase in other liabilities	(491,076)	-
(Decrease)/Increase in employee provisions	131,293	60,949
Net cash provided by operating activities	8,344,448	8,584,424

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

	ACTUAL 2015/2016 \$	ACTUAL 2014/2015 \$
20. NOTES TO THE STATEMENT OF CASH FLOWS (continued)		
20(c) Undrawn borrowing facilities		
NAB Bank overdraft limit	1,000,000	1,000,000
NAB Bank overdraft drawn	-	-
NAB Credit card limit	50,000	50,000
NAB Credit card balance drawn	-	(3,715)
CBA Credit card limit	50,000	50,000
CBA Credit card balance drawn	-	-
Loan facility limits	1,196,489	9,169,239
Loan principal drawn	(1,196,489)	(9,169,239)
Total undrawn borrowing facilities	1,100,000	1,096,285

21. FAIR VALUE MEASUREMENTS

The MRC measures the following non-current assets at fair value on a recurring basis:

- Land and buildings
- Furniture and fittings
- Computers and equipment
- Plant and equipment
- Infrastructure

The following table provides the fair values of the MRC's non-current assets measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

21. FAIR VALUE MEASUREMENTS (continued)

Recurring fair value measurements

30 June 2016			
Level 1	Level 2	Level 3	Total
\$	\$	\$	\$
Land	- 7,000,000	-	7,000,000
Buildings	-	2,965,455	2,965,455
Furniture and fittings	-	73,688	73,688
Computers and equipment	-	407,384	407,384
Plant and equipment	- 229,115	3,620,624	3,849,739
Infrastructure	-	6,182,057	6,182,057
	- 7,229,115	13,249,208	20,478,323

30 June 2015			
Level 1	Level 2	Level 3	Total
\$	\$	\$	\$
Land	- 7,000,000	-	7,000,000
Buildings	-	3,211,299	3,211,299
Furniture and fittings	-	153,216	153,216
Computers and equipment	-	558,185	558,185
Plant and equipment	- 1,902,767	1,913,591	3,816,358
Infrastructure	-	4,876,416	4,876,416
	- 8,902,767	10,712,707	19,615,474

21(a) Transfers policy

The policy of the MRC is to recognise transfers into and transfer out of the fair value hierarchy levels as at the end of the reporting period. There were no transfers in and out of Levels 1, 2 or 3 measurements.

21(b) Highest and best use

There were no assets valued where it was assumed that the highest and best use was other than their current use.

21(c) Valuation techniques and inputs used to derive fair values

The following table summarises valuation inputs and techniques used to determine the fair value for each asset class.

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

21. FAIR VALUE MEASUREMENTS (continued)

Asset class	Level of valuation input	Fair value at 30 June 2016	Valuation techniques	Inputs used
		\$		
Land	2	7,000,000	Market approach	A
Buildings	3	2,965,455	Cost approach	B
Furniture and fittings	3	73,688	Cost approach	B
Computers and equipment	3	407,384	Cost approach	B
Plant and equipment	2 / 3	3,849,739	Market approach / Cost approach	B
Infrastructure	3	6,182,057	Cost approach	B
Total		20,478,323		

A - Sales of similar properties

B - Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount

Recurring fair value measurements

In order to estimate the price implied by the appropriate basis of value, the valuer will need to apply one or more valuation approaches. A valuation approach or method refers to generally accepted analytical methodologies that are in common use.

Land

Level 2 inputs refer to a comparative approach that considers the sales of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison. In general, a property being valued (a subject property) is compared with sales of similar properties that have been transacted in the market. Listing and offerings may also be considered.

Buildings

The MRC's buildings are considered to be of a specialised nature (non-market type properties which are not readily traded in the market place), such assets valued by a professionally qualified registered valuer using the cost approach. This approach is commonly referred to as the current replacement cost (CRC) approach.

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

21. FAIR VALUE MEASUREMENTS (continued)

21(c) Valuation techniques and inputs used to derive fair values (continued)

The CRC approach considers the cost (sourced from cost guides such as Rawlinson's, Cordell, professional quantity surveyors and recent construction costs for similar projects throughout Western Australia) to reproduce or replace similar assets with an asset in new condition, including allowance for installation, less an amount for depreciation in the form of accrued physical wear and tear, economic and functional obsolescence.

The depreciation consists of a combination of unit rates based on square metres and quantification of the component parts of the asset. Other inputs (i.e. remaining useful life, asset condition and utility) required extensive professional judgement and impacted significantly on the final determination of fair value. Therefore all the MRC's buildings were classified as having been valued using Level 3 valuation inputs.

Furniture and fittings

The MRC's furniture and fittings were valued by a professionally qualified registered valuer, using the cost approach to determine amounts for replacement with new value, less an amount for depreciation due to physical wear and tear, economic and functional obsolescence. Market research has been carried out into costs for the same or similar assets from manufacturers, agents and or suppliers.

Where information is not available to source the replacement cost of an asset due to the specialised nature or the asset being purpose built, the replacement cost of the asset has been established by applying quantity surveying techniques in breaking down the components of the asset. Construction rates (sourced from various cost guides such as Rawlinson's, Cordell's, Quantity Surveyors, material suppliers, construction companies etc) have been used as the basis for replacing assets.

The depreciation is based on the asset's condition and its estimated remaining useful life which required extensive professional judgement and impacted significantly on the final determination of fair value. Therefore all the MRC's furniture and fittings were classified as having been valued using Level 3 valuation inputs.

Computers and equipment

The MRC's computers and equipment were valued by a professionally qualified registered valuer, using the cost approach to determine amounts for replacement with new value, less an amount for depreciation due to physical wear and tear, economic and functional obsolescence. Market research has been carried out into costs for the same or similar assets from manufacturers, agents and or suppliers.

The depreciation is based on the asset's condition and its estimated remaining useful life which required extensive professional judgement and impacted significantly on the final determination of fair value. Therefore all the MRC's computers and equipment were classified as having been valued using Level 3 valuation inputs.

Mindarie Regional Council
Notes to and forming part of the financial statements
 For the year ended 30 June 2016

21(c) Valuation techniques and inputs used to derive fair values (continued)

Plant and equipment

The MRC's mobile plant assets were valued based on Level 2 inputs which refer to a comparative approach that considers the sales of similar or substitute assets and related market data, and establishes a value estimate by processes involving comparison. In general, an asset being valued (a subject asset) is compared with sales of similar asset that have been transacted in the market.

The remaining plant and equipment were valued by a professionally qualified registered valuer, using the cost approach to determine amounts for replacement with new value, less an amount for depreciation due to physical wear and tear, economic and functional obsolescence. Market research has been carried out into costs for the same or similar assets from manufacturers, agents and or suppliers.

The depreciation is based on the asset's condition and its estimated remaining useful life which required extensive professional judgement and impacted significantly on the final determination of fair value. Therefore all the remainder of the MRC's plant and equipment were classified as having been valued using Level 3 valuation inputs.

Infrastructure

The MRC's infrastructure assets are considered to be of a specialised nature (non-market type assets which are not readily traded in the market place), such assets valued by a professionally qualified registered valuer using the cost/CRC approach.

