



# INFORMATION BULLETIN

Issue No. 62



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**RRF Update Report for reporting period May and June 2021**

<b>RESOURCE RECOVERY FACILITY UPDATE REPORT</b>	
<b>File No:</b>	<b>WST/13-09</b>
<b>Attachment/s:</b>	<b>Nil</b>
<b>Date:</b>	<b>14 July 2021</b>
<b>Prepared by:</b>	<b>DIRECTOR CORPORATE SERVICES</b>

This report presents a summary of activities that have taken place in the reporting period covering 1 May 2021 to 30 June 2021.

## **OPERATIONAL MATTERS**

From 7<sup>th</sup> June the City of Wanneroo commenced their three bin roll out. Delivery of the green (GO) bins will be carried out to residents over a six week roll out period. Approximately 61,000 bins will be delivered to Wanneroo residents within this timeframe. The collections will commence from 21 June 2021.

This will have a negative impact on the waste diversion that Resource Recovery Facility (RRF) is likely to be able to achieve after 21 July 2021.

## **OPERATIONAL INFORMATION**

### Waste Delivery

#### **Waste Delivery Summary for Reporting Period**

<b>MONTH</b>	<b>SCHEDULED TONNES</b>	<b>DELIVERED TONNES</b>	<b>DIFFERENCE TONNES</b>
May 2021	8,400	9,068	668
June 2021	8,800	9,323	523

For the 12<sup>th</sup> Contract Year, for the period to 30 June 2021, the RRF was 6,114 tonnes ahead of schedule as a result of additional throughput at the plant.

The RRF is operating as anticipated in the RRFA, with average availability of 104% 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.

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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 (ended June 2021) was 44.9% against a Waste Diversion Target of 43.3%.

#### Community Complaints

BioVision is continuing engagement with the selected key stakeholders, in particular the Banksia Grove development and the Wanneroo Golf Course.

### **COMMUNITY COMPLAINTS SUMMARY FOR THE REPORTING PERIOD**

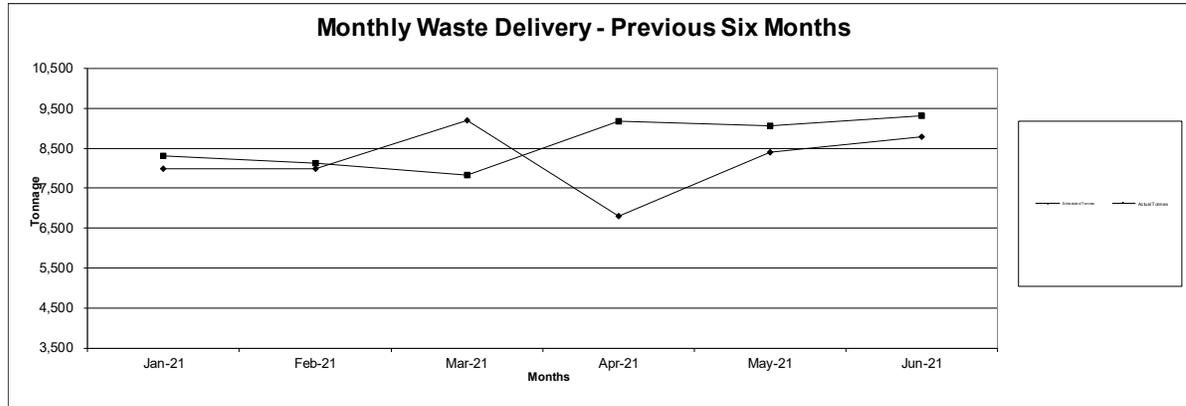
<b>Date</b>	<b>Complaint</b>	<b>From</b>	<b>Outcome</b>
May 2021	None	N/A	N/A
June 2021	None	N/A	N/A

For the 2020 Calendar year, the RRF received seven complaints, all logged in the RRF's complaint register.

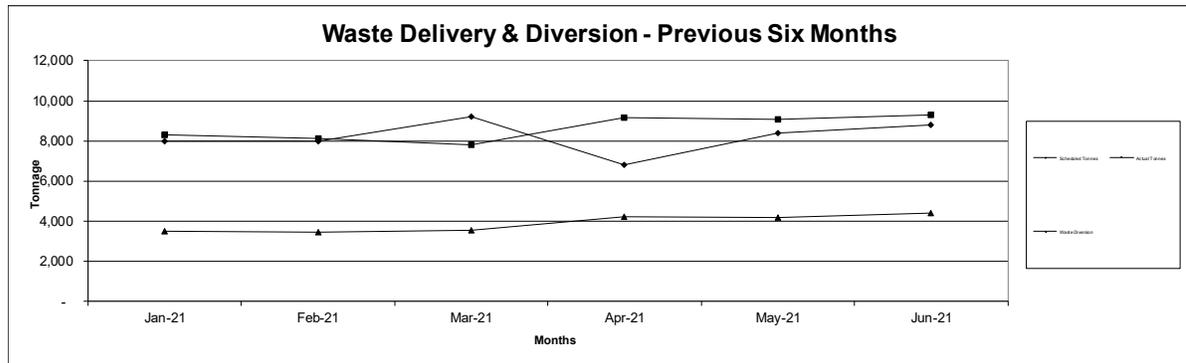
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The graphs below provide data up to **30 June 2021**.

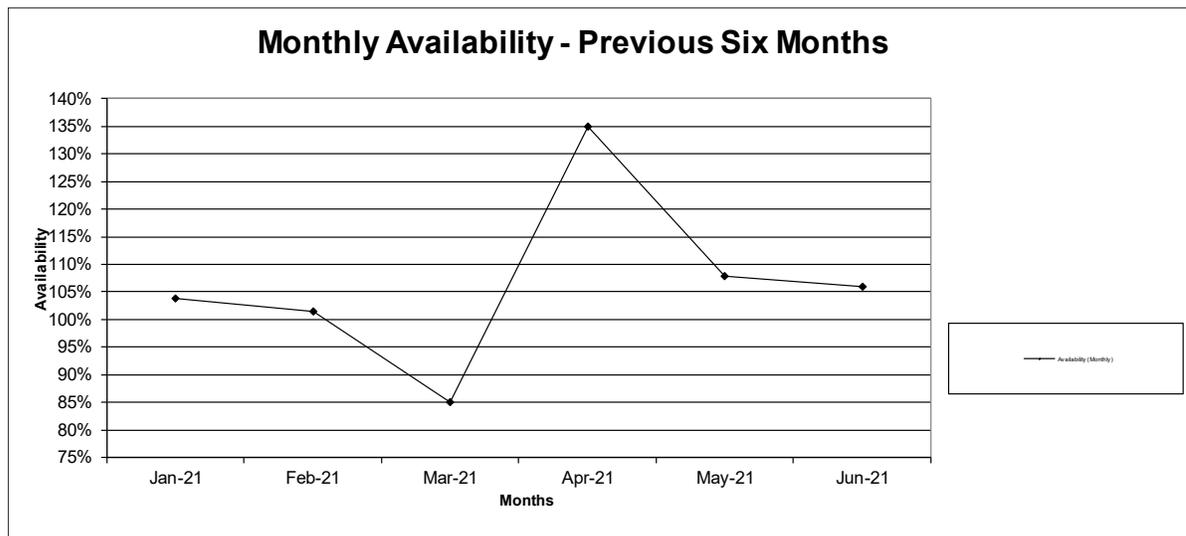
**Graph No. 1 – Monthly Waste Delivery – Previous Six Months**



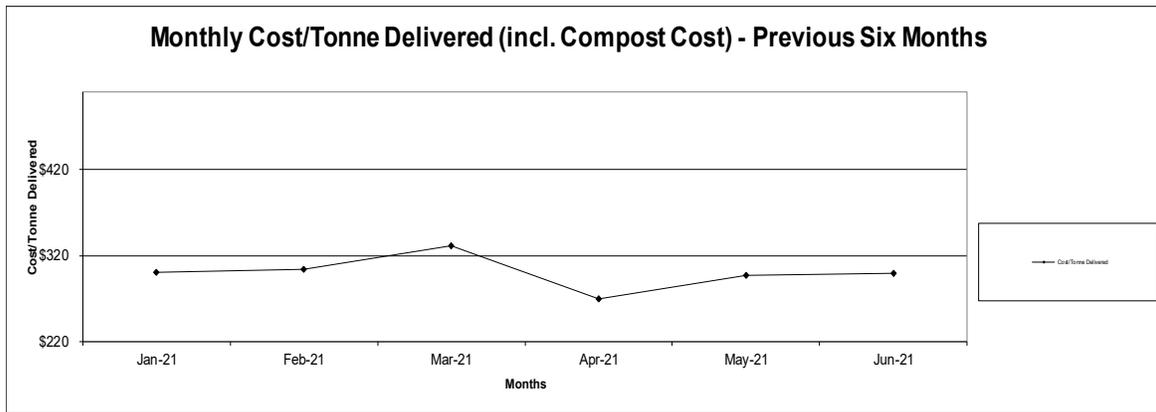
**Graph No. 2 – Waste Delivery & Diversion – Previous Six Months**



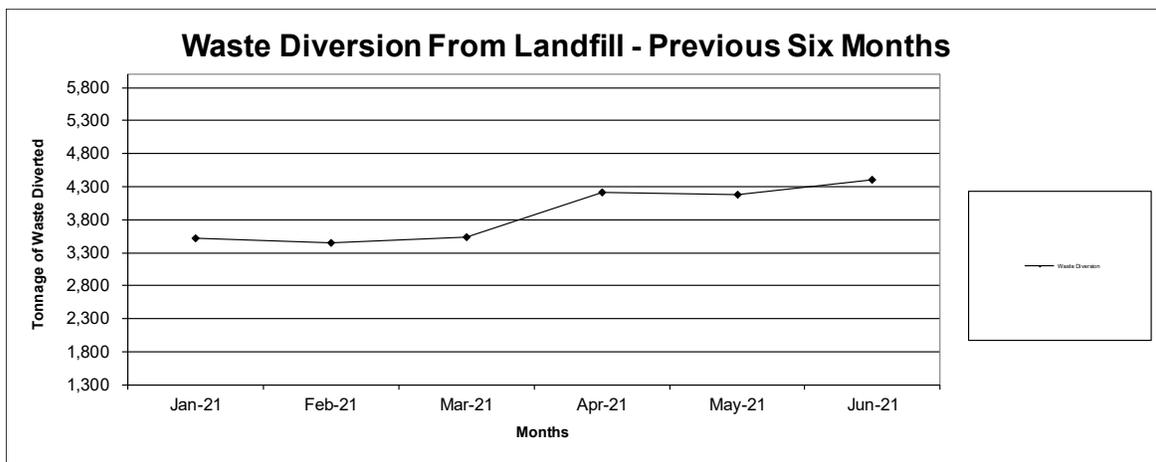
**Graph No. 3 – Monthly Availability – Previous Six Months**



**Graph No. 4 – Monthly Cost/tonne Delivered (incl. Compost Cost) – Previous Six Months**



**Graph No. 5 – Waste Diversion from Landfill – Previous Six Months**



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Performance Indicators

KPI's as per the RRFA are as follows:

**Table No. 1 – KPI Summary (to 30 June 2021)**

KPI	Target	Previous six months	May	June
Availability*	95%	106.7%	108%	106%
Environmental Standard - Number of Breaches	0	0	0	0
Waste Diversion*****	43.3%	44.9%	46.0%	47.2%
Quality of Compost - Number of Breaches**/*****	0	0	0	0
Quantity of Recyclable Packaging ***	1.2%	0.9%	0.8%	0.8%
Health and Safety - Number of LTI's	0	0	0	0
Community Acceptance - Number of Complaints ****	0	0	0	0
Project Culture - PAG Chairperson Score	100%	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.

