



INFORMATION BULLETIN

**Issue No. 38
December 2017**



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RESOURCE RECOVERY FACILITY UPDATE REPORT	
File No:	WST/13-07
Attachment/s:	Nil
Date:	27 November 2017
Prepared by:	Director Corporate Services

This report presents a summary of activities that have taken place in the reporting period covering 25 October 2017 to 27 November 2017.

OPERATIONAL MATTERS

During October, downtime associated with a technical fault on the main grapple crane resulted in facility unavailability. No overall tonnage shortfall ensued as a result of consistent processing over the month.

It was noted to be the wettest October in Perth for six years and the RRF benefited from this in waste diversion.

OPERATIONAL INFORMATION

Waste Delivery

Waste Delivery Summary for Reporting Period

MONTH	SCHEDULED TONNES	DELIVERED TONNES	DIFFERENCE TONNES
October 2017	8,800	9,389	589

For the 9th Contract Year, for the period to 31 October, the RRF was 4,030 tonnes ahead of schedule as a result of additional throughput at the plant.

The RRF is operating as anticipated in the Resource Recovery Facility Agreement (RRFA), with average availability of 106% over the past 12 months.

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

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

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

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

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

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

Waste Diversion

Waste Diversion for the past six months (May 2017 to October 2017) was 53.7% with a Waste Diversion Target of 51.3%.

Community Complaints

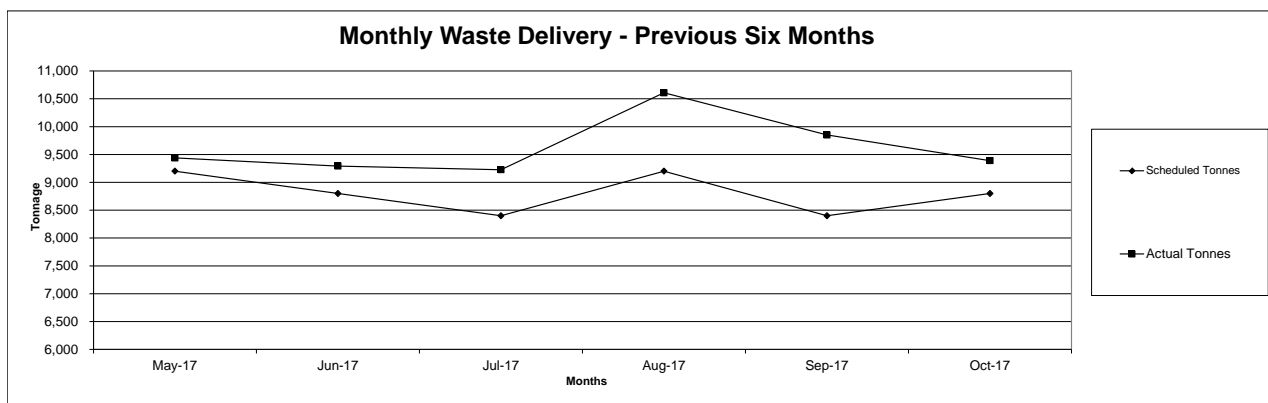
BioVision last met with its community stakeholder group on 30 November 2015 and no serious issues were raised. BioVision is continuing engagement with the selected key stakeholders, in particular the Banksia Grove development and the Wanneroo Golf Course.

COMMUNITY COMPLAINTS SUMMARY FOR THE REPORTING PERIOD

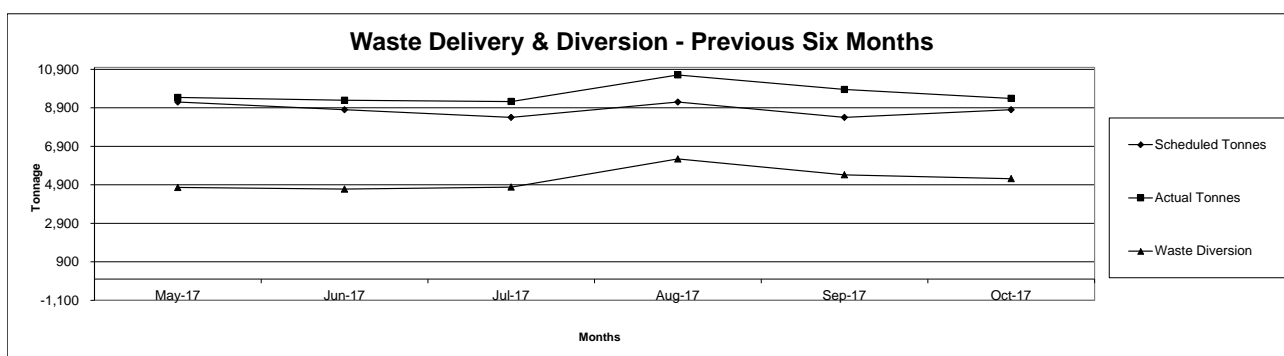
Date	Complaint	From	Outcome
Nil	No complaints were received in October	Nil	Nil

The graphs below provide data up to **31 October 2017**.