The depreciation consists of a combination of unit rates based on square metres and quantification of the component parts of the asset. Other inputs (i.e. remaining useful life, asset condition and utility) required extensive professional judgement and impacted significantly on the final determination of fair value. Therefore all the MRC's infrastructure assets were classified as having been valued using Level 3 valuation inputs.

21(d) Valuation process

The MRC engages external, independent and qualified valuers to determine fair value of the building, plant, furniture, equipment and infrastructure on a regular basis. This is line with Regulation 17(A) of the Local Government (Financial Management) Regulations 1996.

As at 30 June 2016, an assessment of the revaluation work performed by the external valuers, which included a review of the valuer's methodology, limitations, algorithms, key assumptions and inputs used in applying the valuation methodology to ensure they were appropriate in their application. Changes in fair value were analysed at the end of the reporting period. Consequently, management is satisfied with the results of the valuations undertaken and confirm that the movement in the asset values are reasonable.

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

21. FAIR VALUE MEASUREMENTS (continued)

21(e) Disclosed fair value measurements

The following assets and liabilities are not measured at fair value in the statement of financial position, but their fair values are disclosed in the notes:

- Borrowings

The following table provides the level of fair value hierarchy within which the disclosed fair value measurements are categorised in their entirety and a description of the valuation technique(s) and inputs used:

Description	Note	Fair value hierarchy level	Valuation technique	Inputs used
Borrowings	14	2	Income approach using discounted cash flow methodology	Current treasury borrowing rates for similar instruments

There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the notes to the financial statements.

ACTUAL	ACTUAL
2015/2016	2014/2015
\$	\$

22. OPERATING LEASE COMMITMENTS

The operating lease relates to the lease of the land at Tamala Park and various equipment leases. Lease payments are split as follows:

- not later than one year	703,341	692,946
- later than one year, but not later than five years	2,813,362	2,771,785
- later than five years	<u>7,736,746</u>	<u>8,315,356</u>
	11,253,449	11,780,087
	ACTUAL	ACTUAL
	2015/2016	2014/2015
	\$	\$

23. Revaluation of property, plant and equipment

Impairment losses have arisen on the revaluation of the following classes of non-current assets:

Impairment loss recognised directly in profit and loss

Impairment on revaluation of buildings	-	(4,085)
Impairment on revaluation of infrastructure	-	(220,302)
Impairment on revaluation of plant and equipment	-	<u>(396,601)</u>
	-	(620,988)

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

24. ASSET DISPOSALS

	Net Book Value \$	Selling Price \$	Profit/ (loss) \$
<u>Budget</u>			
Plant and equipment			
Weed Sprayer	-	-	-
Caterpillar 2.5T Diesel Forklift	-	5,000	5,000
Water Truck	-	15,000	15,000
Nissan Enviro Ute	17,000	12,000	(5,000)
Kia Grand Carnival	<u>26,900</u>	<u>20,000</u>	<u>(6,900)</u>
	43,900	52,000	8,100
<u>Actual</u>			
Plant and equipment			
Tana GX520 Landfill Compactor	206,746	220,000	13,254
Kia Grand Carnival	22,214	24,545	2,331
Volvo Skid Steer Loader	<u>46,523</u>	<u>21,750</u>	<u>(24,773)</u>
	275,483	266,295	(9,188)

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

	ACTUAL 2015/2016 \$	ACTUAL 2014/2015 \$	ACTUAL 2013/2014 \$
25. FINANCIAL RATIOS			
Current ratio	1.44	1.00	1.42
Asset sustainability ratio	1.42	2.24	1.38
Debt service cover ratio	2.39	2.17	3.63
Operating surplus ratio	0.07	0.01	0.09
Own source revenue coverage ratio	1.07	1.01*	1.05*

The following information relates to those ratios which only require an attestation that they have been checked and are supported by verifiable information

Asset consumption ratio	0.72	0.75**	0.71
Asset renewal funding ratio	0.68	1.00	1.21

Ratio formulas

Current ratio

(Current assets – restricted current assets) / (Current liabilities – liabilities associated with restricted current assets)

Asset sustainability ratio

Capital renewal and replacement expenditure / depreciation expense

Debt service cover ratio

Annual operating surplus before interest and depreciation / principal and interest

Operating surplus ratio

Operating revenue - operating expense / own source operating revenue

Own source revenue ratio

Own source operating revenue / operating expenses

Asset consumption ratio

Depreciated replacement cost of assets / current replacement cost of depreciated assets

Asset renewal funding ratio

NPV of planned capital renewals over 10 years / NPV of capital expenditure over 10 years

**The own source revenue coverage ratios have been restated due to the inclusion of gas generation services which are deemed to be the MRC's own revenue efforts*

*** The 2015 ratio has been restated due to the inclusion of the Resource Recovery Facility(RRF).*

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

26. ASSETS CLASSIFIED BY TYPE AND LOCAL GOVERNMENT PROGRAM

Statement of objective

The MRC was formed in 1987 to undertake '...the orderly and efficient treatment and/or disposal of waste...' on behalf of its seven member councils.

Component of Functions

The activities relating to the Council's functions reported in the Statement of Comprehensive Income:

General Purpose Funding - Interest from investments

Governance - Member Council elected delegates, corporate support services.

Community Amenities - Costs of the recycling centre, transfer station and landfill.

	ACTUAL 2015/2016 \$	ACTUAL 2014/2015 \$
Current assets		
Community amenities	28,563,894	29,762,506
Non-current assets		
Land and buildings		
Governance	988,025	1,078,569
Community amenities	1,977,430	2,132,730
Resource recovery facility	7,000,000	7,000,000
Furniture and fittings		
Governance	2,031	3,362
Community amenities	71,657	149,854
Computers and equipment		
Governance	5,763	13,998
Community amenities	401,621	544,187
Plant and equipment		
Governance	22,000	36,681
Community amenities	3,827,739	3,779,677
Infrastructure		
Community amenities	6,182,057	4,876,416
Excavation work		
Community amenities	29,946,353	32,531,628
Resource recovery facility		
Resource recovery facility	6,042,926	6,583,125
Rehabilitation asset		
Community amenities	6,919,016	7,765,115
TOTAL ASSETS	<u>91,950,512</u>	<u>96,257,848</u>

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

	ACTUAL 2015/2016 \$	BUDGET 2015/2016 \$	ACTUAL 2014/2015 \$
27. FEES AND CHARGES CLASSIFIED BY TYPE AND LOCAL GOVERNMENT PROGRAM			
General Purpose Funding	<u>50,161,695</u>	<u>52,546,051</u>	<u>49,023,143</u>
Total Fees and charges	50,161,695	52,546,051	49,023,143

28. FINANCIAL ACTIVITY INFORMATION AND MEMBER CHARGES

BUDGET

	Processable Tonnes	Non- processable Tonnes	Total Tonnes	Rate* \$	Revenue \$
<u>Waste</u>					
City of Joondalup	51,775	12,400	64,175	154.81	9,934,963
City of Wanneroo	61,000	13,000	74,000	154.86	11,459,560
City of Stirling	41,000	30,920	71,920	148.39	10,672,468
City of Perth	13,180	95	13,275	154.82	2,055,213
City of Vincent	13,000	1,700	14,700	154.85	2,276,275
Town of Cambridge	6,500	1,200	7,700	154.84	1,192,097
Town of Victoria Park	14,500	1,500	16,000	154.85	2,477,610
<u>Residue</u>					
BioVision	-	38,700	38,700	154.82	5,991,491
Closing balance	200,955	99,515	300,470		46,059,677