\*\*\*\*\*KPI's were suspended and closely monitored as City of Joondalup transition to a change in bin system (3 bins). The Soluble Phosphorus and Electrical Conductivity KPI's were further suspended at 2 April 2020 Special Council Meeting until September 2020.

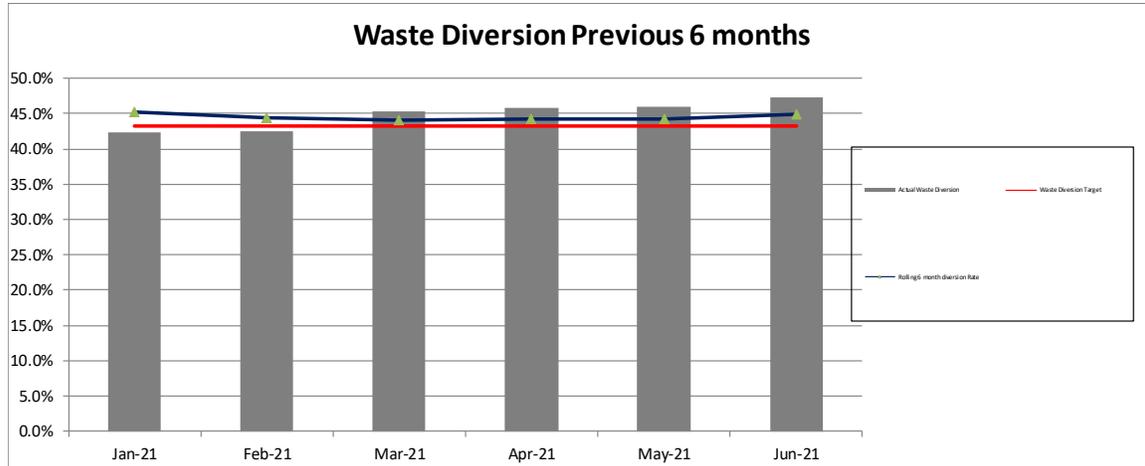
\*\*\*\*\*Waste Diversion targeted was renegotiated to 43.3% from 51.3% in December 2019.

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## Waste Diversion

The average waste diversion for the past six months (January 2021 to June 2021) has been 44.9%



## Project Advisory Group (PAG)

### **MRC Representatives:**

Cr Dot Newton JP  
 Gunther Hoppe (CEO)  
 Andrea Slater (DCS)  
 Cr Frank Cvitan JP (alternative)

### **BioVision Representatives:**

Craig Barker  
 Daniel van Veen  
 Frank Sciarrone  
 Alan Turner  
 Francois Gouezigoux  
 Ian Hunter (alternative)

### **Chairperson:**

Ian Watkins

The PAG last met on 16 June 2021.

Items dealt with by the group included:

- Presentation from C-Wise
- BioVision Monthly Report/Updates
- Audit matters
- Contractual amendments, DWER Licence renewal discussion, COVID-19
- Residue Waste and deliveries
- COW third bin impact

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

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## FINANCIAL IMPLICATIONS

### Operational Expenditure

The Project Operational Summary below sets out the 2020/21 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 2020/21 Financial Year – for the period ended 30 June 2021

##### OPERATING STATEMENT For the month ended 30 June 2021

Description	Adopted Budget	Revised Budget	YTD Budget	YTD Actual	\$ Remaining Bal of Budget	% Balance
<b>Resource Recovery Facility</b>						
<b>Operating Expenditure</b>						
<b>Employee Costs</b>						
Salaries	-	-	-	-	-	-
Allowances	-	-	-	-	-	-
Workers Compensation Premium	-	-	-	-	-	-
<b>Consultants and Contract Labour</b>						
Consultancy	10,000	10,000	10,000	-	10,000	100.00%
	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	-	<b>10,000</b>	<b>100.00%</b>
<b>Office Expenses</b>						
Cleaning of Buildings						
General cleaning (Enviro Care)	-	-	-	-	-	-
Window cleaning	-	-	-	-	-	-
<b>Information System Expenses</b>						
Computer System Maintenance						
ICT contractors costs	2,000	2,000	2,000	-	2,000	100.00%
Newcastle Weighing Services-Gen Maintenance	12,000	12,000	12,000	10,425	1,575	13.13%
Vertical Telecom P/L-Maint of Microwave Ant	6,000	6,000	6,000	5,398	602	10.04%
	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>15,823</b>	<b>4,177</b>	<b>20.89%</b>
<b>Building Maintenance</b>						
Building Maintenance						
Airconditioning Maintenance	3,000	3,000	3,000	1,868	1,132	37.73%
Septic system maintenance	4,000	4,000	4,000	-	4,000	100.00%
Community Education Centre	3,000	3,000	3,000	-	3,000	100.00%
Weighbridge and Calibration	9,000	9,000	9,000	3,080	5,920	65.77%
Building Security						
Security - Monitoring	-	-	-	-	-	-
	<b>19,000</b>	<b>19,000</b>	<b>19,000</b>	<b>4,948</b>	<b>14,052</b>	<b>73.96%</b>
<b>RRF Operation Expenses</b>						
Fencing and Gate Maintenance						
Fencing and Gate Maintenance	5,000	5,000	5,000	550	4,450	89.00%
Repair of Boom Gate	1,000	1,000	1,000	-	1,000	100.00%
Access control infrastructure maintenance	3,000	3,000	3,000	-	3,000	100.00%
Road Maintenance	5,000	5,000	5,000	-	5,000	100.00%
Bores and Pipework						
Bore maint/calibration/electronics	4,500	4,500	4,500	-	4,500	100.00%
Groundwater sampling	4,000	4,000	4,000	-	4,000	100.00%
Bacteria sampling	1,000	1,000	1,000	-	1,000	100.00%
Vermis control	500	500	500	-	500	100.00%
Spills/leaks/incident management	500	500	500	-	500	100.00%
Environmental monitoring	4,000	4,000	4,000	1,200	2,800	70.00%
Landscaping and Gardens	-	2,500	2,500	1,616	884	35.35%
Compost Disposal	456,900	456,900	456,900	328,112	128,788	28.19%
Contractor's Fees	29,960,464	30,973,970	30,973,970	32,024,658	(1,050,688)	(3.39%)
RRF Maintenance Funding	250,000	250,000	250,000	-	250,000	100.00%
	<b>30,695,864</b>	<b>31,711,870</b>	<b>31,711,870</b>	<b>32,356,137</b>	<b>(644,267)</b>	<b>(2.03%)</b>
<b>Utilities</b>						
Electricity	15,800	15,800	15,800	5,040	10,760	68.10%
Rates	104,127	104,127	104,127	108,274	(4,147)	(3.98%)
	<b>119,927</b>	<b>119,927</b>	<b>119,927</b>	<b>113,314</b>	<b>6,613</b>	<b>5.51%</b>
<b>Insurance</b>						
Municipal Property Insurance	3,800	3,800	3,800	4,057	(257)	(6.77%)
Public Liability Insurance	5,650	5,650	5,650	5,480	170	3.00%
	<b>9,450</b>	<b>9,450</b>	<b>9,450</b>	<b>9,538</b>	<b>(88)</b>	<b>(0.93%)</b>
<b>Cost of Borrowings</b>						
Interest on Loans						
Loan 10A	-	-	-	-	-	-
Loan Expenses	-	-	-	-	-	-
<b>Amortisations</b>						
Amortisation Pre-operating Costs	104,784	104,784	104,784	104,784	-	0.00%
Amortisation Costs	358,007	358,007	358,007	358,007	-	0.00%
	<b>462,791</b>	<b>462,791</b>	<b>462,791</b>	<b>462,791</b>	-	<b>0.00%</b>
<b>Depreciation</b>						
Depreciation on Building	36,515	36,515	36,515	36,515	(0)	(0.00%)
Depreciation on Infrastructure	43,183	43,183	43,183	43,183	(0)	(0.00%)
	<b>79,698</b>	<b>79,698</b>	<b>79,698</b>	<b>79,699</b>	<b>(1)</b>	<b>(0.00%)</b>
<b>Total Operating Expenditure</b>	<b>31,416,730</b>	<b>32,432,736</b>	<b>32,432,736</b>	<b>33,042,249</b>	<b>(609,513)</b>	<b>(1.88%)</b>
<b>Net Total</b>	<b>(31,416,730)</b>	<b>(32,432,736)</b>	<b>(32,432,736)</b>	<b>(33,042,249)</b>	<b>609,513</b>	<b>(1.88%)</b>

**Unconfirmed Minutes MRC Audit Committee Meeting – 22 July 2021**



# MINUTES

**AUDIT COMMITTEE MEETING**

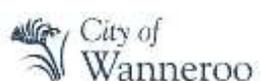
**THURSDAY 22 JULY 2021**

**TIME: 4.30 PM**

**CITY OF STIRLING**

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



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**1 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS**

The Chair declared the meeting open at 4.57 pm

**2 ATTENDANCE / APOLOGIES****ATTENDANCE****MEMBERS**

Cr Stephanie Proud JP (Chair)  
Cr David Boothman JP  
Mr Phillip Draber

**MEMBERS' APOLOGIES**

Cr Karen Vernon (Deputy Chair)  
Cr Keri Shannon

**MRC OFFICERS**

Mr Gunther Hoppe, Chief Executive Officer  
Ms Deborah Toward, PA Executive Support

**MRC OFFICER APOLOGIES**

Ms Andrea Slater, Director Corporate Services

**INVITED GUESTS**

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.

The primary objective of the Audit Committee is to accept responsibility for the annual external audit and liaise with the Mindarie Regional Council's (MRC) 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.
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**4 DECLARATION OF INTERESTS**

<b>Interest Type</b>	Impartiality Interest
<b>Name and Position of Person</b>	Mr Philip Draber – External Audit Committee Member
<b>Report No and Topic</b>	6.4 External Audit Member
<b>Name of Interest</b>	Potential applicant for the position that will be advertised

**5 CONFIRMATION OF MINUTES OF PREVIOUS MEETING****RECOMMENDATION**

**That the Minutes of the Audit Committee Meeting held on 25 February 2021 be taken as read, confirmed and the Chair invited to sign same as a true record of the proceedings.**

Moved Cr Boothman, seconded Mr Draber

**RESOLVED**

**That the recommendation be adopted.**

(CARRIED UNANIMOUSLY 3/0)

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<b>6</b>	<b>REPORTS</b>
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**6.1 FINANCIAL MANAGEMENT REVIEW REPORT 2021****SUMMARY**

Under regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996 (as amended June 2018), the CEO is to undertake reviews of appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.

The MRC appointed Macri Partners to conduct a financial management review which was carried out during the period March to May 2021. The audit covered a review of policies, procedures and controls which are designed to ensure effective and efficient management of the MRC's resources.