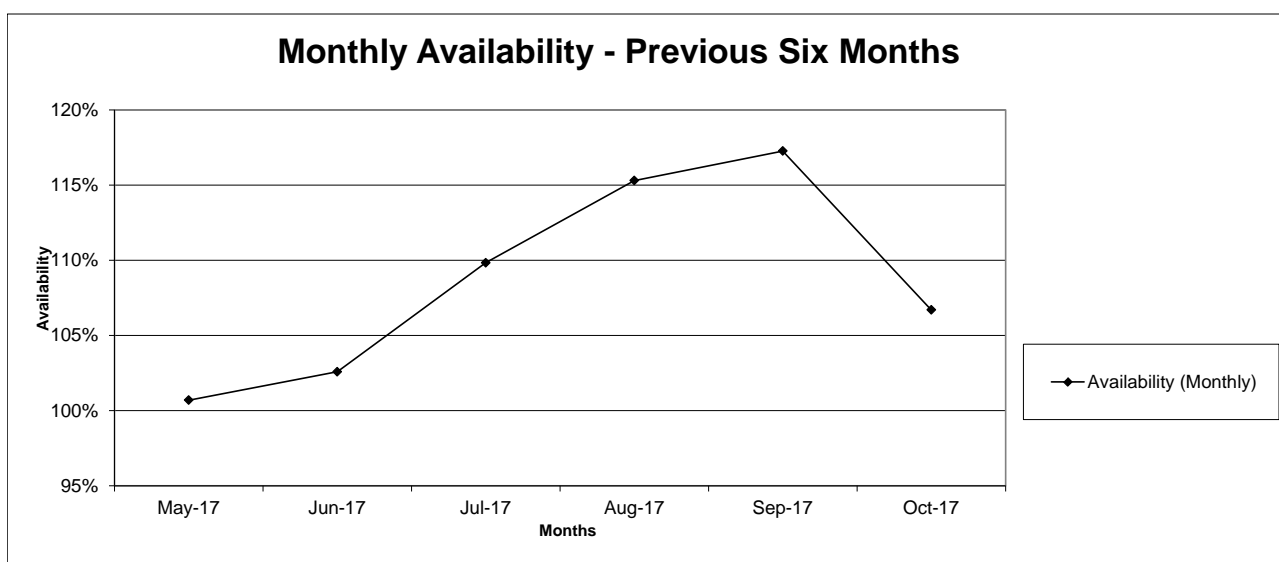
Graph No. 1 – Monthly Waste Delivery – Previous Six Months

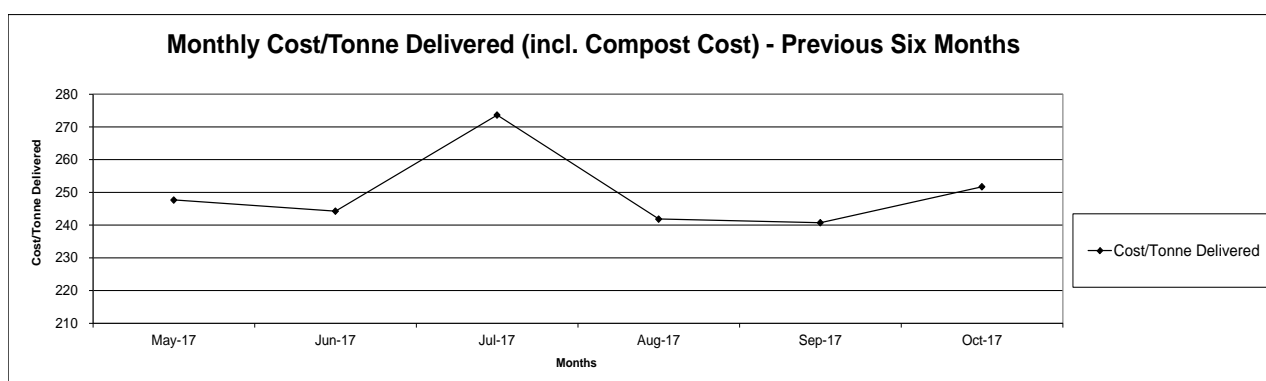
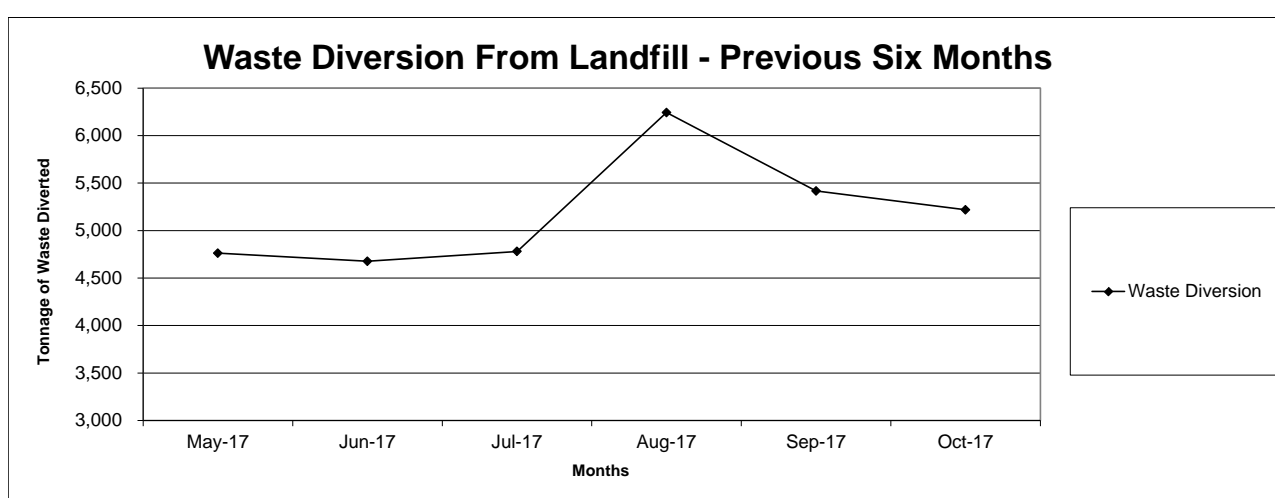