ACTUAL

	Processable Tonnes	Non- processable Tonnes	Total Tonnes	Rate* \$	Revenue \$
<u>Waste</u>					
City of Joondalup	51,972	10,524	62,496	154.81	9,675,276
City of Wanneroo	56,369	9,239	65,608	154.89	10,161,908
City of Stirling	43,652	31,886	75,538	148.40	11,209,860
City of Perth	12,964	72	13,036	154.82	2,018,122
City of Vincent	12,432	2,210	14,642	154.85	2,267,431
Town of Cambridge	6,617	1,197	7,814	154.84	1,209,891
Town of Victoria Park	12,269	190	12,459	154.81	1,928,843
<u>Residue</u>					
BioVision	-	39,076	39,076	154.69	6,044,889
City of Wanneroo	-	137	137	155.00	21,190
Closing balance	196,275	94,531	290,806		44,537,412

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

28. FINANCIAL ACTIVITY INFORMATION AND MEMBER CHARGES (continued)

	ACTUAL 2015/2016 \$	BUDGET 2015/2016 \$	ACTUAL 2014/2015 \$
<u>Make up of surplus funding</u>			
Cash	24,793,165	25,289,404	26,497,613
Receivables	3,536,793	3,424,524	3,266,585
Inventories	<u>12,105</u>	<u>13,303</u>	<u>11,462</u>
	28,342,063	28,727,231	29,775,660
<i>Less</i>			
Reserves – cash restricted	(13,236,506)	(12,351,410)	(15,377,524)
Sundry creditors and GST	(5,649,899)	(4,460,719)	(5,746,049)
Provisions	<u>-</u>	<u>(700,661)</u>	<u>-</u>
	(18,886,405)	(17,512,790)	(21,123,573)
	9,455,658	11,214,441	8,652,087

29. COUNCILLORS' REMUNERATION

The following fees, expenses and allowances are to be paid to council members and the chairman:

Meeting fees	125,745	128,750	127,367
Chairman's and Deputy Chairman's allowance	24,215	19,750	24,463
Conference expenses	1,264	4,893	19,470
Members' allowances	<u>11,799</u>	<u>15,000</u>	<u>12,105</u>
	163,023	168,393	183,405

30. EMPLOYEE NUMBERS

The number of full-time equivalent employees at year end was:

**ACTUAL
2015/2016**

**ACTUAL
2014/2015**

37.6

38.9

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

31. FINANCIAL RISK MANAGEMENT

The MRC's activities expose it to a variety of financial risks, including, but not limited to, price risk, credit risk, liquidity risk and interest rate risk. The MRC's overall risk management focuses on the unpredictability of financial markets and seeks to minimise the effect of potentially adverse events on the financial performance of the MRC.

The MRC does not engage in transactions in foreign currencies and is therefore not subject to foreign currency risk. Financial risk management is carried out under policies approved by the Council.

The MRC held the following financial instruments at year end:

	Carrying value		Fair value	
	2015/2016	2014/2015	2015/2016	2014/2015
	\$	\$	\$	\$
<u>Financial assets</u>				
Cash and equivalents	24,793,165	26,497,613	24,793,165	26,497,613
Receivables	3,536,793	3,024,878	3,536,793	3,024,878
	28,329,958	29,522,491	28,329,958	29,522,491
<u>Financial liabilities</u>				
Payables	6,070,009	5,981,272	6,070,009	5,981,272
Borrowings	5,383,538	9,169,239	5,179,332	8,328,309
	11,453,547	15,150,511	11,249,341	14,309,581

For cash and equivalents, receivables, payables, borrowings and held-to-maturity investments, carrying values are deemed to approximate fair value.

31(a) Cash and cash equivalents

The MRC's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital.

A monthly report is provided to Council summarising the cash and investment portfolio.

Cash and investments are subject to interest rate risk and credit risk. The MRC has entered into rolling 90 day fixed rate cash investments to partially mitigate the effects of interest rate risk. The MRC has a significant concentration of credit risk, given that its cash investments are all held with one counterparty, however the institution has a sound credit rating which is considered to sufficiently ameliorate any potential credit risk.

A 1% fluctuation in annualised interest rates is estimated at approximately \$247,932.

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

31. FINANCIAL RISK MANAGEMENT (continued)

31(b) Receivables

The MRC's material receivables are comprised of member council user fees and charges. These receivables are subject to a level of credit risk, however, given the counterparties, this is considered negligible. Significant exposures to individual counterparties are monitored on an ongoing basis.

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

The ageing profile of the MRC's receivables at year end was:

	ACTUAL 2015/2016 \$	ACTUAL 2014/2015 \$
Receivables within credit terms	3,524,466	3,017,294
Receivables overdue	12,327	7,584
Provisions for bad debts	<u>-</u>	<u>-</u>
	3,536,793	3,024,878
	%	%
Receivables within credit terms	99	99
Receivables overdue	<u>1</u>	<u>1</u>
	100	100

31(c) Payables and borrowings

Payables and borrowings are both subject to liquidity risk. In addition, one of the long-term borrowing facilities is subject to interest rate risk.

The MRC manages its liquidity risks by monitoring its cash flow requirements and liquidity levels on an ongoing basis and through maintaining an adequate cash buffer. In addition, the MRC has access to an overdraft facility to cover any short-term liquidity issues. Interest rate risk is managed through the negotiation of long term facilities and fixing interest rates where it is considered advantageous to do so.

The table below sets out the maturity profile of the MRC's payables and borrowings.

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

31. FINANCIAL RISK MANAGEMENT (continued)

	Due within 1 year \$	Due between 1 and 5 years \$	Due after 5 years \$	Total contractual cash flow \$	Carrying value \$
30 June 2016					
Payables	5,649,899	-	-	5,649,899	5,649,899
Borrowings	4,187,049	722,734	473,755	5,383,538	5,383,538
	9,836,948	722,734	473,755	11,033,437	11,033,437
<i>Weighted average effective interest rate on borrowings</i>	6.2%				
30 June 2015					
Payables	5,981,272	-	-	5,981,272	5,981,272
Borrowings	3,785,699	3,861,464	1,522,077	9,169,240	9,169,240
	9,766,971	3,861,464	1,522,077	15,150,512	15,150,512
<i>Weighted average effective interest rate on borrowings</i>	6.2%				

32. EVENTS AFTER THE REPORTING PERIOD

There have been no material events after the reporting period which would affect the financial report of the MRC for the year ended 30 June 2016 or which would require separate disclosure.

33. COMMITMENTS FOR CAPITAL AND LEASING EXPENDITURE

	ACTUAL 2015/2016 \$	ACTUAL 2014/2015 \$
Contracted capital equipment purchases and lease expenditure		
Payable not later than one year	5,515	5,298
Payable between one and five years	11,030	15,012

34. CONTINGENT LIABILITIES

As at 30 June 2016, the MRC had no contingent liabilities.

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

35. GRANTS AND SUBSIDIES - GRANT REVENUE

Grants, subsidies and contributions are included as operating revenues in the Statement of Comprehensive Income:

	ACTUAL 2015/2016 \$	ACTUAL 2014/2015 \$
By Nature and Type:		
Operating Grants and Subsidies	169,580	10,000
By Program:		
Community Amenities	169,580	10,000

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

36. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Council.