The object of the review is to assist the CEO to discharge his responsibilities in respect of Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996 (as amended June 2018). The review was conducted for the period 1 July 2020 to 28 February 2021.

The Financial Management review letter is ***Attachment 1***.

Appropriate steps have been taken to address the matters raised in the letter.

**RESPONSIBLE OFFICER RECOMMENDATION**

**That the Audit Committee note the Financial Management review letter issued by Macri Partners.**

Moved Cr Boothman, seconded Mr Draber

**RESOLVED**

**That the recommendation be adopted.**

(CARRIED UNANIMOUSLY 3/0)

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## 6.2 ANNUAL FINANCIAL REPORT AUDIT PLANNING SUMMARY

The Office of the Auditor General (OAG) has prepared an Annual Financial Report Audit Planning Summary in respect of the financial year ended June 2021.

The focus areas are identified in the planning summary and are considered appropriate in relation to the MRC's operations.

An entrance meeting was held on 2 June 2021, with representatives from OAG, MRC and the chair of the audit committee, to review the audit planning summary.

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

*"6(j) Review the scope of the audit plan and its effectiveness"*

The Annual Financial Report Audit Planning Summary can be found at **Attachment 2**.

### RESPONSIBLE OFFICER RECOMMENDATION

**That the Audit Committee note its review of the scope and effectiveness of the 2020/21 Annual Financial Report Audit Planning Summary issued by the Auditors.**

Moved Mr Draber, seconded Cr Boothman

**RESOLVED**

**That the recommendation be adopted.**

(CARRIED UNANIMOUSLY 3/0)

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### 6.3 RISK REGISTER – HIGH RISK SUMMARY

#### SUMMARY

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

At the meeting of 7 November 2018, it was agreed that a summarised risk register would be tabled with the Audit Committee twice every financial year and a full risk register would be tabled at least once a year.

The full risk register was last tabled on 25 February 2021.

A High Risk Register is included as **Attachment 3** to this agenda.

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

Management completed a Risk Register review on 8 July 2021 which saw minor wording amendments that are notated in red on the attachment.

#### RESPONSIBLE OFFICER RECOMMENDATION

**That the Audit Committee note the High Risk Register presented.**

Moved Mr Draber, seconded Cr Boothman

#### **RESOLVED**

**That the recommendation be adopted.**

(CARRIED UNANIMOUSLY 3/0)

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#### 6.4 EXTERNAL AUDIT MEMBER

The MRC has historically appointed an external audit committee member to the MRC audit committee in line with good governance practice.

The incumbent external member's appointment is due to expire on 16 October 2021, the date of the next local elections. As a result, a recruitment process will be required to take place in the coming weeks.

Historically the MRC has placed adverts in the West Australian and on the Australian Institute of Company Directors (AICD) website.

The draft advert can be found at ***Attachment 4***.

#### RESPONSIBLE OFFICER RECOMMENDATION

**That the Audit Committee note the advert for the recruitment of an external audit committee member.**

Moved Cr Proud, seconded Cr Boothman

**RESOLVED**

**That the recommendation be adopted.**

(CARRIED UNANIMOUSLY 3/0)

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**7 NEW BUSINESS**

CEO provided an update on the ledger project:

The MRC is currently in testing phase with a go-live date estimated to be September 2021.

**8 NEXT MEETING**

To be arranged - estimated November 2021.

**9 CLOSURE**

Prior to closing the meeting, the Chair thanked Cr David Boothman for his hard work and dedication as Chair and Deputy Chair of the MRC and Chair of the MRC Audit Committee.

The Chair thanked Mr Philip Draber for his valuable input as the External Committee Member.

The Chair also thanked Mr Gunther Hoppe, CEO, Ms Andrea Slater, Director Corporate Services and the Administration staff for their work over the last year.

The Chair closed the meeting at 5.41pm.

These minutes were confirmed by the Audit Committee as a true and accurate record of the Audit Committee meeting held on 22 July 2021.

Signed..... Chair

Dated.....day of .....2021

**ATTACHMENT 1**

**TO ITEM 6.1**

**AUDIT COMMITTEE MEETING**

**22 JULY 2021**

**FINANCIAL MANAGEMENT REVIEW REPORT 2021**

26 May 2021

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

Dear Sir

**RE: FINANCIAL MANAGEMENT REVIEW REPORT - 2021**

Please find enclosed the Financial Management Review Report 2021 for your information.

We thank your management and staff for the assistance provided during the conduct of the review.

Yours faithfully,



**ANTHONY MACRI**  
**MACRI PARTNERS**



## Mindarie Regional Council

### Report on the review of the appropriateness and effectiveness of the financial management systems and procedures

May 2021

MACRI

+ PARTNERS

Chartered Accountants



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## 1. INDEPENDENT REVIEWER'S REPORT

### TO THE CHIEF EXECUTIVE OFFICER OF THE MINDARIE REGIONAL COUNCIL

At the request of the CEO, Macri Partners was engaged to conduct a limited assurance review of the appropriateness and effectiveness of the Mindarie Regional Council's ("MRC") financial management systems and procedures. The objective of the review is to assist the CEO discharge his responsibilities in respect to Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* (as amended). The review was conducted for the period 1 July 2020 to 28 February 2021.

#### CEO'S RESPONSIBILITY FOR MAINTAINING AND REVIEWING FINANCIAL MANAGEMENT SYSTEMS AND PROCEDURES

The CEO is responsible for implementing policies, procedures and controls which are designed to ensure the effective and efficient management of the Council's resources. In accordance with Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* (as amended), the CEO is to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures. At least once in every three financial years, the CEO is to report the results of those reviews to Council.

#### OUR RESPONSIBILITY

Our responsibility is to provide a report expressing limited assurance, designed to enhance the confidence of the CEO to assist him report on the appropriateness and effectiveness of the financial management systems as required by Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* (as amended). We conducted our engagement in accordance with Australian Standard on Assurance Engagements ASAE 3500 *Performance Engagements* issued by the Australian Auditing and Assurance Standards Board, in order to state whether, based on the procedures performed, anything has come to our attention that causes us to believe that that the MRC's financial management systems have not been operating effectively. Our engagement provides limited assurance as defined in ASAE 3500.

## **INDEPENDENT REVIEWER'S REPORT (CONTINUED)**

### **LIMITATIONS OF USE**

This report is made solely to the CEO of the MRC for the purpose of the CEO reporting under Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*. We disclaim any assumption of responsibility for any reliance on this report to any person other than the CEO of the MRC, or for any purpose other than that for which it was prepared. We disclaim all liability to any other party for all costs, loss, damages, and liability that the other party might suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to the other party, or the reliance on our report by the other party.

### **INHERENT LIMITATIONS**

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with ASAE 3500 and consequently does not allow us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we will not express an opinion providing reasonable assurance. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and its responsibility to prevent and detect irregularities, including fraud. Accordingly, readers of our reports should not rely on the report to identify all potential instances of non-compliance which may occur.

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

### **INDEPENDENCE**

In conducting our engagement, we have complied with the independence requirements of the Australian professional accounting bodies.



**INDEPENDENT REVIEWER'S REPORT (CONTINUED)****CONCLUSION**

Based on our work described in this report, nothing has come to our attention to indicate the MRC has not established and maintained appropriate and effective financial management systems and procedures during the period 1 July 2020 to 28 February 2021. For those aspects of the MRC's Financial Management systems and procedures which were assessed as having opportunities for improvement, our findings and recommendations are summarised at Part 4 of this report.

  
\_\_\_\_\_  
**MACRI PARTNERS  
CHARTERED ACCOUNTANTS  
SUITE 2, 137 BURSWOOD ROAD  
BURSWOOD WA 6100**

  
\_\_\_\_\_  
**A MACRI  
PARTNER**

**PERTH  
DATED THIS 26<sup>th</sup> DAY OF MAY 2021.**



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## 2. EXECUTIVE SUMMARY

### 2.1 BACKGROUND AND REVIEW OBJECTIVE

Section 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* (“FM Reg”) requires the Chief Executive Officer (CEO) to undertake a review of the appropriateness and effectiveness of the financial management systems and procedures of the Local Government regularly (and not less than once in every 3 financial years) and report to the Local Government the results of those reviews.

To comply with this requirement, we were engaged to undertake a review of certain areas (refer 2.2 Scope and Approach). Our engagement was undertaken in accordance with Australian Auditing and Assurance Standards.

### 2.2 SCOPE AND APPROACH

The financial management review coverage included the following agreed areas:

- Fees and Charges
- Sundry Debtors
- Receipting
- Purchases of Goods & Services
- Payments
- Stores/Inventories
- Payroll
- Fringe Benefits Tax (FBT)
- Goods and Services Tax (GST)
- Investment of Surplus Funds
- Petty Cash and Floats
- Register of Financial Interests, Annual and Primary Returns (including Statutory Compliance)
- Tender Register
- Trust Fund
- Reserve Fund

Three stages were involved:

(i) Drafting financial management review work programs

The following factors were considered in developing the review programs:

- setting the objectives and scope of work;
- determining what needed to be tested and how much to test;
- documenting the work;
- deciding upon exceptions and their impact; and
- drawing conclusions regarding the testing and assessment.

(ii) Performance of financial management review function

The review was performed with the involvement of Partner, Manager and Senior staff at various stages/levels of the work for the drafting of the review programs, performances of work, discussions and the drafting of reports.

(iii) Draft report, discuss and provide final report

Reporting at the conclusion of our review visit involved reporting of review findings, significant control weaknesses, legislative non-compliance matters and other relevant matters together with our recommendations.

### **2.3 OVERVIEW OF FINDINGS**

Our examination was mainly an overview of the areas, assessing major controls and considering whether the systems and procedures in place are appropriate and effective for the MRC's current level of operations and structure. We did not necessarily examine compliance with provisions of the Act or Regulations, which were not financial in nature.

The financial management review was undertaken by discussions with the MRC's management and staff. We reviewed and identified the controls and procedures established within each area. Wherever necessary, the information provided was verified to test its accuracy and reliability.

The report contains several recommendations which we believe would help ensure that the financial systems operate in a more efficient and effective manner.

We encourage the MRC to consider these recommendations and if appropriate, to adopt them as they will further improve systems and procedures and ensure the integrity and reliability of the financial management processes and reporting of the MRC.

#### **2.4 INHERENT LIMITATIONS**

Due to 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.

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

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

#### **2.5 THIRD PARTY RELIANCE**

This report has been prepared by Macri Partners solely to assist the Chief Executive Officer of the Mindarie Regional Council discharge responsibilities in respect to Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* (as amended).

It is for the use of the Mindarie Regional Council and should not be quoted in whole or in part without our prior written consent.

Other than our responsibility to the Mindarie Regional Council, neither Macri Partners nor any partner or employee of Macri Partners undertakes any responsibility arising in any way from reliance placed by a third party on this report. Any reliance placed is that party's sole responsibility.

### 3. RISK RANKING CRITERIA

The following rankings may be applied to each recommendation to determine the significance of the issues raised:

#### High Significance

Signifies a serious breakdown in key controls, which has the potential to:

- Impact adversely on the achievement of the Council's objectives, and/or
- Expose the Council to the risk of major financial loss, and/or
- Expose the Council to a substantial risk of external criticism.

#### Medium Significance

Signifies a breakdown in controls, which has the potential to:

- Impact adversely on the achievement of Program/Activity objectives, and/or
- Expose the Program/Activity to the risk of financial loss, and/or
- Expose the Program/Activity to a risk of external criticism.