Graph No. 2 – Waste Delivery & Diversion – Previous Six Months



Graph No. 3 – Monthly Availability – Previous Six Months



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

Performance Indicators

KPI's as per the RRFA are as follows:

Table No. 1 – KPI Summary (to 31 October 2017)

KPI	Target	Previous 6 Months	Oct
Availability*	95%	109.7%	107%
Environmental Standard - Number of Breaches	0	0	0
Waste Diversion	53.7%	53.7%	55.6%
Quality of Compost - Number of Breaches**	0	0	0
Quantity of Recyclable Packaging ***	1.2%	1.2%	1.4%
Health and Safety - Number of LTI's	0	0	0
Community Acceptance - Number of Complaints ****	0	0	0
Project Culture - PAG Chairperson Score	100%	100%	100%

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

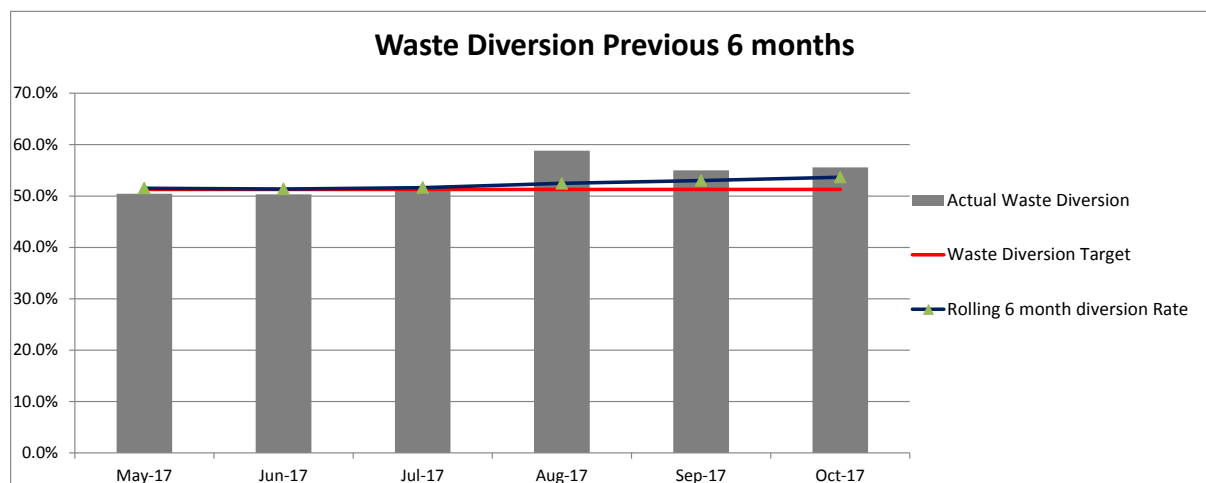
** The compost standard within the RRFA was amended by the revisions to the RRFA approved by Council at its meeting of 6 December 2012 and signed under common seal in May 2013.

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

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

Waste Diversion

The average waste diversion for the past six months (May 2017 to October 2017) has been 53.7%.



Project Advisory Group (PAG) as at 27 November 2017

MRC Representatives:

Cr Frank Cvitan
 Brian Callander (CEO)
 Gunther Hoppe
 Cr Russell Driver (Deputy)

BioVision Representatives:

Craig Barker
 Emmanuel Vivant
 Nial Stock
 Alan Turner (Alternate)

Chairperson:

Ian Watkins

The PAG last met on 11 October 2017.