Management's assessment of the new and amended pronouncement that are relevant to the Council, applicable to future reporting periods and which have not yet been adopted are set out as follows:

	Title and topic	Issued	Applicable	Impact
i.	AASB 9 – Financial Instruments (Incorporating AASB 2014-7 and AASB 2014-8)	Dec 2014	1 Jan 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.
ii.	AASB 2010 – 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	Sept 2014	1 Jan 2018	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
iii.	AASB 15 Revenue from Contracts with Customers	Dec 2014	1 Jan 2019	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effect of this Standard will depend upon the nature of future transactions the Council has with third parties. It may or may not be significant.
iv.	AASB 2013-9: Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	Dec 2013	1 Jan 2015	Part C makes consequential amendments to AASB 9 and other standards and amends the permissions around certain applications relating to financial liabilities reissued at fair value. As the bulk of changes are either editorial or referencing it is not expected to have a significant impact on Council.

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

36. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

	Title and topic	Issued	Applicable	Impact
v.	AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations	Aug 2014	1 Jan 2016	This Standard amends AASB 11: Joint Arrangements to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. Since adoption of this Standard would impact only acquisitions of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a 'reasonable estimate of such impact on the Council's financial statements.
vi.	AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation	Aug 2014	1 Jan 2016	This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It also clarifies the use of revenue-based methods to calculate the depreciation of an asset is not appropriate nor is revenue generally an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. Given the Council currently uses the expected pattern of consumption of the future economic benefits of an asset as the basis of calculation of depreciation, it is not expected to have a significant impact.

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

36. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

vii.	AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	Dec 2014	1 Jan 2017	Consequential changes to various Standards arising from the issuance of AASB 15. It will require changes to reflect the impact of AASB 15.
viii.	AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	Jan 2015	1 Jan 2016	This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. This Standard also makes editorial and consequential amendments as a result of amendments to the Standards listed in the title column. It is not anticipated it will have any significant impact on disclosures.
ix.	AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality	Jan 2015	1 Jul 2015	This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing it to be completely withdrawn. It is not anticipated it will have a significant impact as the principles of materiality remain largely unchanged.
x.	AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for- Profit Public Sector Entities	Mar 2015	1 Jul 2016	The objective of this Standard is to extend the scope of AASB 124 Related Party Disclosures to include not-for-profit sector entities. The Standard is expected to have a significant disclosure impact on the financial report of the Councils both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures will be necessary.

Mindarie Regional Council
Notes to and forming part of the financial statements
For the year ended 30 June 2016

36. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

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

These new and revised standards were:

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality.
- AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-profit Public Sector Entities.

ATTACHMENT 2
TO ITEM 6.2
AUDIT COMMITTEE MEETING
16 NOVEMBER 2016
AUDIT COMPLETION REPORT 2015/16



Certified Practising Accountants

Mindarie Regional Council



Audit Completion Report to the Audit Committee For the Year Ended 30 June 2016

3 November 2016

Table of Contents

1. Executive Summary.....	1
1.1 Status of Audit	1
1.2 Deliverables	1
2. Financial Statements and Audit Opinion	2
3. Current Year Areas of Audit Focus.....	2
4. Assessment of Internal Controls	4
5. Key Findings During Final Phase of Audit.....	4
6. Progress on Recommendations from the 2015 Financial Year Audit	5
7. Uncorrected Audit Differences	6
8. Significant Changes for the 2016/17 Year.....	7
9. Specific Required Communications	8
10. Disclaimer.....	10
11. Appendix 1 - Proposed Audit Opinion	11

1. Executive Summary

Under the requirements of Australian Auditing Standard ASA 260: *Communication with Those Charged with Governance*, we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity. This Annual Audit Completion Report together with our previous External Audit Plan reported to the Audit Committee in February 2016 discharges the requirements of the Auditing Standard.

This report has been prepared for the Audit Committee to summarise the significant matters that have arisen from our year-end audit of the Mindarie Regional Council for the year ended 30 June 2016.

1.1 Status of Audit

Our audit field work at the Mindarie Regional Council for the financial year ended 30 June 2016 has been completed.

Before our Independent Auditor's Report is signed off and issued to the Council, the following outstanding matters are required to be attended to:

- Receipt of signed management representation letter by the auditor from management.
- Completion of audit procedures relating to Auditing Standard ASA 560 *Subsequent Events* to be performed up to the date of signing the Independent Auditor's Report.

1.2 Deliverables

Output	Timing
External Audit Plan	10 February 2016
Interim Audit Management Letter	24 May 2016
Present this report (Audit Completion Report) to the Audit Committee	16 November 2016
Provide Independent Auditor's Report on the Financial Report	After recommendation of Financial Report by the Audit Committee

2. Financial Statements and Audit Opinion

Audit Opinion

We have completed the audit of the Mindarie Regional Council's accounts in line with current Australian Auditing Standards and will give an **Unqualified Opinion** [subject to subsequent events procedures] that the financial report of the Mindarie Regional Council:

- (a) gives a true and fair view of the financial position of the Mindarie Regional Council as at 30 June 2016 and of its financial performance for the year ended on that date; and
- (b) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards (including Australian Accounting Interpretations).

Refer to **Appendix 1** for our Proposed Draft Independent Auditor's Report

3. Current Year Areas of Audit Focus

Our audit procedures were focused on those areas of Mindarie Regional Council's activities that are considered to represent the key audit risks identified in our external audit plan and through discussions with management during the course of our audit.

	Risk Area	Audit Response
1	Revaluation of Plant and Equipment	<p>Regulation 17A(4) of the LG (Financial Management) Regulations 1996 requires Plant and Equipment assets to be measured at fair value for the year ended 30 June 2016. The Council's Plant and Equipment asset classes were revalued at fair value by external valuers, APV Valuers & Asset Management at 30 June 2016.</p> <p>Audit evaluated the professional competence and objectivity of the expert and the adequacy of the scope of the expert's work. We are satisfied that the expert is suitably independent of the Council, objective and experienced in undertaking this work.</p> <p>Audit procedures tested capital asset additions on a sample basis for accuracy to supporting documentation. Audit also reviewed the basis of the asset valuations (at fair value) undertaken and considered the judgements, assumptions and data used together with the reasonableness of any estimation techniques applied. Asset reconciliation schedules were verified against trial balance reported amounts. We have relied upon the values adopted by the external valuers.</p> <p>Results of the audit procedures conducted did not note any material misstatement of the plant and equipment asset classes.</p>

2	Risk of Fraud through Management Override of Controls	<p>Australian Auditing Standards ASA 240 – <i>The auditor's responsibility to consider fraud in an audit of financial statements</i> requires us to consider the potential for management override because controls that may be sufficient to detect error may not be effective in detecting fraud.</p> <p>In all entities, management at various levels is in a unique position to perpetrate fraud because of the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> • accounting estimates impacting amounts included in the financial statements; • consideration and review of unusual or significant transactions outside the normal course of business; and • journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements. <p>Results of the audit procedures conducted did not highlight any issues to bring to your attention.</p>
3	Revenue Recognition	<p>Accounting Standards for Revenue and Contributions recognition may prevent Councils from recording unexpended grants as a liability instead of revenue (grants and contributions received in advance)</p> <p>Audit procedures included substantiation and verification of cut-off procedures and assessment of whether treatment of revenue is consistent with Accounting Standards AASB 118 <i>Revenue</i> and AASB 1004 <i>Contributions</i>.</p>
4	Financial Ratios	<p>The Department of Local Government and Communities launched a new website www.mycouncil.wa.gov.au where all key financial ratios for every Council will be reported to allow the public to view the financial health score of local governments.</p> <p>Audit procedures included checking the calculations of the financial ratios and assessing the reasonableness of explanations provided for any significant variations.</p> <p>At this date, we are satisfied with the current disclosure of the ratios in the financial report.</p>