#### Low Significance

Signifies a minor breakdown in controls, which, when addressed, will:

- Improve performance of the Program/Activity, and/or
- Improve controls in line with good management practice, and/or
- Decrease risks inherent in the Program/Activity.

*The risk ranking is indicated below each issue.*

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## 4. DETAILED FINDINGS AND RECOMMENDATIONS

### 4.1 FEES AND CHARGES

We carried out a review of the fees and charges system to determine the adequacy and effectiveness of the controls in place.

The following matter was noted during our review and is brought to your attention.

#### **Finding:**

The wash-down is a product type of the weighbridge which is a free service offered to customers. During our review of this product for the period 1 July 2020 to 28 February 2021, it was found that there were 12 instances where the net (tare) weight recorded was greater than one tonne.

**Rating:** Medium

#### **Implication:**

Incorrect product type may have been entered for the 12 transactions mentioned above and consequently the Council may have lost revenue.

#### **Recommendation:**

We recommend that this matter be investigated and that a review of this product type be conducted on a timely periodic manner in the future.

#### **Management Comment:**

*The wash-down option is offered to Member Councils only, not the general public. The total of the 12 transactions total an estimated \$18k. Any outstanding charges have been invoiced to the relevant Council. A new compensating measure has now been put in place. A process that sees these type of transactions are looked at weekly before the invoice run, has been implemented.*

***Responsible Person: Director Corporate Services***

***Completion Date: June 2021***

#### **4.2 PURCHASE OF GOODS AND SERVICES**

We carried out a review of the purchases and payments system to determine the adequacy and effectiveness of the controls in place. A number of payments were selected and testing performed to determine whether purchases of goods and services were in accordance with Council's purchasing policy, guidelines and procedures.

More specifically, this entailed examining the following desirable internal control objectives:

- Appropriateness of the Council Policy on Purchases and Payments.
- Assurance that proper procedures are in place over the purchases and payments for goods and services.
- Assurance that purchases are initiated only by authorised personnel and on the basis of competitive quotes (where applicable).
- Assurance that Purchase Orders for goods are placed as needed and for optimum quantities.
- Incoming delivery of goods are recorded.
- Quantity and quality of goods received are certified prior to payment.
- Terms, prices and general accuracy of supply invoices are certified correctly before payment.
- The allocation of costs is correctly handled so as to produce reliable reports for management purposes.
- Credits are correctly processed for all purchase returns and allowances.
- The functions of requisitioning, ordering, receiving, certifying and invoice paying are segregated.

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

(i) **Finding:**

During our review of the Council Policy CP 06, we noted verbal quotations are permitted for purchase of goods and services not exceeding \$ 19,999 (excluding GST).

**Rating:** Low

**Implication:**

Such practice may increase the risk of the Council not obtaining value for money when procuring goods and services below the relevant threshold specified in the Policy.

**Recommendation:**

We recommend that written quotations be obtained for purchases of goods and services over \$ 5,000 (excluding GST) and the threshold for verbal quotations which is currently \$ 1,999 (excluding GST) be increased to \$ 4,999 (excluding GST).

**Management Comment:**

*The current CP06 was adopted by Council in September 2020. It states that for purchases between \$2,000 and \$19,999 at least three (3) verbal or written quotes (or a combination of both) are required.*

*Management will amend the policy at the next review to remove the words “verbal or” and “(a combination of both)” from the document. This will be taken to Council in September 2021.*

***Responsible Person: CEO***

***Completion Date: September 2021***

(ii) **Finding:**

During our review of the Council Policy CP 06, we also noted that minor variations are not specified in the Policy for purchases of goods and service between \$ 70,000 and \$ 249,000 (excluding GST).

**Rating:** *Medium*

**Implication:**

The successful supplier may subsequently make variations in excess of 10% to the original price quoted, thereby defeating the purpose of obtaining quotations.

**Recommendation:**

We recommend that minor variation be specified in the Policy for purchases of goods and services between \$ 70,000 and \$ 249,000 (excluding GST) especially because the threshold to call for tenders has been increased to \$ 250,000 (excluding GST)

**Management Comment:**

*The current CP06 was adopted by Council in September 2020.  
Management will include a minor variation specification at the next review.  
This will be taken to Council in September 2021.  
Management view the risk as Low.*

***Responsible Person: CEO***

***Completion Date: September 2021***

(iii) **Finding:**

During our review, 3 instances were noted where the purchase order date and the invoice date were the same and the purchase order number was manually stated on the relevant invoice. Therefore, we were unable to ascertain if the purchase order was raised before the goods or services were ordered. These instances were:

Supplier	Invoice			Purchase Order		
	Date	No.	Amount	Date	No.	Amount
Soft Landing	30/11/2020	50945	10,395.00	30/11/2020	20615	10,395.00
Gavin Burgess	30/9/2020	74	13,325.40	30/9/2020	20432	13,325.40
Soft Landing	31/1/2021	53135	26,262.50	31/1/2021	20785	26,262.50

**Rating:** Low

**Implication:**

The risk of unauthorised purchases being made increases when the purchase orders are not raised prior to the purchase of goods and services.

**Recommendation:**

We recommend that purchase orders are always raised prior to the purchase of goods and services and not after. This will ensure that goods and services have been obtained at the most competitive prices and also ensure adherence to Council's purchasing policy.

**Management Comment:**

*The 3 examples are all of a similar nature; recyclable invoices where MRC isn't aware of the quantity until the contractor has physically taken them from site. 2 examples refer to Mattresses exiting site, and one to batteries. Management can raise estimated Purchase Orders and amend as necessary.*

***Responsible Person: Director Corporate Services***

***Completion Date: June 2021***

### **4.3 PAYROLL**

As part of our review process, we examined the policies and procedures in place over the recruitment function and the monitoring and control of payroll.

The scope of the review focussed on the payroll process including:

- Fortnightly payroll processing
- New appointments
- Termination payments
- Leave balances and payments
- Workers' Compensation
- Compliance to applicable Awards, Acts and Regulations

More specifically, this entailed examining the following desirable objectives:

- Assurance that proper procedures are in place over the recruitment of staff.
- Job descriptions properly and adequately provide the duties and responsibilities of each employee.
- Staff evaluations are carried out regularly to monitor the performance of employees.
- A proper filing system is in place to ensure that employee related correspondences are filed and preserved.
- Adequate accounting records are kept to account for staff entitlements.
- Superannuation and other deductions effected from employees' salaries are remitted to the appropriate authorities promptly.
- Proper procedures are in place over the payment of employee wages and salaries.

The following matter was noted during our review and is brought to your attention.

#### **Finding:**

In the recent Federal Court judgement about casual employment classification, it was determined that employees who were currently regarded by an employer as "Casual" but whose employment circumstances otherwise reflected key characteristics of a "permanent" employee should not have been treated as casual. As per the Council's Enterprise Agreement 2019 which is currently in use, casual employees are not entitled to the benefits of annual leave, personal leave or public holidays.

**Rating:** Low

**Implication:**

Leave entitlements of casual employees who may be treated as permanent employees as per the Federal Court ruling, may not be treated correctly.

**Recommendation:**

We recommend that the Council make the necessary amendments in the Enterprise Agreement at the earliest.

**Management Comment:**

*No impact to the Mindarie Regional Council as currently there are no casual staff. Management will make the amendments at the next stage of the Enterprise Bargaining Agreement (EBA) negotiations.*

***Responsible person: CEO***

***Completion Date: November 2022***

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#### 4.4 INVESTMENT OF SURPLUS FUNDS

We conducted a review of investment of funds by the MRC. The objective of the review was to determine if adequate control exists in the investment of funds.

An investment policy exists which provides general guidelines as to the levels of risk and exposure for the various types of investments that can be placed. Our review of the MRC's Investments policy indicates that the policy has been prepared to ensure that all investments are made in accordance with:

- The *Local Government Act 1995* - Section 6.14;
- *Local Government (Financial Management) Regulations 1996* – Regs 19, 28 & 49;
- *The Trustees Act 1962* – Part III Investments; and
- Australian Accounting Standards;

All investment, cash management and risk management activity is undertaken in accordance with approved delegations authorised by the Council. The Chief Executive Officer (CEO) has been delegated authority by Council with the power to invest MRC funds. This authority is also sub-delegated by the CEO to the Management Accountant.

The MRC maintains its own investments and does not utilise the services of any authorised advisors. All movements such as transfers and redemption of investments are controlled by CEO and Management Accountant. All investments placed are appropriately documented, authorised and accurately recorded in the MRC's Investment Register and monitored by the CEO and Management Accountant.

The MRC's investments consist of term deposits (short to medium term) with three financial institutions (all are Big 4 banks). The risk profile is low as there are no structured investments which have exposure to the global financial markets.

Details of the MRC's investments are maintained in an Investment Register based on a customised proven spread-sheet model that documents the investment date, maturity date, principal amount invested, interest rate, term, institution, maturity amount and gross interest receivable. A schedule of investments is produced and submitted to the Council on a monthly basis.

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

**Finding:**

During our testing of the internal controls, we noted that the Council does not have a documented Investment Procedural Guideline.

**Rating:** Medium

**Implication:**

Non-compliance with S.19 of the Local Government (*Financial Management*) Regulations 1996.

**Recommendation:**

We recommend that an Investment Procedural Guideline be drafted and adopted by the Council in order to be compliant with S.19 of the Local Government (*Financial Management*) Regulations 1996.

**Management Comment:**

*Investment Policy CP09 was adopted by Council in September 2020. Monthly management reports are also sent to Council which includes a listing of the current investments detailing their amounts, term, rate of interest and which of the banks used. Management will prepare an Investment Procedural Guideline.*

***Responsible Person: Director Corporate Services***

***Completion Date: June 2021***

#### **4.5 STORES/INVENTORIES**

We conducted a review of internal controls around stores/inventories. The objective of the review was to determine if adequate control exists in the management of stores/inventories.

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

#### **Finding:**

During our testing of the internal controls, we noted that the Council does not have a documented Procedural Guideline for the following areas of fuel stores management:

- Physical storage
- Receiving of stores
- Issue of stores
- Recording of stores
- Stocktakes and monthly reconciliation process

**Rating:** Low

#### **Implication:**

Inadequate control over stores/inventories.

#### **Recommendation:**

We recommend that a Stores/Inventories Management Policy or Procedural Guideline be drafted and adopted by the Council in order to strengthen the controls over stores/inventories management.

#### **Management Comment:**

*The fuel stocks are currently reconciled monthly. There is a procedure for the delivery of fuel and the financial aspect but it doesn't take into account the full suite of items listed above. Management will adopt an Inventory Procedural Guideline in respect of Fuel Stocks.*

***Responsible Person: Operations Manager***

***Completion Date: June 2021***

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#### **4.6 REGISTER OF FINANCIAL INTERESTS, ANNUAL AND PRIMARY RETURNS (INCLUDING STATUTORY COMPLIANCE)**

We conducted a review of Register of Financial Interests, Annual and Primary Returns (including Statutory Compliance matters) of the MRC.

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

**Finding:**

Regulation 34(4)(A) of the *Local Government (Financial Management) Regulations 1996* requires the monthly Statement of Financial Activity and the accompanying documents to be presented at an ordinary meeting of the council within 2 months after the end of the month to which the statement relates.