Items dealt with by the group included:

- Scheduled one week shutdown of the facility from 13 November for maintenance
- The possibility of an amendment to the Deed of Guarantee to address member council exposure
- BioVision Monthly Report/Update
- Compost stockpiling

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

FINANCIAL IMPLICATIONS

Operational Expenditure

The Project Operational Summary below sets out the 2017/18 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 2017/18 Financial Year – for the period ended 31 October 2017

OPERATING STATEMENT For the month ended 31 October 2017

Description	Adopted Budget	YTD Budget	YTD Actual	\$ Remaining Bal of Budget	% Balance	Note
Resource Recovery Facility						
Operating Expenditure						
Employee Costs						
Salaries	-	-	-	-		
Allowances	-	-	-	-		
Workers Compensation Premium	-	-	-	-		
	-	-	-	-		
Consultants and Contract Labour						
Consultancy	15,000	2,250	2,250	12,750	85.00%	
Contract Labour External	-	-	-	-		
	15,000	2,250	2,250	12,750	85.00%	
Office Expenses						
Cleaning of Buildings						
General cleaning (Enviro Care)	8,000	2,664	2,858	5,142	64.28%	
Window cleaning	3,500	1,164	1,105	2,395	68.44%	
	11,500	3,828	3,962	7,538	65.55%	
Information System Expenses						
Computer System Maintenance						
ICT contractors costs	2,000	-	-	2,000	100.00%	
Newcastle Weighing Services-Gen Maintenance	6,000	2,000	3,475	2,525	42.08%	
Vertical Telecom P/L-Maint of Microwave Ant	6,000	2,000	1,708	4,292	71.54%	
	14,000	4,000	5,183	8,817	62.98%	
Building Maintenance						
Building Maintenance						
Airconditioning Maintenance	3,000	1,000	129	2,871	95.70%	
Community Education Centre	2,000	525	525	1,475	73.77%	
Weighbridge and Calibration	7,500	-	-	7,500	100.00%	
Building Security						
Security - Monitoring	-	-	215	(215)		
Security - Alarm maintenance	-	-	-	-		
Security - call out	-	-	-	-		
	12,500	1,525	869	11,631	93.05%	
RRF Operation Expenses						
Fencing and Gate Maintenance						
Fencing and Gate Maintenance	9,000	9,000	10,057	(1,057)	(11.74%)	
Repair of Boom Gate	-	-	-	-		
Road Maintenance	5,000	-	-	5,000	100.00%	
Bores and Pipework						
Bore maint/calibration/electronics	4,500	3,100	3,091	1,409	31.30%	
Groundwater sampling	2,500	-	-	2,500	100.00%	
Bacteria sampling	1,000	-	-	1,000	100.00%	
Vermin control	500	-	-	500	100.00%	
Spills/leaks/incident management	500	-	-	500	100.00%	
Vehicle Wash Facility Operations	-	-	-	-		
Landscaping and Gardens	6,000	3,135	3,135	2,865	47.74%	
Compost Disposal	489,000	163,000	146,216	342,784	70.10%	
Contractor's Fees	26,325,000	9,161,100	9,727,320	16,597,680	63.05%	
RRF Maintenance Funding	250,000	-	-	250,000	100.00%	
	27,093,000	9,339,335	9,889,820	17,203,180	63.50%	
Utilities						
Electricity	10,500	3,500	8,820	1,680	16.00%	
Rates	108,000	36,000	34,570	73,430	67.99%	
	118,500	39,500	43,390	75,110	63.38%	
Insurance						
Municipal Property Insurance	3,500	1,164	1,060	2,440	69.70%	
Public Liability Insurance	5,650	1,882	1,592	4,058	71.82%	
	9,150	3,046	2,652	6,498	71.01%	
Cost of Borrowings						
Interest on Loans						
Loan 10A	62,976	21,885	21,885	41,091	65.25%	
Loan 10B	-	-	-	-		
Loan 10C	-	-	-	-		
Loan 11	471	471	471	-	0.00%	
Loan Expenses	-	-	-	-		
	63,447	22,356	22,356	41,091	64.76%	
Amortisations						
Amortisation Pre-operating Costs	104,700	34,900	34,900	69,800	66.67%	
Amortisation Costs	386,648	128,880	128,880	257,768	66.67%	
	491,348	163,780	163,780	327,568	66.67%	
Depreciation						
Depreciation on Building	23,604	7,868	8,374	15,230	64.52%	
Depreciation on Infrastructure	27,600	9,200	8,899	18,701	67.76%	
	51,204	17,068	17,273	33,931	66.27%	
Total Operating Expenditure	27,879,649	9,596,688	10,151,535	17,709,413	63.52%	
Net Total	(27,879,649)	(9,596,688)	(10,151,535)	(17,709,413)	63.52%	

COMMUNICATIONS AND EDUCATION REPORT	
File No:	WST/178-02
Attachment(s):	Nil
Date:	29 November 2017
Responsible Officer:	Education Manager

Communication and Education Report – September/October 2017

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

- act as an advocate for change at all levels,
- improve community awareness and understanding of waste issues,
- encourage a reduce, reuse, recycle and dispose wisely ethos and behaviours associated with this,
- encourage engagement on many levels to have waste dealt with as high on the waste hierarchy as is practicable,
- promote infrastructure solutions as integral to the aim of diverting waste from landfill.