5	Contingent Liabilities	<p>Audit procedures included discussions with management, review of Council minutes and reviewing the solicitor's representation letters to identify the possible existence of contingencies which may require disclosure in the financial statements.</p> <p>At this date, we are satisfied with the current disclosure in the financial report.</p>
---	------------------------	---

We are satisfied that these key areas of focus have been addressed appropriately based on our audit procedures and are properly reflected in the Council's financial report.

4. Assessment of Internal Controls

Our interim phase of the audit indicated that the current internal control systems and processes are reasonable. They are designed adequately for the Council's current business operations.

However, a separate Interim Audit Management Letter was provided to management following our interim audit which provided details of the internal control matters raised.

We will be following up on the implementation of the management comments during our next interim audit visit. The result of our follow-up will be reported within our next Interim Audit Management Letter.

5. Key Findings During Final Phase of Audit

During our audit planning procedures and risk identification process, we identified a number of key focus areas as outlined in Section 3. In addition, during the course of our year-end fieldwork, the following audit issue was noted. Our consideration of the matter is set out below.

We request that the Audit Committee review the matters below and satisfy themselves that:

- there are no other matters of which the Audit Committee is aware that would impact this issue;
- there are no other significant issues that ought to be considered before recommending the adoption of the financial statements to the Council; and
- the Audit Committee concurs with the resolution of the issue as described below.

1	Area: Asset Management Plans
	Recommendation
	<p>Given the significant work undertaken in the revaluation of the MRC's Property, Plant and Equipment and Infrastructure Assets during the financial years ended 30 June 2013 to 30 June 2016, we recommend that Asset Management Plans for each asset class be reviewed and updated with the most recently acquired data collected to ensure all future projections of required capital maintenance and upgrades remain reliable for strategic decision making purposes.</p> <p>Updated projections from the Asset Management Plans should be factored into the MRC's Long Term Financial Plan estimates to ensure appropriate planning for future funding requirements are appropriately planned for and known.</p>

6. Progress on Recommendations from the 2015 Financial Year Audit

In our Audit Completion Report for the 2014/15 financial year, the following matter was raised and we provide updates of the progress on the recommendations:

1	Area: Rehabilitation Asset and Provisions
	Issue
	<p>According to Accounting Standard 137 <i>Provisions, Contingent Assets and Contingent Liabilities</i> and UIG Interpretation 1 <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>, the rehabilitation provisions must be measured on the basis of the net present value of expected future cash outflows associated with closing and restoring the landfill. The provisions should be reviewed annually to adjust for evolving closure requirements (i.e. future cash flows arising from ongoing landfill closure, remediation, maintenance and monitoring activities), changes to the estimated lives of operations and revisions to discount rates and for inflation.</p> <p>During the audit, it was noted that the estimates and assumptions used in the model for estimating total future rehabilitation expenditures over the landfill discounted to net present value as at 30 June 2015 have not been updated in the last few years.</p>
	Recommendation from 2014/15 Financial Year
	<p>We request that a review of the estimates and assumptions used in the model for estimating total future rehabilitation expenditures be carried out by an external expert during the year ending 30 June 2016. This will ensure that the rehabilitation provision and asset amounts are updated and reflect the true cost of decommissioning in the future in the MRC's financial statements.</p>

Management Update for the 2015/16 Financial Year	
	<p>The review is currently underway, however given the nature of the forecast, this is really one of those good examples of trying to get to a best estimate.</p> <p>There are naturally inherent uncertainties in trying to estimate expenditure which only starts to be incurred in 10 years time and which is then expected to occur for some period after that which may be for a further 20 to 40 years depending on how the landfill behaves once closed.</p> <p>As such, management are not expecting the estimates to change materially as a result of the review, but we will let you know once we have that feedback.</p> <p>If it is of any help, if we flex the expenditure by 10% (ie increase the estimated expenditure by 10% in each of the future post closure periods) it only results in an increase of \$700k once pv'ed back to today's terms.</p>

7. Uncorrected Audit Differences

The following audit differences which are greater than our trivial error threshold of \$48,000 have been identified during the course of our audit that have not been adjusted by management and warrant communicating to you. You are requested to consider these formally and determine whether you would wish the accounts to be amended.

No.	Item of account	Statement of Financial Position	Statement of comprehensive income
		Debit/(Credit)	Debit/(Credit)
1	Overstatement of GST Payable	\$107,331	(\$107,331)
2	Under Provision of Annual Leave	(\$59,460)	\$59,460
3	Over Provision of Depreciation – Resource Recovery Facility (RRF)	\$49,076	(\$49,076)
	Total Unadjusted Audit Differences	\$96,947	(\$96,947)

Conclusion

We have considered the impact of the unrecorded audit differences on the 30 June 2016 financial statements and have concluded that they are immaterial, both individually and in aggregate, to the financial statements taken as a whole and are therefore able to sign an unqualified opinion.

8. Significant Changes for the 2016/17 Year

AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities was released in March 2015.

The effective date is annual reporting periods beginning on or after 1 July 2016 (i.e. 30 June 2017) financial statements for Councils, comparatives are not required.

AASB 2015-6 removes the scope exemption currently within AASB 124 *Related Party Disclosures* for not-for-profit public sector entities which means that they will need to comply with all paragraphs in AASB 124. The AASB did not include any not-for-profit public sector specific paragraphs in AASB 124 however Australian Implementation Guidance has been added as an Appendix.

The impact of this standard will be disclosure in nature only – there is no impact to reported financial position or performance. The implementation guidance reminds Councils that materiality still exists in this context and provides the following information:

“as is often the case with related party transactions, judgement would be required as to when transactions are material, especially when qualitative assessments are made about the nature of transactions.”

“entity would also need to apply judgement in determining the extent of information it needs to collect to meet the objective of AASB 124, as there is little value in an entity incurring significant costs to obtain data that is immaterial for disclosure.”

When Councils are considering whether a disclosure of a related party transaction is material they should consider not just the financial amount but whether the user of the financial statements would be impacted by the information in making decisions, i.e. in their vote for Councillors, etc. An alternative way of thinking about whether a disclosure should be included is whether omitted information would make newspaper headlines if it were to be discovered.

Key Management Personnel will include all Councillors, Directors and all Senior Staff as determined by the Local Government Act 1995.

The additional disclosures are not onerous; however the time-consuming part of this standard is in identifying the transactions. The MRC is encouraged to refer to the Accounting Standard AASB 124 *Related Party Disclosures* and liaise with the Department of Local Government and Communities (DLGC) for further clarification or guidance on the types of disclosures for Not-for-profit public entities.