We noted instances where this requirement had not been complied with. Eg, The Statement of Financial Activity for the months of March and April 2020 had been presented at the ordinary council meeting of the council held on 2 July 2020 and The Statement of Financial Activity for the months of May and June 2020 have been presented at the ordinary council meeting held on 24 September 2020.

**Rating:** Medium

**Implication:**

Non-compliance with the requirements of Regulation 34 (4) A of the *Local Government (Financial Management) Regulations 1996*.

**Recommendation:**

We recommend that the monthly Statements of Financial Activity be submitted at the ordinary meetings of the council in accordance with the requirements under Regulation 34 (4) A of the *Local Government (Financial Management) Regulations 1996*.

**Management Comment:**

*The Council Meeting dates for the year 2021 have been adopted by Council in order to achieve compliance with Regulation 34(4)(A) of the Local Government (Financial Management) Regulations 1996. Council receive a monthly financial management pack which shows more detail than what is required by the Regulations.*

**Responsible person:** CEO  
**Completion Date:** Completed

#### **4.7 FRINGE BENEFIT TAX (FBT)**

We conducted a review of the FBT calculations of the MRC.

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

**Finding:**

We noted that the meal entertainment fringe benefits calculations are made based on the actual method rather than the 50/50 split method.

**Rating:** Low

**Implication:**

If the calculations were based on the 50/50 split method, the Council could have made savings on tax on the meal entertainment benefit.

**Recommendation:**

We recommend that the Council consider calculating the tax on meal entertainment benefit using the 50/50 split method in the future.

**Management Comment:**

*Management will consider using the 50/50 method in the future*

**Responsible Person:** Director Corporate Services  
**Completion Date:** June 2022

**ATTACHMENT 2**

**TO ITEM 6.2**

**AUDIT COMMITTEE MEETING**

**22 JULY 2021**

**ANNUAL FINANCIAL REPORT AUDIT PLANNING SUMMARY**

Office of the Auditor General  
Western Australia

# Annual Financial Report Audit - Planning Summary

Mindarie Regional Council

Year ended 30 June 2021

2<sup>nd</sup> June 2021



# 1. The Planning Summary

This Summary of our Audit Plan explains our approach to the audit of the annual financial report.

In particular, this Summary includes:

- Introduction
- Our Audit Approach
- Significant Risks and Other Audit Issues
- Audit Emphasis and Significant Account Balances
- Internal Audit
- Management Representation Letter
- Related Entities
- Reporting Protocols
- Proposed Audit Schedule
- Specific Audit Requirements
- Audit Fee
- Your Audit Team
- Other Audit Activities

If there are any matters in the Summary that you would like clarified, please do not hesitate to contact us.

There may be areas where you would like us to increase the audit focus. We would be pleased to discuss these to determine the most efficient and effective approach to performing this work.

## 2. Introduction

Our audit approach is designed to specifically focus audit attention on the key areas of risk you face in reporting on your finances and performance.

It is important to note that:

- Under the *Local Government Act 1995* and associated regulations, the Council and the CEO are responsible for keeping proper accounts and records, maintaining effective internal controls, preparing the annual financial report, and complying with the Local Government Act and Regulations, and other legislative requirements.
- An audit does not guarantee that every amount and disclosure in the annual financial report is error free. Also, an audit does not examine all evidence and every transaction. However, our audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the annual financial report.
- The Council and CEO are responsible for ensuring the accuracy and fair presentation of all information in its annual report, and that it is consistent with the audited annual financial report. We do not provide assurance over your annual report.
- Under the *Local Government Act 1995* and associated regulations, the Council and the CEO have responsibility for maintaining internal controls that prevent or detect fraud or error and to ensure regulatory compliance. The Audit Committee and the Auditor General should be informed by management of any fraud or material errors. During the audit we will make inquiries with management about their process for identifying and responding to the risks of fraud, including management override. It should be noted that our audit is not designed to detect fraud, however should instances of fraud come to our attention, we will report them to you.

Our audit is conducted in accordance with Australian Auditing Standards. Our aim is to provide reasonable assurance whether the annual financial report is free of material misstatement, whether due to fraud or error. We perform audit procedures to assess whether, in all material respects, the annual financial report is presented fairly in accordance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards.

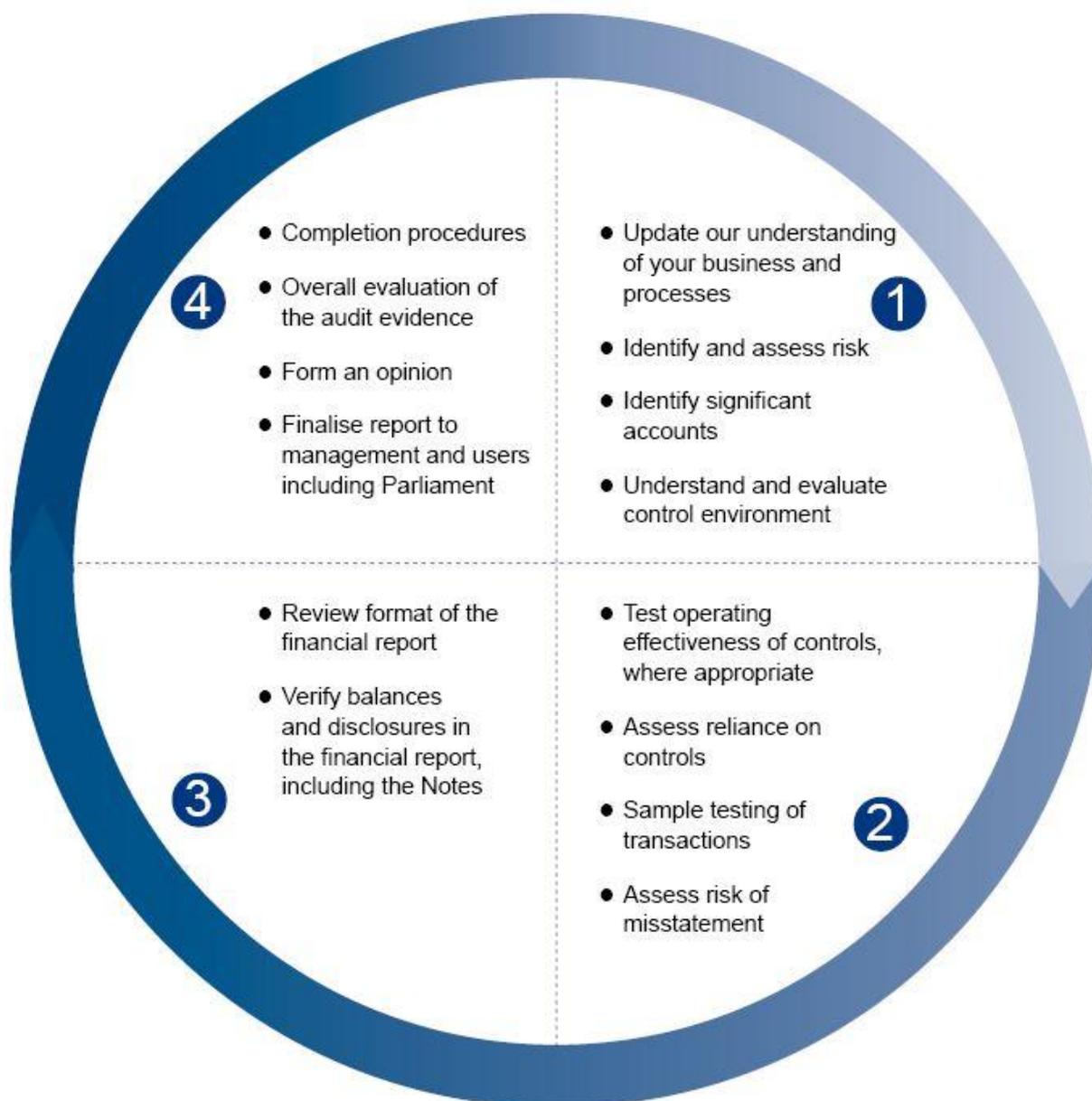
The nature of the audit is influenced by factors such as:

- the use of professional judgement
- selective testing
- the inherent limitations of internal controls
- the availability of persuasive rather than conclusive evidence.

As a result, an audit cannot guarantee that all material misstatements will be detected. We examine, on a test basis, information to provide evidence supporting the amounts and disclosures in the annual financial report, and assess the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by management.

### 3. Our Audit Approach

Our nationally recognised audit approach comprises four steps:



## 4. Significant Risks and Other Audit Issues

Through discussions with your staff and the previous auditors, we have identified the following issues and key areas of risk affecting the audit.

Details of Risk / Issue	Audit Approach
<p>Prior year management letter issues:</p> <ul style="list-style-type: none"> <li>Financial Audit –7 moderate and 2 minor issues</li> </ul>	<p>We will follow up these issues to assess the extent of action taken.</p>
<p>Key changes to accounting standards that impact your entity for the first time this year:</p> <ul style="list-style-type: none"> <li><u>AASB 1059 Service Concession Arrangements – Grantor</u> The Standard applies to service concession arrangements (Public Private Partnership arrangements) that involve an operator providing public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and managing at least some of those services.</li> </ul> <p>The Standard will require the grantor to recognise a service concession asset (e.g. infrastructure, previously unrecognised intangible asset) and, in most cases, a service concession liability.</p> <p>We understand that MRC’s RRF agreement with BioVision may be impacted by this standard. Management has engaged a professional services firm to review and assess any potential impact to the MRC 2021 financials. This assessment is expected to be completed by end of May 2021.</p>	<p>We will review management’s assessment of the impact of the new standard and determine whether, to the extent necessary, your entity has applied the standard appropriately and ensured that the annual financial report complies the new standard.</p>
<p>Contingent liability – MAR report</p> <p>At the request of the Contaminated Site Board of the Department of Water and Environmental Regulation a Mandatory Audit Report (MAR) was released in April 2020. The purpose of the MAR was to confirm that earlier investigations undertaken adequately characterised the contamination status of the site and confirm whether potentially significant risks to human health and environment exist on site or off site.</p> <p>This matter resulted in an emphasis of matter and a contingent liability disclosure in FY 2020 MRC financial statements and audit opinion.</p> <p>We understand that management has continued to perform further site testing and further investigation into this issue.</p>	<p>We will review the results of the testing and resultant consultant reports performed by management’s environmental experts. We will assess the results of these reports and determine their impact to the FY 2021 financial statements.</p>

Details of Risk / Issue	Audit Approach
<p>RRF agreement with Biovision</p> <p>We understand that MRC is currently in discussions with Biovision to explore either the continuance or termination of the RRF agreement with Biovision.</p> <p>Should the decision be made to early terminate this contract, there may be potential impact to the FY 2021 financial statements and the useful lives of certain assets.</p>	<p>We will follow with management on this matter during the course of this audit.</p>
<p>New financial management systems that may impact for the first time this year</p> <ul style="list-style-type: none"> <li>• Migration from Microsoft Navision to Microsoft Business Central</li> </ul> <p>We understand that MRC expects to migrate to the updated software by end of May 2021.</p>	<p>We will review management's work and assess that all balances and transactions have been completely and accurately transferred from the old to the new systems. Where appropriate, we will also sample test some balances during our audit.</p> <p>We will also review the controls relating to the new systems to determine the extent to which audit reliance can be placed on those new controls.</p>
<p>The following annual financial report items are derived from accounting estimates and hence will receive specific audit attention:</p> <ul style="list-style-type: none"> <li>• Provision for annual and long service leave</li> <li>• Long service leave provision for casuals</li> <li>• Fair value of assets</li> <li>• Amortisation of excavation assets and useful life and impairment of other assets</li> <li>• Rehabilitation Provision</li> </ul>	<p>We will review the method and underlying data that management and where applicable third parties use when determining critical accounting estimates. This will include considering the reasonableness of assumptions and corroborating representations.</p>
<p>Important changes in management or the control environment</p>	<p>We will review any relevant changes to management roles and related delegations, to confirm that no temporary or ongoing control gaps have occurred.</p>

## 5. Audit Emphasis and Significant Account Balances

Our audit approach involves assessing your overall control environment and understanding key business processes/cycles and internal controls relevant to the audit.