This is largely done through the provision of:

- the Earth Carer community outreach program ,
- facility tours,
- visits to schools and community groups to deliver workshops and talks,
- displays within the community (including shopping centres, libraries, fairs and events),
- messaging through a broad range of communications and advertising channels, and
- special projects/programs to facilitate greater community participation in recycling and waste disposal initiatives.

The Team works closely with:

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



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

This report will look to summarise the education activity for the months of September and October 2017.



Is coming...

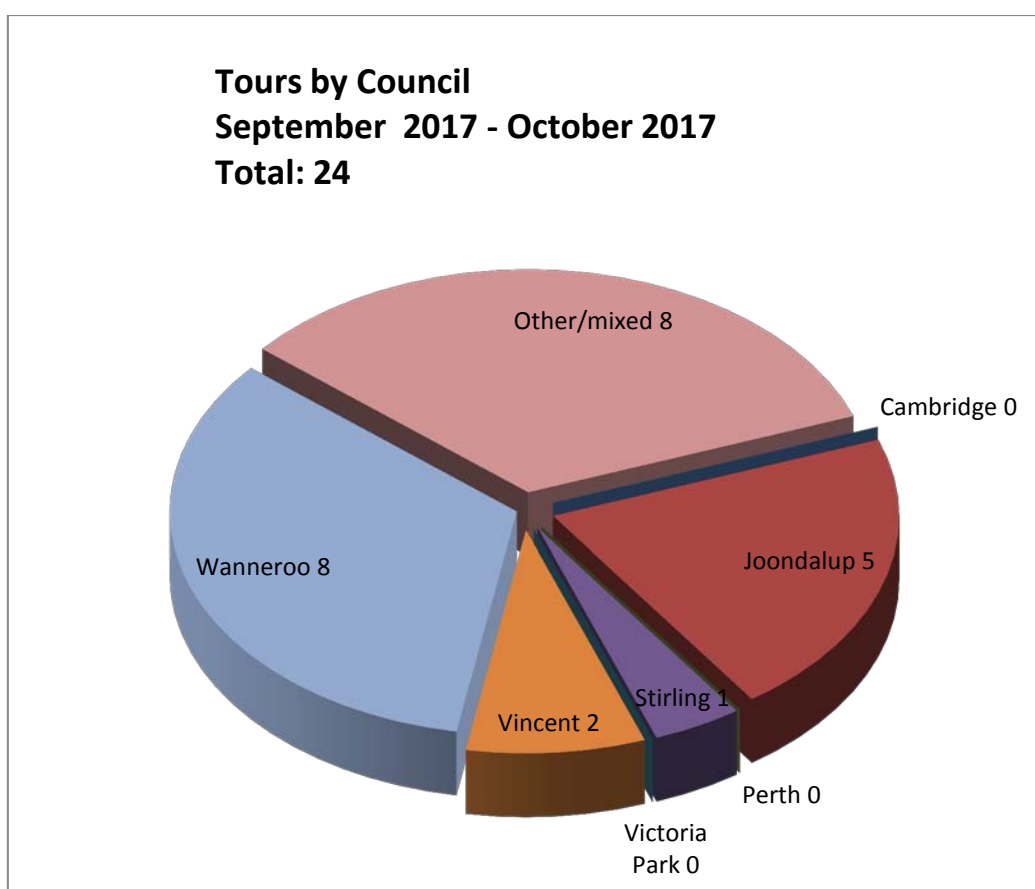
Community Engagement

Tours

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

During the September - October period **24 tours** took place with **605 people** viewing the facilities and learning about how we deal with waste.

Of the tours all 24 in this reporting period took in Tamala Park with 2 of them also visiting the RRF.



TOURS BY GROUP	
	Number
Business	5
Community	9
Schools	9
Out of School	0
Tertiary	1
TOTAL	24

Name of schools on tour:: Madely Primary School, Kyilla Primary School, Clarkson Community High School, St Marks School and Highgate Primary School..

The feedback given about these tours continues to report a high level of participant satisfaction with them being described as very informative. The tours don't just point out operational aspects of the sites but discuss the 'story of waste', engaging people in how the Waste Hierarchy works and discuss behaviours that create the best outcomes. People are continually amazed at how a 'trip to the tip' can be such an eye opener and be very enjoyable.

Roaming Recycler Waste Education Display

Spring marks the start of the event season in the Region with numerous activity going on in all council areas.

ROAMING RECYCLER EVENTS	
	Number of events
Cambridge	3
Joondalup	3
Perth	1
Stirling	3
Victoria Park	1
Vincent	1
Wanneroo	3
Other	2
TOTAL	17

Name of Events: Joondalup Spring Markets, Transition Town Vincent Celebration Waste and Recycling Conference, Perth Royal Show, Stirling Growers Farmers Market WALGA Training Day, Repair Café, West Leederville Children's Activity Pack and Open Day, Garage Sale Trail event, Wanneroo Dog's Breakfast, Little Feet, Groat St Festival and Spring Gardens.