9. Specific Required Communications

The Australian Auditing Standard ASA 260: "*Communication with Those Charged with Governance*" requires the auditor to communicate certain matters to the Audit Committee that may assist them in overseeing management's financial reporting and disclosure process. Below we summarise these required communications as they apply to your organisation.

Reporting Requirement	Detailed Comments
Changes to Audit Approach Outlined in External Audit Plan	<ul style="list-style-type: none"> ➤ There were no changes to the audit approach outlined in the External Audit Plan.
Significant accounting policies	<ul style="list-style-type: none"> ➤ Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Mindarie Regional Council including new pronouncements adopted during the year, are described in Note 1 to the financial statements. ➤ There were no significant changes in the application of existing policies during the year ended 30 June 2016. The accounting policies adopted in the financial statements are appropriately disclosed.
Sensitive Accounting Estimates and Disclosures	Refer to "Current Year of Audit Focus" section
Misstatements and significant audit adjustments	<ul style="list-style-type: none"> ➤ We are required to report to you all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature. In the context of the Mindarie Regional Council, we consider that amounts of a value less than \$48,000 should be considered trivial. This represents 5% of materiality. ➤ A number of disclosure adjustments to the financial statements have been discussed and amended during the course of our audit. ➤ All financial adjustments that have been raised through the audit have been adjusted in the financial report.
Significant Weaknesses in Internal Controls	<ul style="list-style-type: none"> ➤ No significant weaknesses in internal control were identified. Refer to our Interim Audit Management Letter.
Disagreements with management	<ul style="list-style-type: none"> ➤ There have been no significant disagreements with management during the course of the audit.
Serious Difficulties Encountered in Dealing with Management	<ul style="list-style-type: none"> ➤ There were no serious difficulties encountered in dealing with management when performing the audit.

<p>when Performing the Audit such as:</p> <ul style="list-style-type: none"> • Significant delays in management providing required information • An unnecessarily brief time within which to complete the audit • Extensive unexpected effort required to obtain sufficient appropriate audit evidence • The unavailability of expected information • Restrictions imposed on the auditor by management 	
Fraud and Illegal Acts	<ul style="list-style-type: none"> ➤ We are not aware of any matters that require communication. ➤ We would request that the Audit Committee members raise with us any areas of risk not addressed in our communications and that they inform us of their knowledge of any actual or suspected fraud.
Compliance with laws and regulations	<ul style="list-style-type: none"> ➤ In performing our audit procedures, we have not become aware of any non-compliance with applicable laws or regulations that would have an impact on the determination of material amounts and disclosures in the financial report. ➤ We await written representations from management confirming that the Council is in compliance with all laws and regulations that impact the Council.
Books and records and conduct of the audit	<ul style="list-style-type: none"> ➤ We have been presented with all the necessary books and explanations requested of management to support the amounts and disclosures contained in the financial statements in a timely and efficient manner.
Other Information in Documents Containing Audited Financial Statements	<ul style="list-style-type: none"> ➤ Our financial statement audit opinion relates only to the financial statements and accompanying notes. <p>Other information in the Annual Report will be reviewed for consistency with the audited financial statements, when available.</p>
Related Party Transactions	<ul style="list-style-type: none"> ➤ None of which we are aware.
Major Issues Discussed with Management in Connection with Initial or Recurring Retention	<ul style="list-style-type: none"> ➤ None.
Going concern	<ul style="list-style-type: none"> ➤ As part of our audit, we have assessed and agreed with the conclusions reached by the management concerning the application of the going concern concept.

Independence	<ul style="list-style-type: none"> ➤ We confirm that, as the date of this report, we are independent having regard to Macri Partners' policies, professional rules and relevant statutory requirements regarding auditor independence.
--------------	---

10. Disclaimer

This report has been prepared for the Audit Committee and management of the Mindarie Regional Council only. It should not be quoted or referred to, in whole or in part, without our prior written consent. No warranty is given to, and no liability will be accepted from, any party other than the Mindarie Regional Council.

11. Appendix 1 - Proposed Audit Opinion

INDEPENDENT AUDITOR'S REPORT

TO: MEMBERS OF MINDARIE REGIONAL COUNCIL

We have audited the financial report of the Mindarie Regional Council, which comprises the Statement of Financial Position as at 30 June 2016 and the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date and a summary of significant accounting policies and other explanatory information and Statement by Chief Executive Officer.

Management's Responsibility for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended) and for such internal controls as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board.

INDEPENDENT AUDITOR'S REPORT

TO: MEMBERS OF MINDARIE REGIONAL COUNCIL (Cont'd)

Auditor's Opinion

In our opinion, the financial report of the Mindarie Regional Council:

- (a) gives a true and fair view of the financial position of the Mindarie Regional Council as at 30 June 2016 and of its financial performance for the year ended on that date; and
- (b) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards (including Australian Accounting Interpretations).

Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996, we also report that:

- (a) There are no matters that in our opinion indicate significant adverse trends in the financial position or financial management practices of the Council.
- (b) There are no matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law noted during the course of our audit:
- (c) In relation to the asset consumption ratio and asset renewal funding ratio (presented at Note 25 of the annual financial report) we have reviewed the calculations as presented and nothing has come to our attention to suggest they are not:
 - (i) reasonably calculated; and
 - (ii) based on verifiable information.
- (d) All necessary information and explanations were obtained by us.
- (e) All audit procedures were satisfactorily completed in conducting our audit.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Mindarie Regional Council for the year ended 30 June 2016 included on the Council's website. Management is responsible for the integrity of the Council's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

**MACRI PARTNERS
CERTIFIED PRACTISING ACCOUNTANTS
SUITE 2, 137 BURSWOOD ROAD
BURSWOOD WA 6100**

**A MACRI
PARTNER**

**PERTH
DATED THIS DAY OF 2016.**

ATTACHMENT 3
TO ITEM 6.3
AUDIT COMMITTEE MEETING
16 NOVEMBER 2016
INTERIM AUDIT MANAGEMENT LETTER 2015/16

24 May 2016

Chief Executive Officer
Mindarie Regional Council
PO Box 2746
CLARKSON WA 6030

Dear Sir

RE: INTERIM AUDIT VISIT FOR THE YEAR ENDING 30 JUNE 2016

We carried out an interim audit of the Mindarie Regional Council (MRC) for the year ending 30 June 2016.

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

- ☐ Bank Reconciliations
- ☐ Investments
- ☐ Purchasing
- ☐ Payments and Creditors
- ☐ Receipting and Sundry Debtors
- ☐ Payroll
- ☐ General Accounting (Journals, etc.)
- ☐ IT Controls
- ☐ Registers (Tenders, etc.)
- ☐ Minutes Review

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

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



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

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

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

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

PURCHASING AND PAYMENTS

As part of our audit, we carried out a review of the purchasing and payments system. Our audit procedures have been designed to determine appropriate means for selecting items for testing so as to gather sufficient appropriate audit evidence to meet the objectives of the audit procedures. Professional judgement is used to assess the risk of material misstatement and to design and perform further audit procedures where necessary to reduce the risk to an acceptable low level. Our audit procedures have been designed to determine whether purchases of goods and services were in accordance with the MRC's "Purchase of Goods and Services" Policy.

Generally the controls surrounding purchases and payments are appropriate to meet the MRC's requirements.