As this is our first year as auditor, we will need to test key controls for all significant business cycles. The level of testing will be dependent on our assessment of the risk in each business cycle. We plan to cover the following cycles:

- Revenue
- Expenditure
- Payroll
- Cash and cash Equivalents
- Property, Plant, Equipment and Infrastructure
- General Ledger

The extent of our reliance on controls, together with the materiality level, determines the nature and extent of our audit procedures to verify individual account balances.

Our audit will be split into two components, the interim audit and the final audit.

The interim audit includes:

- understanding your current business practices
- understanding the control environment and evaluating the design and implementation of key controls and, where appropriate, whether they are operating effectively
- testing transactions to confirm the accuracy and completeness of processing accounting transactions
- clarifying significant accounting issues before the annual financial report is prepared for audit.

The final audit focuses on verifying the annual financial report and associated notes, and includes:

- verifying material account balances using a combination of substantive analytical procedures, tests of details, substantiation to subsidiary records and confirmation with external parties
- reviewing the annual financial report and notes for compliance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards.

The table below lists those items in the Statement of Financial Position and the Statement of Comprehensive Income that are significant account balances, and our planned audit approach for these balances. When selecting significant account balances, we consider materiality, the nature of the balance, inherent risk and the sensitivity of disclosures.

Significant Account	Audit Approach
<b>Statement of Financial Position</b>	
Cash and cash equivalents	<ul style="list-style-type: none"> <li>• Review internal controls and reconciliations</li> <li>• Verify year end balance through bank confirmations</li> <li>• Analytical review</li> </ul>
Trade and Other Receivables	<ul style="list-style-type: none"> <li>• Year end cut-off testing</li> <li>• Review subsequent receipts</li> <li>• Review provision for doubtful debts</li> </ul>

Significant Account	Audit Approach
<b>Statement of Financial Position</b>	
	<ul style="list-style-type: none"> <li>Analytical review</li> </ul>
Property, plant, equipment, infrastructure, excavation and rehabilitation assets  Right of Use Assets ("RoU")	<ul style="list-style-type: none"> <li>Review key processes/controls</li> <li>Verify asset additions and disposals</li> <li>Assess assets for impairment</li> <li>Test items posted to construction in progress to assess appropriateness of expenses being capitalised</li> <li>Assess whether carrying amounts approximate fair value</li> <li>Confirm balances to independent valuation reports</li> </ul>
Trade and Other Payables	<ul style="list-style-type: none"> <li>Review of key processes/controls</li> <li>Test for unrecorded liabilities</li> <li>Year end cut off testing</li> <li>Analytical review</li> </ul>
Employee related provisions	<ul style="list-style-type: none"> <li>Review the reasonableness of assumptions and calculations</li> <li>Agree amounts to actuary/expert's report</li> <li>Analytical review</li> </ul>
Rehabilitation provisions	<ul style="list-style-type: none"> <li>Assess the qualifications and experience of the expert who performs the work</li> <li>Assess actuary's/management's assumptions and calculations</li> <li>Assess updates of MRC's MAR investigations and potential impact to this provision</li> </ul>
Lease Liabilities	<ul style="list-style-type: none"> <li>Review key processes/controls and reconciliations</li> <li>Review the reasonableness of assumptions and calculations</li> <li>Verify RoU asset additions and disposals which impact on lease liabilities</li> <li>Analytical review</li> </ul>
<b>Statement of Comprehensive Income</b>	
Fees and charges	<ul style="list-style-type: none"> <li>Review of key processes and controls</li> <li>Sample testing of transactions</li> <li>Analytical review</li> <li>Year end cut off testing</li> </ul>
Employee related expenses	<ul style="list-style-type: none"> <li>Review of key processes and controls</li> <li>Sample testing of transactions</li> <li>Analytical review</li> </ul>
Materials and contracts	<ul style="list-style-type: none"> <li>Review of key processes and controls</li> <li>Sample testing of transactions</li> </ul>
Depreciation and amortisation	<ul style="list-style-type: none"> <li>Review of management's assessment of the useful lives of assets and assess reasonableness.</li> <li>Analytical review</li> </ul>

Significant Account	Audit Approach
<b>Statement of Financial Position</b>	
State landfill levy (part of other expenses)	<ul style="list-style-type: none"><li>• Review of key processes and controls</li><li>• Analytical review</li></ul>

## 6. Internal Audit

We seek to rely on internal audit work to reduce our own audit work wherever possible. This avoids duplication of audit effort and the associated workload on your operational and administrative staff.

The amount of reliance we place on internal audit depends on the period covered by the internal audit work, and the degree of alignment between our planned controls testing and the testing carried out by internal audit. It is also dependent on the quality of the internal audit function.

This year, no reliance is planned to be placed on internal audits as the Council does not have an internal audit function and no internal audits are conducted.

## 7. Management Representation Letter

The above audit procedures assume that management expects to be in a position to sign a management representation letter. The proposed letter for this purpose is attached. This letter should be reviewed and tailored to meet your local government's particular circumstances, and be signed and dated by the CEO and Director Corporate Services as close as practicable to the date of the proposed auditor's report. Ordinarily, this would be no longer than five working days prior to the issue of the auditor's report.

Please bring to the attention of the Chairperson that we will also be relying on the signed Statement by CEO in the annual financial report as evidence that they confirm:

- they have fulfilled their responsibility for the preparation of the annual financial report in accordance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards
- they have provided us with all relevant information necessary or requested for the purpose of the audit
- all transactions have been recorded and are reflected in the annual financial report.

## 8. Related Entities

Section 7.12AL of the *Local Government Act 1995* applies section 17 of the *Auditor General Act 2006* to a local government. Section 17 requires a local government to advise the Auditor General in writing of details of all related entities that are in existence.

## 9. Reporting Protocols

Significant issues identified during the course of the audit will be discussed with relevant staff and management as soon as possible after being identified. Draft management letters will be provided to your Director Corporate Services (or other nominated representative) for

coordination of comments from appropriate members of your management. We request that these be returned quickly, preferably within 10 working days.

At the conclusion of the audit, the abovementioned management letter will accompany the auditor's report and the audited annual financial report forwarded to the Chairperson, the CEO and the Minister for Local Government. The management letter is intended to communicate issues arising from the audit that may impact on internal control, compliance, and financial reporting.

Where considered appropriate, and to ensure timely reporting of audit findings and action by management, interim management letters may be issued to the CEO.

On conclusion of the audit we propose to discuss the audit outcomes with the audit committee, CEO and Councillors.

Thereafter, as required by section 7.12AD(2) of the *Local Government Amendment (Auditing) Act 2017* we will give our auditor's report to the CEO, the Chairperson and Minister. We will also give them any management letter issues, including interim management letters.

Specific matters resulting from issues identified during the audit may be reported in an Auditor General's Report to Parliament. Should this occur, you will be consulted in advance to assure the context and facts of the issue are adequately represented.

## 10. Proposed Audit Schedule

	Date	
Planning	April-May	
Interim Audit	8th to 25 <sup>th</sup> June	
Final Audit	28 <sup>th</sup> Sept to 29 <sup>nd</sup> Oct	
<b>Critical Target Dates</b>		
Interim Management Letter	By 16 <sup>th</sup> July	
Receipt of proforma Annual Financial Report	By 15 June	*
Final Trial Balance	By 30 Sept	*
Receipt of Annual Financial Report	By 30 Sept	*
Exit Meeting (week ending)	By 12 <sup>th</sup> Nov ^	
Issue of Auditor's Report	5 working days after exit meeting	

\* To be agreed with management at the entrance meeting.

^ Subject to auditors receiving requested documents in a timely matter including a complete set of finalised financial statements by 30 Sept with minimal changes and all accounting issues resolved by July 2021.

## 11. Audit Evidence – Specific Audit Requirements

We will discuss our requirements with your staff to facilitate a timely, efficient and effective audit. We will formally agree our information requirements and timeframes for the final audit with your Director Corporate Services using our Prepared by Client Listing. This Listing is intended to help your staff to have various documents readily available when we perform our audit. Please note however that in several instances, particularly during our audit sampling at the interim visits, audit staff will need to retrieve some evidence themselves, rather than being given the evidence by your staff. This is essential for an independent audit.

## 12. Audit Fee

Our expected audit costs are still being estimated. Our indicative fee is based on full cost recovery. It is calculated from an estimate of the time required by our staff to complete your audit, and includes a proportion of the OAG's financial audit related overheads, for example the cost of preparing reports to Parliament.

We are constantly searching for ways to improve efficiency and reduce audit costs within the constraints of legislative requirements and auditing standards. However, your entity can also contribute to reducing the cost of your audit. A well prepared financial report, working papers, and internal audit programs that dovetail well with the work we are required to perform are some ways that costs can be contained.

Additional costs requiring a supplementary fee can arise from such things as significant accounting issues, errors in the financial report, breakdowns in internal controls, delays in providing information to audit staff, or your staff being unavailable to discuss issues with the audit team. Where circumstances arise that impact on our audit costs we may need to revise the indicative fee at the completion of the audit.

## 13. Your Audit Team

	Name	Contact
Director	Kien Neoh	6557 7683 kien.neoh@audit.wa.gov.au
Team Leader	Huei Chie Soh	6557 7715 hueichie.soh@audit.wa.gov.au
Other Audit Staff	Danielle England Mitchell Irwin	Danielle.england@audit.wa.gov.au Mitchell.irwin@audit.wa.gov.au
Assistant Auditor General	Grant Robinson	Grant.robinson@audit.wa.gov.au

Kien Neoh is responsible for the overall quality of the audit. As your primary contact, Kien will communicate progress and any emerging issues to you.

## 14. Other Audit Activities

We are currently performing an audit of:

Audit Program	Proposed Tabling Date
Contracted-out maintenance	Second quarter of 2021
Controls over State COVID stimulus initiatives July-December 2020	Second quarter of 2021
Temporary abbreviated State procurement control requirements	Second quarter of 2021
Western Australian public sector financial statements – better practice guide	Second quarter of 2021
State of cyber security in local government entities	Second quarter of 2021
Staff exit controls	Second quarter of 2021

The OAG has recently tabled the following reports in Parliament. These are available at [www.audit.wa.gov.au](http://www.audit.wa.gov.au) along with details of other audits we are currently performing. In reporting, we aim to identify good practice and opportunities for improvement. You may therefore wish to review these reports as they may have relevance to your local government.