Many of these events were over multiple days, the Perth Royal Show being an eight day event the most significant.

Perth Royal Show

The MRC again played the lead role with a waste education site at the Perth Royal Show. The theme for this year was 'Food Waste'. The display highlighted how food waste could be related to all levels of the Waste Hierarchy. How it could be 'avoided' and 'reduced' in the first place all the way down to it being landfilled.

Despite poor weather again this year good conversations were had with patrons and RAS members complimenting on the 'real' nature of the site, with practical examples of things people can easily do to reduce their waste.



Waste and Recycling Conference

The MRC again supported and participated in this year's Waste and Recycling Conference. Involvement included:

- The Waste 101 tour, all day workshop introducing participants to the waste industry and included tour of Tamala Park and the RRF.
- Conference Booth at the Crown
- Conference App information



Visits, Talks and Workshops

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

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

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

VISITS/TALKS	
	Number
Cambridge	2
Joondalup	7
Perth	0
Stirling	8
Victoria Park	0
Vincent	1
Wanneroo	8
Other	0
TOTAL	26

TYPES OF TALKS	
	Number
Battery assembly	0
Composting, worms & gardens	18
Nude Your Food	0
Waste & recycling	6
Waste Audit	2
TOTAL	26

SCHOOL/DAY CARE VISITS	
	Number
Cambridge	0
Joondalup	7
Perth	0
Stirling	8
Victoria Park	0
Vincent	1
Wanneroo	8
Other	0
TOTAL	24

Schools

The MRC provides a number of services to enhance a school's curriculum, these include: tours talks, workshops and activities can be tailored to meet the individual requirements of the school.

The MRC Education Team have continued to developing a closer working relationship with Waste Wise Schools with the purpose of delivering a broader and more consistent waste education program into schools throughout the region.

In 2017 the MRC is delivering the **Waste Wise Schools** program into MRC schools and advise how schools can become waste wise schools and access funds to assist with development of waste related projects. Through this partnership the Region's schools are being offered a superior waste education program with ongoing local support.

MRC are also assisting the City of Stirling to promote their 3 bin system by targeting schools within the city and presenting talks/workshops to students, teachers and parents on 'what goes into what bin?' Students are all given take home material describing the 3 bin system in an effort to spread the message.

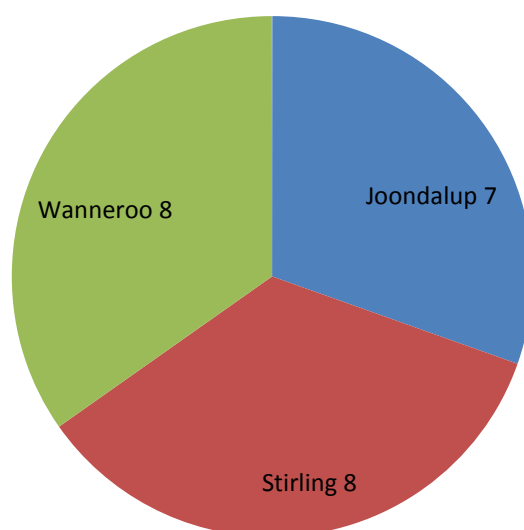


Please sort your waste correctly and help us to achieve our target of 65% waste diversion from landfill by 2020.

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

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

Visits to Schools and Day Care Centres by Council (September - October 2017)



Name of schools visited: Saint Simon Peter Catholic Primary School, St John's School, St James School, North Morley Primary School, Connolly Primary School, Hale School, Clarkson Primary School, Dryandra Primary School, John Septimus Roe Anglican Community School.

Earth Carers

August saw the next group of Earth Carers commence the training course.. This course proved very popular having to close registration early with over 40 registrations and an eventual 34 participants. These graduated at a special function in September. Interested people in the course who missed out have been carried forward to the 2018 courses whilst others applied for the WMRC course which will be held later in the year.



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

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

The MRC maintains contact after the course, with Earth Carers assisting at events on an MRC stall, in schools, and through on going workshops we offer. Earth Carers are very important ambassadors for a responsible waste message as they have credibility with friends and neighbours we could not hope to maintain.

Some MRC Earth Carers are involved in producing **Boomerang Bags**. They regularly attended the Education Centre at Tamala Park and using material from the shop at Recycling produced bags to distribute into the community.

The idea behind these bags is to reduce the use of single use plastic shopping bags.

Two sewing sessions occurred during this period.



Every second year, of which 2017 is one, an **Advanced Earth Carers** course is to enable keen Earth Carers to refresh their knowledge and to upskill themselves on the world of waste. This year 24 Earth Carers enrolled. The Advanced course requiring the participants to complete a waste related project, this to encourage them to be actively involved in promoting waste reduction messages. During September and October these Advanced Earth Carers worked on their nonminated projects with support from the MRC Education Team.

Calling all Earth Carer Kids



Resource Rescuers School Holiday Fun!