However, the following matters were noted and are brought to your attention:

- (i) During our testing, we noted ten (10) instances (23 samples tested) where the purchase orders were raised only after the goods and services have been supplied and invoices received.

These instances related to:

- Procurement of equipment for pipe and inspection
- Crushing and screening limestone, and mobilisation and demobilisation
- Purchase of new vehicle
- Plant hire cost
- Road painting
- Vehicle servicing
- Purchase of self adhesive vinyl sticker
- Procurement of fuel

Such practice may increase the risk of unauthorised purchases being made. We request that purchase orders be raised when the goods and services are ordered and not after the goods and services have been received. This will ensure that goods and services have been obtained at the most competitive prices and ensure adherence to the MRC's "Purchase of Goods and Services" Policy.

Where the value for procurement of regular and ongoing acquisition of services is difficult to ascertain, standing orders can be used containing an estimated price.

Management Comments:

Management notes that in some instances a PO cannot be prepared before delivery of the goods, for instance when fuel is delivered we are unsure how many litres go in the tanks until delivery is finished. In the other instances, management accepts that POs should be prepared in a more timely manner and has taken steps to refresh employee training regarding the purchasing of goods and services.

- (ii) During our testing, we noted six (6) instances where a document called "Purchase Invoice" has been prepared instead of "Purchase Order" in order to release the payments from the system as required by the MRC's "Purchase of Goods and Services" Policy. This *prima facie* may indicate management override of controls with regard to raising purchase orders.

The MRC "Purchase of Goods and Services" Policy should prescribe exception clauses for certain procurements where raising a purchase order may not be warranted, for instance, payment for fuel, legal services, etc. All other payments for goods and services should be supported with purchase orders and supplier invoices. Where purchase orders are not raised, the reasons for not doing so should be documented and authorised by a senior officer.

Management Comments:

Management have taken steps to refresh employee training regarding the purchasing of goods and services.

CORPORATE CREDIT CARDS

As part of the audit, we reviewed arrangements in place for the management and use of credit cards. The audit methodology included an examination of credit card procedures, monitoring and control arrangements. The examination was undertaken by reviewing documentation, interviewing staff and undertaking audit testing.

The following matter was noted as requiring attention:

Each month, all credit cardholders are required to complete a "Use of Corporate Credit Card Form" listing all the expenditure incurred during the month, certify and have the form reviewed by the Director Corporate Services.

During our testing, we noted three (3) instances where the "Use of Corporate Credit Card Form" had not been completed for the expenditure incurred on behalf of the MRC.

To maintain internal control over credit card expenditure, we recommend that the "Use of Corporate Credit Card Form" be completed with the related expenditure documentation attached, certified by the cardholder and reviewed by the Director Corporate Services to ensure that expenditure can be substantiated and approved.

Management Comments:

Management accepts the recommendation.

CREDITORS

We noted that changes to the supplier master file (e.g. bank account details, addresses etc.) can be made by the Accounts Payable Officer without any approval.

Our discussion with the Accounts Payable Officer revealed that the Navision system was not able to generate a report showing any amendments made to the existing suppliers details (i.e. bank details) during a specific timeframe. The report is an important tool for management to ensure any amendment is supported by the supplier request and to detect any irregular information change among the existing suppliers.

We recommend that management give consideration to generating a report on a periodic basis (say quarterly) which identifies supplier master file changes and such report be reviewed by an independent senior officer to ensure that updates to the creditors system only contain valid and authorised creditors and existing creditor details are not amended without the knowledge of management.

This matter was also raised in our previous interim audit management letter dated 29 July 2015. The management response then provided was as follows:

"Management agrees with the observation and will enter into discussions with software provider to see if this is a possibility."

We will be pleased to receive some feedback from management on the status of this matter.

Management Comments:

Management are still progressing with the software provider to see if this is a possibility.

PAYROLL

Our audit examined the MRC's payroll system which consists of controls assessment around the following areas:

- Reviewing the policies and procedures at the MRC in relation to the Payroll system
- Staff additions and terminations
- Changes to employees pay, including variations to pay
- Authorisation and monitoring of leave taken by employees
- Processing of payroll
- Segregation of duties

The following matter was noted and is brought to your attention:

The MRC's departmental managers approve individual timecards electronically for the employees in their charge to validate the existence of the employees and the number of hours worked. The Payroll Officer then conducts a series of checks at the conclusion of the pay period to check for completeness and reasonableness of the data before the "Entry Validation Report" (employee

names and amounts paid) is reviewed in detail by the Financial Accountant for the accuracy of the payroll processed.

During the audit, we noted eleven (11) out of fifteen (15) instances where the "Payroll Fortnightly Summary of Hours" Report produced by the Payroll Officer (showing the hours processed in the system - ordinary, annual leave, long service leave, overtime, public holidays, etc.) was not reviewed by the various department heads after finalisation of payroll.

We recommend that all the department heads review the above report (say within 2 weeks after payment of payroll) to ensure all details are correct and that all employees are valid. The report should be initialled as evidence that the review has been performed.

This matter was also raised in our previous interim audit management letter dated 29 July 2015. The management response then provided was as follows:

"Management practice has been to sign off the time sheet summaries when the payroll is released, but this has been happening irregularly. This practice has now been amended and the time sheet summaries are being signed off every two weeks at the Management Meeting."

We will be pleased to receive some feedback from management on the status of this matter.

Management Comments:

Management accepts that this wasn't happening in a timely manner and has now taken steps to build it into the agenda of the weekly senior management meeting.

JOURNAL ENTRIES

Australian Auditing Standard ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* states that there is a risk in all entities that management may be in a position to override the financial controls to perpetrate fraud. The standard requires that auditors perform audit procedures to address this risk in the areas including journal entries.

As part of our audit, we performed procedures and reviewed internal controls over journal entries recorded in the general ledger.

To test this, we reviewed the entire population of journals as at our audit visit date to identify those which would be regarded as unusual or higher risk. A sample of higher risk journals were tested to ensure they were appropriate and supported by a clear business rationale.

The following matter was noted and is brought to your attention:

We noted that there is no documented policy or procedural document regarding the use, authorisation and control over journal entries.

We recommend that a documented policy be created which addresses the use of standard entries, non-routine entries (corrections and adjustments) and unusual or management-requested entries. This includes details on:

- sequential numbering;

- the requirement for journals to be adequately explained or supported by appropriate documentation; and
- the approved officers who can raise or authorise journal entries.

Further, the policy may incorporate the procedures used to initiate, authorise, record, and process journal entries in the general ledger.

This matter was also raised in our previous interim audit management letter dated 29 July 2015. The management response then provided was as follows:

"The policy referred to is still being drafted, but Management have instituted a practice whereby a list of all journals is attached to the monthly management accounts which have appropriate backing documentation and are reviewed regularly by the Management Accountant."

We will be pleased to receive some feedback from management on the status of this matter.

Management Comments:

The policy referred to is still being drafted, but Management have instituted a practice whereby a list of all journals is attached to the monthly management accounts which have appropriate backing documentation and are reviewed regularly by the Finance Manager.

IT CONTROLS

We discussed with the IT Officer about the general controls operating at your computer installation. Generally, the controls appear to be operating satisfactorily.

However, the following matter was noted and is brought to your attention:

We noted that there is no documentation (i.e. policies) to provide understanding of Information Technology (IT) security requirements to staff in the organisation. We have been advised whilst procedures for IT security are in place, the policies are currently being developed.