Report	Date Tabled
Information System Report State – Application Reviews	11 March 2021
Grants Administration	28 January 2021
COVID-19 Relief Fund	21 December 2020
COVID-19 Status of WA Public Testing Systems	9 December 2020
Audit Results Report – Annual 2019-20 Financial Audits of Local Government Entities	11 November 2020
Transparency Report: Major Projects	29 October 2020

**ATTACHMENT 3**

**TO ITEM 6.3**

**AUDIT COMMITTEE MEETING**

**22 JULY 2021**

**HIGH RISK REGISTER**

Ref No	Org Unit	Context (Strategy, Activity, Function, Phase)	Sub-Context (Critical Success Factor, Key Dependency)	Risk Description	Causal Factors	Risk Theme	Resulting In	Existing Controls	Consequence Category	Consequence	Likelihood	Level of Risk	Risk Treatment Options
STRAT-02	Mindarie Regional Council	Objective - Long Term Viability	Regional community, Member Councils expectations	<b>Fail to meet regional community expectations of MRC in relation to the environment</b>	Increased environmental and sustainability awareness Surrounding Community expectations Noticable environmental impacts (Vermin, litter, dust, equipment, odour, noise)	Stakeholder Engagement and Expectations	Reputational issues; media interest Interference by member councils Complaints Loss of business Financial cost Licensing impact	Surveys/CSM SOP - Fire Ban Stakeholder consultation Open Days Regular Communication Integrated Planning framework Tamala Park Regional Council relationship Site Management Plan <b>Reponsive Complaint investigation</b>	Reputation Operational Efficiency Financial	2 1 2	5 5 5	<b>10</b>	Operational Changes Residential encroachment  <b>Update 8/7/21 HR review</b>
STRAT-03	Mindarie Regional Council	Objective - Long Term Viability	Regional community, Member Councils expectations	<b>Fail to meet member council expectations by not being able to agree on the strategic direction for the MRC</b>	Perceived inefficiencies Lack of communication and correspondence Change in council members Differing agendas and priorities Inability to finalise the Establishment agreement	Stakeholder Engagement and Expectations	Interference by member councils Delays in decision making Loss of support Delays in projects	Regular meetings Established working groups Constitution Commitment to strong relations with member councils	Operational Efficiency Financial Efficiency	4 4 4	5 5 5	<b>20</b>	MRC strategy not supported by member council
STRAT-04	Mindarie Regional Council	Objective - Long Term Viability	Working relationships with third parties	<b>Failure of commercial partners to fulfil MRC expectations</b>	Overcommitted Company liquidation Poor quality of service Key Contractors Contract Manager ability to review and oversee contracts obligation on the MRC	Supplier / Contract Management	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 of operational development Relationship management Appointed a Contract Manager InControl Event for all Contract Major incident debriefs	Compliance Financial Operational Efficiency Reputation	3 3 2 3	2 4 3 2	<b>12</b>	EDL Contract lack of investment Level of risk increased from 6 to 12  Replacement of Ewaste contract
STRAT-07	Mindarie Regional Council	Objective - Long Term Viability	Regional community, Member Councils expectations	<b>Increased exposure to landfill operations</b>	Landfill consumption	Managing Onsite Hazards - Health & Safety	Public visibility of operations and potential for increased complaints	Visual buffers Landfill design Community engagement	Reputation Financial	1 2	5 5	<b>10</b>	
STRAT-12	Mindarie Regional Council	Objective - Sustainable Waste Management	Challenges and change of waste management including traditional new technologies and infrastructure	<b>Inability to capitalise and utilise new waste management technologies</b>	Cost prohibitive Community perceptions Untested technologies Increased technologies being offered on market Stakeholder resistance Member Council assessment of perceived risk Volatility in waste volumes and compositions	Systems and Technology	Public outcry and loss of credibility Inability to meet state government strategies	Council commitment to new strategic plan Use of proven technologies	Reputation Operational Efficiency	4 4	2 3	<b>12</b>	Recent experience with energy from waste tender  Note: review relevance after 1 January 2021 ( <b>MRC Strategy review</b> )  <b>Update 8/7/21 HR review</b>
STRAT-15	Mindarie Regional Council	Objective - Effective Management	Maximise value of waste	<b>Inability to provide a sustainable gate fee to member councils</b>	Diversion of waste from landfill Alternative waste treatment technologies Inability to reduce scale of operations in a responsive manner Increasing commercial competition Pandemic / COVID 19 <b>Diversion of Waste from Landfill RRFA negotiations</b>	Stakeholder Engagement and Expectations	Political pressure from members Increased gate fee to members Unsustainable business model Significant deficit budget	Engagement with member council representatives Transparent communication Prudent financial management Internal efficiency reviews Commercialising unused air space	Financial Operational Efficiency	5 5	3 3	<b>15</b>	<b>Review post SCM 08/07/2021</b>  <b>Update 8/7/21 HR review</b>
STRAT-16	Mindarie Regional Council	Objective - Long Term Viability	Regional community, Member Councils expectations	<b>Changing Waste Streams</b>	Introduction of 3 bin system Change in collection systems Increased recycling Waste to Energy State Waste Strategy	Business Continuity	Loss of revenue Loss of volume Inability to service existing and potential contracts effectively	Establishment Agreement	Operational Efficiency Reputation Financial	5 5 5	4 3 3	<b>20</b>	Waste to Energy State Waste Strategy Level of risk Increased from level 15 to 20

Ref No	Org Unit	Context (Strategy, Activity, Function, Phase)	Sub-Context (Critical Success Factor, Key Dependency)	Risk Description	Causal Factors	Risk Theme	Resulting In	Existing Controls	Consequence Category	Consequence	Likelihood	Level of Risk	Risk Treatment Options
STRAT-17	Mindarie Regional Council	Objective - Long Term Viability	Safety and health	<b>Contamination of landfill by emerging contaminates of concern</b>	Contaminated material delivered to site undisclosed  Newly identified contaminated legacy material contained in landfill	Business Continuity	Health and Safety Staff harm Public harm Non compliance	Employee Awareness Training SOP's Encourage Safe culture OSH Procedure and Management system Incident reporting Leachate monitoring Not accepting known contaminated material to site Consultation with DWER and Water Corp	Compliance Health and Safety Reputation Environmental	1 2 2	5 5 2 5	10	
STRAT-18	Mindarie Regional Council	Objective - Long Term Viability	Safety and health	<b>Contamination of emerging contaminates of concern in areas surrounding landfill</b>	Contaminated material delivered to site undisclosed Historic landfill design  Newly identified contaminated legacy material contained in landfill	Business Continuity	Health and Safety Staff harm Public harm Non compliance	Employee Awareness Training SOP's Encourage Safe culture OSH Procedure and Management system Incident reporting Not accepting known contaminated material to site Groundwater monitoring on site and off site Consultation with DWER, Water Corp and TPRC	Compliance Health and Safety Reputation Environmental	5 5 5 5	2 2 2 2	10	Risk increased from 8 to 10 due to the link to Risk OPS 1 - Inability to contain leachate within site boundaries
STRAT-19	Mindarie Regional Council	Objective - Long Term Viability	Federal / State Government change directions or new initiatives	<b>Changes in Federal / State Waste Initiatives (mandatory collection systems, bans on products to landfill, etc)</b>	Public pressure International trends State Waste Strategy Federal Government export bans <b>Landfill Levy Increase</b>	Business Continuity	Loss of revenue Loss of volume Inability to service existing and potential contracts effectively Inability to develop new infrastructure services	Lobbying State Government MRC Strategy review	Operational Efficiency Reputation Financial	3 3 5	2 2 4	20	State Waste Strategy Federal Government export bans Level of risk increased from level 6 to 20 <b>Update 8/7/21 HR review</b>
OPS-01	Operations	Landfill	Contain landfill gas	<b>Inability to contain landfill gas within landfill boundaries</b>	Stage 1 unlined Insufficient capture Natural migration of gas Power station failure Infrastructure failure Liner failure	Managing Onsite Hazards - Environmental	Environmental impacts Financial penalties Loss of license Poor public perception	Power station Monitoring DWER License conditions Third party design of landfill BEMP Liners and membranes Stakeholder relationships CSM Contract arrangement with EDL Engaged Environmental consultancy services Gas Management Plan Third Party Risk Assessment Inclusion of 6th Turbine EDL Operational Gas extraction Wells	Natural Environment Financial Compliance Reputation	3 3 3 3	5 5 1 1	15	Implementation of the gas management plan Extensive gas well drilling campaign  Likelihood increased from 3 to 5  Financial Consequence reduced from 4 to 3
OPS-02	Operations	Landfill	Contain landfill leachate	<b>Inability to contain leachate within landfill boundaries</b>	Stage 1 unlined Liner failure Environmental factors Water table rise Third party influence on ground water	Managing Onsite Hazards - Environmental	Water plume Contaminated sites branch status Damaged reputation Urban extraction requirements	Lined landfill Stage 2 Monitoring/Remediation extraction Redirecting leachate, Irrigation and reinjection BEMP CSM Leachate level testing DWER Contaminated sites branch Contractor Engaged for Maintenance and Service of leachate pumping system Rainfall management plan Mandatory Audit Report Site Management Plan Additional monitoring wells installed	Natural Environment Financial Reputation Compliance	3 3 2 3	5 5 1 2	15	Financial Consequence reduced from 4 to 3

Ref No	Org Unit	Context (Strategy, Activity, Function, Phase)	Sub-Context (Critical Success Factor, Key Dependency)	Risk Description	Causal Factors	Risk Theme	Resulting In	Existing Controls	Consequence Category	Consequence	Likelihood	Level of Risk	Risk Treatment Options
OPS-06	Operations	Landfill	Contain landfill odours	<b>Inability to contain odours within site boundaries</b>	Type of waste received/accepted Inadequate cover Poor gas capture Extreme weather events Poor leachate management Tying in to existing landfill Urban encroachment Increased exposure to landfill operations	Managing Onsite Hazards - Environmental	Complaints Non compliance with license Investigations Financial penalties Reputation damage	Gas collection Daily cover Leachate management Alternate cover Class 2 Solid Waste landfill Odorous load management Biological odour control DWER license Landfill Planning Working with EDL to improve gas extraction	Compliance Financial Reputation	3 3 3	5 5 5	15	Increased exposure to landfill operations
OPS-21	Operations	Resource Recovery	Winning back waste	<b>Inability to keep recyclable materials out of landfill</b>	Lack of recycling business Lack of education and awareness Lack of recycling options Pandemic / COVID 19 Cleanaway fire	Stakeholder Engagement and Expectations	Longevity of landfill Costs to landfill Reduces life cycle of landfill Poor public perception Increased global warming potential	Engage with Recycling Contractors Grants for resource recovery Waste segregation Resell from shop <del>Recover Recycled material from landfill</del> Recover Recycled material from transfer Manage Hazardous Waste <del>Manage Recyclable waste</del> Green waste contract Mattress recycling contract <del>Timber off site</del> EPS Recycling Government / Industry advocacy <del>Member Council recycling and organics bins</del> <del>State Waste Strategy</del> <del>Steel recycling</del> <del>E-Waste recycling</del> <del>Cardboard recycling.</del>	Financial Operational Efficiency Reputation	3 2 2	5 5 1	15	Update HR review 8/7/21
OPS-22	Mindarie Regional Council	Operations	Emergency response	<b>Major Fire or Explosions</b>	Bush fire Major vehicle fire Criminal activity Methane Gas leak resulting in explosion Damage to gas bottle Inadequate segregation of chemicals Landfill ignition sources (chemical ignition/hot loads) Explosive devises delivered to site Hot Works Lithium Battery fires	Business Continuity	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 Site Management Plan SOP's DWER license Risk Assessment of Leachate and Gas impact Engagement with Butler Fire Station to run scenarios Bush Management Plan (fire loading); Dangerous Goods License; <del>DFES / City of Wanneroo exemptions.</del> Total Fire Ban and Harvest Vehicle Movement Ban; EDL Reporting of Landfill hot spots	Financial Operational Efficiency Reputation Health and Safety Environmental	5 5 5 5 5	2 2 2 2 2	10	Update HR review 8/7/21
OPS24	Mindarie Regional Council	Operations	Emergency response	<b>Chemical Spill</b>	Chemical delivered to site in damaged containers Staff and customer inattentive Damage by plant Unidentified loads	Business Continuity	Inability to deliver services Legal Action Personal injury Property Damage Temporary Closure of part or all of site Loss of Revenue Health and Safety disgruntled customers Poor public perception	Business Continuity Plan SOP's Trained personnel - Wardens EMP DWER license Emergency Equipment Dangerous goods license requirements and compliance <del>EMMP-SMP</del> Environmental Inspections OSH Inspections HHW App to clearer identification	Financial Operational Efficiency Reputation Health and Safety Environmental	3 4 5 5 5	2 2 2 2 2	10	Update HR review 8/7/21