Two mornings of
environmental activities
for 8-11 year olds

Monday 2nd October &
Tuesday 3rd October
9:30-11:30 am
Tamala Park Education Centre
1700 Marmion Avenue
Tamala Park, 6030

A snack will be provided

To book or find out more
email wasteed@mrc.wa.gov.au or phone 0422 122 012

Presented by Mindarie Regional Council Earth Carers

Resource Rescuers (Earth Carer Kids) two day school holiday program was held at Tamala Park during October. This program was attended by 10 children who completed a number of waste related activities during this time. Fun and educational.

Temporary Art (individual activity)

Each child created his/her own framed self-portrait using materials collected from the Tip Shop and from nature. The aim of this activity was to demonstrate that a fun art/craft activity doesn't require the use of new or disposable materials, such as paper, glue and decorative supplies.

Each portrait was photographed and the materials were sorted and packed up for future use. Individual photos were emailed to parents as a memento of their child's/children's work.



Mighty Microbes & Extreme Earthworms

Through a 'show & tell' session, children explored and discussed types of microbes and some of their many roles in our food, gardens, health and reducing waste, including some perceptions and myths about 'germs'. The aim of this session was to build children's interest, practical knowledge and respect for microorganisms and how to live with them.

As 'decomposition detectives' the children investigated the contents of a worm farm, identifying and separating castings, food remains, other organic remains and synthetic materials etc. The aim of this session was for children to discover that worms can make use of a wider range of items than food scraps, capturing nutrients from items that might otherwise be wasted. Separated castings were used in the following planting session.



Battery Program

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

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

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

The MRC has 86 schools in the program.

Suburb	Number
Joondalup	36
Wanneroo	33
Perth	1
Cambridge	7
Vic Park	3
Vincent	6

Term 3 2017 School league table shows the top 30 schools to be:

MRC School Battery Program Total Batteries collected by Schools (kgs), Term 1, 2 & 3, 2017					
Rank	Place	Term 1	Term 2	Term 3	Total
1	Sorrento Primary School	138	81	79	298
2	Carramar Primary School	32	110	27	169
3	East Butler Primary School	32	69	63	164
4	Hillarys Primary School	77	68	16	161
5	Kinross Primary School	64	68	26	158
6	Mullaloo Beach Primary School	42	37	72	151
7	Greenwood Primary School	51	35	24	110
8	Mercy College	40	13	48	101
9	Duncraig Primary School	36	46	17	99
10	Marmion Primary School	25	32	42	99
11	Halidon Primary School	41	32	18	91
12	St Marks Anglican Community School	32	7	28	67
13	Pearsall Primary School	20	16	29	65
14	Padbury Catholic Primary School	14	11	27	52
15	Glengarry Primary School	12	12	25	49
16	Lake Joondalup Baptist College	22	11	15	48
17	Edgewater Primary School	27	10	10	47
18	North Woodvale Primary School2	19	14	14	47
19	Peter Moyes Anglican Community College	7	3	34	44
20	Mount Hawthorn Primary School	19	10	13	42
21	Quinns Rocks Primary School	9	20	12	41
22	Al-Hidayah Islamic School	16	7	15	38
23	Irene McCormack Catholic College		36	2	38
24	Poynter Primary School	13	19	5	37
25	Wanneroo Primary School	0.5	34	1	35.5
26	Quinns Baptist College	10	11	13	34
27	School of Special Educational Needs Disability (SSEND)	15	8	10	33
28	Craigie Heights Primary School	10	17	5	32
29	Landsdale Primary School	17	8	7	32
30	St Anthony's School	14	8	7	29

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

No Glass in Green top bin

The campaign to divert glass from the green top bin to reduce glass contamination in the organic soil conditioner produce at the RRF continued through these months with messaging on the CoW waste trucks and outdoor advertising on bus backs



Twenty buses out of the Joondalup bus station carried the No Glass message. During October a small number of buses continued to carry the No Glass message, a free bonus extension to the campaign.



The suburbs of Edgewater and Heathridge in the City of Joondalup were identified by the City as ones that needed further effort. The Green lid bins were checked and those bins without stickers had stickers applied as with those that had heavily degraded stickers, Information flyers supporting this were also placed into all letterboxes within these suburbs.



Then in addition to reinforce the message the yellow lid Recycling bins had stickers placed on them with recycling information. A recycling information flyer was also placed in letterboxes.

WESSG

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

The importance of **Regional messaging** remains on the agenda as does the Groups role in dealing with regional waste issues. Many events and activities within the Region occur regularly with WESSG playing an important role in streamlining communications, messaging and coordination between both the MRC and the Member Councils and the Member Councils themselves. This to share the load and get best value for the Region, including looking at ways to improve waste diversion figures for the Region.

Event planning, Compost in May, Plastic Free July, Garage Sale Trail, e-waste and HHW events, public place recycling initiatives and clothes drop off days have all been discussed at the meetings. Current issues of common interest have been multi-unit developments, illegal dumping and public place recycling.

The MRC has long had an education focus on the waste hierarchy, particularly the higher levels of reduce, reuse and recycle, encouraging people to think first before they dispose to ensure they put their waste in the best place for it to be efficiently dealt with.