We recommend that formal written policies and procedures addressing the responsibilities, system security and efficient utilisation by the organisation be developed. This will ensure that senior management and staff have an understanding of security requirements, full awareness of the threats and vulnerabilities posing to the MRC's IT environment and have appropriate procedures or guidelines for staff on how to mitigate such risks.

We believe, the procedures and policies, among other things, should address issues such as:

- Network security
- Password security
- Authority for changes to user access and responsibilities
- Back-up facilities

Management Comment:

These are all being drafted in July 2016.

ASSET RESIDUAL VALUES AND DEPRECIATION EXPENSE

The AASB Board has released an agenda decision in May 2015 clarifying its interpretation of the term "residual value" for the purposes of calculating depreciation for long-lived assets such as infrastructure assets under AASB 116 Property Plant and Equipment.

The AASB decision highlighted that components that are re-used in the construction of new assets have not met the end of their useful life. The AASB decision did not represent a new requirement but rather the clarification of an existing requirement, meaning those councils with non-compliant residual values had to reassess them immediately. This had the potential to impact on depreciation expense calculations.

We request that Council address this requirement by reviewing the residual values applied to the assets and appropriately reassess asset components and useful lives. When undertaking valuations externally, please ensure this requirement is addressed with the valuers.

Management Comment:

Management accepts this recommendation

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

Yours faithfully



ANTHONY MACRI
AUDIT PARTNER

ATTACHMENT 4
TO ITEM 6.4
AUDIT COMMITTEE MEETING
16 NOVEMBER 2016
RISK REGISTER SUMMARY

Risk Ref.	Risk description	Causal factors	Consequence	Existing Controls	Consequence	Likelihood	Risk	Previous rating
OPS-02	Inability to contain leachate from groundwater within landfill boundaries.	Stage 1 unlined Liner failure Environmental factors Water table rise Third party influence on ground water	Water plume Contaminated sites branch status Damaged reputation Urban extraction requirements	Lined landfill Remediation extraction Rediverting leachate BEMP CSM Leachate level testing DER Contaminated Site Branch	3	5	15	
OPS-01	Inability to contain landfill gas within Landfill boundaries	Stage 1 unlined Insufficient capture Natural migration of gas Power station failure Damage to liners Infrastructure failure	Environmental impacts Financial penalties Loss of license Poor public perception	Power station Monitoring License conditions Third party design of landfill BEPM Liners and membranes Stakeholder relationships CSM Contract arrangements with LP&G Engaged GHD consultancy services	5	3	15	
OPS-06	Inability to contain odours within site boundaries	Type of waste received/accepted Inadequate cover Poor gas capture Extreme weather events Poor leachate management Tying in to existing landfill Urban encroachment	Complaints Non compliance with license Investigations Financial penalties Reputation damage	Gas collection Daily cover Leachate management Alternate cover SOP Odorous load management Biological odour control	2	5	10	
OPS-21	Inability to keep recyclable materials out of landfill	Lack of recycling business Lack of education and awareness Lack of recycling options	Longevity of landfill Costs to landfill Reduces life cycle of landfill Poor public perception Increased global warming potential	Industry networking and consultation Grants for resource recovery Waste segregation Resell from shop Education program Recover Recycled material from landfill Recover Recycled material from transfer Manage Hazardous Waste	3	5	15	
STRAT-05	Federal/State Government changes to Environmental Law and or carbon pricing	Community pressure Government agenda	Increased operational costs Stakeholder frustration with increased costs Potential closure of landfill site	Stakeholder communication Industry network and consultation Monitoring of Environmental Law	4	3	12	
OPS-22	Major Fire or Explosions	Bush fire due to severe weather Major vehicle fire Criminal activity Methane Gas leak resulting in explosion or damage to gas bottle	Inability to deliver service Legal action Loss of revenue Personal injury Property damage Poor public perception	Business Continuity Plan Emergency Management Plan Emergency Exercises Fire Fighting Equipment Trained personnel - Wardens EMMP SOP's Emergency Equipment Review	5	2	10	
OPS-24	Chemical Spill	Chemical delivered to site in damaged containers Staff and customer inattentive Damage by plant Unidentified loads	Inability to deliver services Legal Action Personal injury Property Damage Temporary Closure of part or all of site Loss of Revenue Health and Safety Disgruntle customers Poor public perception	Business Continuity Plan SOP's Trained personnel - Wardens EMP DER license Emergency Equipment Dangerous goods license requirements and compliance EMMP	5	2	10	

OPS-30	Worksafe Shutdown	Fatality or reportable incident on site	Inability to deliver services Legal Action Temporary Closure of part or all of site Loss of revenue Staff Wellness Disgruntle customer Poor public perception Health & Safety	Qualified OHS Officer on site Safety Inductions / Tool box's Qualified Employees Safety culture Reportable incident procedure EMP EMMP SOP's Include OHS procedures in purchasing procedures	5	2	10	
STRAT 10	Fail to provide safe and suitable work environment at MRC in compliance with OSH legislation	Lack of understanding Complacency Lack of awareness of change Lack of staff training Changes to legislation Inherent nature of Regional Council operations Public interaction with staff and recycled goods Nature of recycled goods Loading and unloading of vehicles Plant and equipment operating in area People behaviours Household chemicals Third party vehicle damage Wildlife	Staff harm Public harms Non compliance Emergency/evacuation	SOP's Training OSH Committee/Reps Wardens OSH Procedure and Management system Incident reporting Emergency exercises Safety Management systems Environmental monitoring (dust, odours, air) Inspections Staff selection Inductions Pre employment medicals Waste acceptance criteria Traffic Management Plan Signage Informal alerts of dangerous materials Technical Officer Separation of operations Inspect and review Plant and Equipment	5	2	10	
STRAT-04	Failure of commercial partners to fulfil MRC expectations	Overcommitted Company liquidation RRF Breakdowns Poor quality of service	Increased stockpiles/quantities of product MRC not operating within licence conditions Increased costs of alternative arrangements Increased labour costs	Contracts and agreements Contract management Communication Relationship management	2	5	10	
OPS-033	Inability to contain landfill gas within leased site boundaries	Stage 1 unlined Insufficient capture Natural migration of gas Power station failure Infrastructure failure Liner failure	Environmental impacts Financial penalties Loss of license Poor public perception	Power station Monitoring DER License conditions Third party design of landfill BEPM Liners and membranes Stakeholder relationships CSM Contract arrangement with LG&P Engaged GHD consultancy services	5	3	15	
OPS-034	Inability to contain leachate from groundwater within leased site boundaries	Stage 1 unlined Liner failure Environmental factors Water table rise Third party influence on ground water	Water plume Contaminated sites branch status Damaged reputation Urban extraction requirements	Lined landfill Remediation extraction Rediverting leachate BEMP CSM Leachate level testing DER Contaminated sites branch	4	5	20	
CEO-08	Failure to performance manage employees	Lack of know how Ineffective management of employees Performance management process not adhered to	Reduced productivity Increased exposure to HR or IR law Damaged Culture	Strong commitment to cultural training HR procedures in place Commitment to performance management process	3	4	12	6 (3/2)
								Reassessment of the frequency given the operational experience over the past 12 months