Ref No	Org Unit	Context (Strategy, Activity, Function, Phase)	Sub-Context (Critical Success Factor, Key Dependency)	Risk Description	Causal Factors	Risk Theme	Resulting In	Existing Controls	Consequence Category	Consequence	Likelihood	Level of Risk	Risk Treatment Options
OPS-32	Mindarie Regional Council	Operations	Emergency response	<b>Pandemic</b>	Pandemic eg. Swine flu, bird flu, Ebola, COVID-19.	Business Continuity	Possible fatality Inability to deliver full suite of services Loss of revenue Disgruntled customer Health & Safety Staff wellness Non compliance to licenses Disruption to landfill gas monitoring Loss of volunteer workforce Increased pressure on services	Business Continuity Plan Wellness Program EAP support Contractor / Agency agreements Staff succession plans Federal and State Government Information CMT meetings and updates Off-site capabilities, video conferencing, working from home. Staff hygiene education Social distancing Daily cleaning program Emergency Management Procedures Consistent communication Reduction in non-essential services Obtain exemptions from regulators Collaboration with other stakeholders <b>Essential Service (added 2/3/2021, at the request of Mayor Shannon)</b>	Operational Efficiency Financial Compliance Health and Safety Reputation	5 3 5 5	2 2 2 2	<b>10</b>	As at 01/04/2020 and 15/04/2020 Due to the COVID-19 Pandemic. Materially business as usual, no infections and no fatalities. Measured scaleable response.
OPS-033	Operations	Landfill	Contain landfill gas	<b>Inability to contain landfill gas within leased site boundaries</b>	Stage 1 unlined Insufficient capture Natural migration of gas Power station failure Infrastructure failure Liner failure	Managing Onsite Hazards - Environmental	Environmental impacts Financial penalties Loss of license Poor public perception	Power station Monitoring DWER License conditions Third party design of landfill BEPM Liners and membranes Stakeholder relationships CSM Contract arrangement with EDL Engage environmental consultancy services Implementation of recommendations from MAR	Natural Environment Financial Compliance Reputation	5 5 5 5	2 2 2 2	<b>10</b>	Implementation of the gas management plan Extensive gas well drilling campaign
OPS-034	Operations	Landfill	Contain landfill leachate	<b>Inability to contain leachate within leased site boundaries</b>	Stage 1 unlined Liner failure Environmental factors Water table rise Third party influence on ground water	Managing Onsite Hazards - Environmental	Water plume Contaminated sites branch status Damaged reputation Urban extraction requirements Site classification upgraded to contaminated-remediation required	Lined landfill Remediation extraction Rediverting leachate BEMP CSM Leachate level testing DWER Contaminated sites branch Groundwater Monitoring and Annual Report Rainfall management plan Site Management Plan Mandatory Audit Report Community Consultation Advocacy with Water Corporation / Q40 turned off	Natural Environment Financial Reputation Compliance	4 5 5 3	5 2 2 1	<b>20</b>	

### EXISTING CONTROLS RATING

LEVEL	RATING	FORESEEABLE	DESCRIPTION
E	Excellent	Doing more than what is reasonable under the circumstances	Controls are fully in place, are being well addressed / complied with, are subject to ongoing maintenance and monitoring and are being continuously reviewed and tested
A	Adequate	Doing what is reasonable under the circumstances	Controls are in place, are being addressed / complied with and are subject to periodic review and testing
I	Inadequate	Not doing some or all things reasonable under the circumstances	Controls do not exist, or are not being addressed / complied with, or have not been reviewed or tested for some time

### MEASURES OF CONSEQUENCE

LEVEL	RATING	HEALTH & SAFETY	FINANCIAL	NATURAL ENVIRONMENT	REPUTATION	COMPLIANCE	OPERATIONAL EFFICIENCY
1	Insignificant	Negligible injuries	Less than \$20,000	No Significant Environmental Risk, Contained, reversible impact managed by localised staff response	Unsubstantiated, localised low impact on key stakeholder trust, low profile or no media item	Occasional notifiable temporary non-compliances	Isolated interruption of services
2	Minor	First aid injuries	\$20,000 - \$50,000	No Significant Environmental Risk, Contained, reversible impact managed by escalated internal response	Substantiated, localised impact on key stakeholder trust or low media item	Multiple notifiable non-compliances	Short term interruption of services – backlog cleared < 1 day
3	Moderate	Medical type injuries or Lost time injury < 5 days	\$50,000 - \$500,000	Contained, reversible impact managed by external agencies	Substantiated, local public embarrassment, moderate impact on key stakeholder trust or moderate media profile	Non-compliance with significant regulatory requirements imposed	Medium interruption of services – backlog cleared by additional resources < 1 week
4	Major	Lost time injury > 5 days	\$500,000 - \$2M	Uncontained, reversible impact managed by a coordinated response from external agencies	Substantiated, public embarrassment, widespread high impact on key stakeholder trust, high media profile, third party actions	Non-compliance results in termination of services or imposed penalties	Prolonged interruption of critical services – additional resources required and performance affected < 2 months
5	Catastrophic	Fatality, permanent disability	More than \$2M	Uncontained, extensive remediation required	Substantiated, public embarrassment, widespread loss of key stakeholder trust, high state widespread multiple media profile, third party actions	Non-compliance results in criminal charges or significant damages or penalties	Indeterminate prolonged interruption of critical services – non-performance > 2 months

### MEASURES OF LIKELIHOOD

LEVEL	RATING	DESCRIPTION	FREQUENCY
5	Almost Certain	The event is expected to occur in most circumstances	More than once per year
4	Likely	The event will probably occur in most circumstances	At least once per year
3	Possible	The event should occur at some time	At least once in 3 years
2	Unlikely	The event could occur at some time	At least once in 10 years
1	Rare	The event may only occur in exceptional circumstances	Less than once in 15 years

### RISK MATRIX

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	MODERATE (5)	HIGH (10)	HIGH (15)	EXTREME (20)	EXTREME (25)
Likely	4	LOW (4)	MODERATE (8)	HIGH (12)	HIGH (16)	EXTREME (20)
Possible	3	LOW (3)	MODERATE (6)	MODERATE (9)	HIGH (12)	HIGH (15)
Unlikely	2	LOW (2)	LOW (4)	MODERATE (6)	MODERATE (8)	HIGH (10)
Rare	1	LOW (1)	LOW (2)	LOW (3)	LOW (4)	MODERATE (5)

### RISK ACCEPTANCE CRITERIA

RISK RANK	DESCRIPTION	CRITERIA FOR RISK ACCEPTANCE	RESPONSIBILITY
LOW	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Operational Manager
MODERATE	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Operational Manager
HIGH	Urgent Attention Required	Risk acceptable with excellent controls, managed by senior management / executive and subject to monthly monitoring	Director / CEO
EXTREME	Unacceptable	Risk only acceptable with excellent controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring	CEO / Council

**ATTACHMENT 4**

**TO ITEM 6.4**

**AUDIT COMMITTEE MEETING**

**22 JULY 2021**

**EXTERNAL AUDIT COMMITTEE MEMBER**

**EXPRESSIONS OF INTEREST ARE SOUGHT FOR AN EXTERNAL MEMBER OF THE AUDIT COMMITTEE**

Expressions of Interest are sought from a suitably qualified and experienced person to join the Mindarie Regional Council's Audit Committee as an external member.

To be considered for this position you must be either a member of CPA Australia or the Institute of Chartered Accountants Australia, and demonstrate knowledge and experience of the following:

- Business or financial management/reporting
- Risk management systems and procedures
- Internal business controls
- Legislative compliance programs

Exposure to local government financial management and reporting is not essential, but will be highly regarded.

The Audit Committee meets at least twice a year and the appointment will be made by Council for a two-year term ending in October 2023, with an option to extend for a further two-year term by mutual agreement.

There is no remuneration payable for this position however the member can be compensated for expenses associated with enabling them to discharge the duties of the role, up to an annual limit of \$1,000.

Further information regarding the role is available by contacting Andrea Slater, Director Corporate Services, on 08 9306 6305.

Closing date is 20 August 2021.

**ATTACHMENT 5**

**AUDIT COMMITTEE MEETING**

**22 JULY 2021**

**DECLARATION OF INTERESTS**



## Mindarie Regional Council

### DECLARATION OF FINANCIAL INTEREST/INTEREST THAT MAY AFFECT IMPARTIALITY

To: **CHIEF EXECUTIVE OFFICER,  
MINDARIE REGIONAL COUNCIL**

<b>Name &amp; Position</b>	
<b>Meeting Date</b>	
<b>Item No/ Subject</b>	
<b>Nature of Interest</b>	
<b>Extent of Interest</b>	
<b>Signature</b>	
<b>Date</b>	

Section 5.65(1) of the Local Government Act 1995 states that:

“A member who has an interest in any matter to be discussed at a Council or Committee meeting that will be attended by that member must disclose the nature of the interest:

- (a) in a written notice given to the CEO before the meeting; or
- (b) at the meeting immediately before the matter is discussed

**Summary of Council Resolutions**

## List of resolutions for the financial year 2021/2022 plus any outstanding resolutions from previous years

OCM /SCM Date	Item #	Resolution	Status
8-Jul-21	8.1	1. That the MRC reconfirms its position from the OCM 24.6.2021 in respect of item 14.1 as a full and final offer. 2. Endorses the Chair to accompany the CEO in any further negotiations.	COMPLETED COMPLETED
6-Jul-17	13	That the Chief Executive Officer be requested to conduct a review of the Mindarie Regional Council's (MRC) band classification as determined by the Salaries and Allowances Tribunal (SAT) to ascertain if there is justification for the MRC in making a submission to the SAT to be reclassified from a band 3 Regional Council to a band 2 Regional Council.	OUTSTANDING