The MRC is currently developing a new campaign to highlight the importance of the **waste hierarchy** and use it to explain to residents why they are seeing all these changes to the way waste is being dealt with by their councils. This use of the waste hierarchy is also being seen as a way to successfully socialise the use of waste infrastructure and possible Energy from Waste (EfW) solutions as a future option.

Taking the old waste hierarchy, explaining that the lower levels are the least preferred levels of waste management and the higher levels most preferred.

Our efforts should be focused on the top levels, minimising the waste coming through to the lower levels, to landfill (dispose) in particular.



So we started thinking...

**What makes it so easy
for us to produce so much
waste without caring?**

**The problem is that people
put things in the bin...**





Consumer insight:

**It's out of sight
and out of mind.**

Unless we can see it we won't do anything about it.
This insight led us to the campaign line...



It is anticipated that this new Regional education campaign will be launched early in the next financial year (2017/2018).



A clear bin anyone?

A City of Wanneroo truck testing a clear
'Face Your Waste' bin



MINUTES

AUDIT COMMITTEE MEETING

14 NOVEMBER 2017

TIME: 7.30AM

CITY OF STIRLING

Winning Back Waste

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



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1 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

The Chair declared the meeting open at 7.35am.

2 ATTENDANCE / APOLOGIES

MEMBERS

Cr Russ Fishwick (Chairperson)	City of Joondalup
Cr Stephanie Proud (Deputy Chairperson)	City of Stirling
Cr David Boothman	City of Stirling

IN ATTENDANCE

Mr Gunther Hoppe	Director Corporate Services MRC
Mrs Andrea Slater	Finance Manager MRC
Mr Tony Macri	Macri Partners
Mr Suren Herathmudalige	Macri Partners

APOLOGIES

Ms Gayle Rogers	External member
Mr Brian Callander	CEO MRC

3 TERMS OF REFERENCE

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

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

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

The Committee is to facilitate:

- The enhancement of the credibility and objectivity of external financial reporting;
- Effective management of financial and other risks and the protection of Council assets;
- Compliance with laws and regulations as well as use of best practice guidelines relative to auditing;
- The provision of an effective means of communication between the external auditor, the CEO and the Council.

4	DECLARATION OF INTERESTS
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Nil

5	CONFIRMATION OF MINUTES OF PREVIOUS MEETING – 8 JUNE 2017
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RESOLVED

Cr Boothman moved, Cr Proud seconded

RECOMMENDATION

That the Minutes of the Audit Committee Meeting held on 8 June 2017 be taken as read, confirmed and the Chairman invited to sign same as a true record of the proceedings.

(Carried: 3/0)

6	REPORTS
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6.1 FINANCIAL REPORT 2016/17

BACKGROUND

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

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

The annual audit of the Financial Statements for the financial year ended 30 June 2017 has been completed and the Financial Report is now submitted to the Audit Committee for consideration. The draft Financial Report is included as **Attachment 1** to this agenda.

The full Annual Report, including the Financial Report, will be presented to the Council at its Ordinary Council Meeting on 14 December 2017.

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

DETAIL

Annual Audit Process

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

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

STATUTORY ENVIRONMENT

The submission of the Financial Report for 2016/17 is in conformity with the requirements of the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996. The Auditor's Report for 2016/17 conforms to the requirements of the Local Government (Audit) Regulations 1996.

POLICY IMPLICATIONS

Not applicable.

STRATEGIC IMPLICATIONS

Not applicable.

COMMENT

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

RESPONSIBLE OFFICER RECOMMENDATION

That the Audit Committee recommends that Council adopt the Financial Report for year ended 30 June 2017.

Discussion

Mr Hoppe provided an overview of the key items contained in the financial report.

RESOLVED

Cr Boothman moved, Cr Proud seconded

That the Audit Committee recommends that Council adopt the Financial Report for year ended 30 June 2017.

(Carried: 3/0)

6.2 AUDIT COMPLETION REPORT 2016/17

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

RESPONSIBLE OFFICER RECOMMENDATION

That the Audit Committee note the Audit Completion Report for 2016/17 issued by the Auditors.

Discussion

Mr Macri was invited to speak to the report and provided an overview of the audit process and outcomes.

RESOLVED

Cr Boothman moved, Cr Proud seconded

That the Audit Committee note the Audit Completion Report for 2016/17 issued by the Auditors.

(Carried: 3/0)

6.3 INTERIM AUDIT MANAGEMENT LETTER 2016/17

The Auditor's Interim Audit Management Letter for the audit of the year ended 30 June 2017 is included as **Attachment 3** to this agenda.

RESPONSIBLE OFFICER RECOMMENDATION

That the Audit Committee note the Interim Audit Management Letter issued by the Auditors on completion of the 2016/17 audit.

RESOLVED

Cr Proud moved, Cr Boothman seconded

That the Audit Committee note the Interim Audit Management Letter issued by the Auditors on completion of the 2016/17 audit.

(Carried: 3/0)

7 NEW BUSINESS

- 7.1 Mr Hoppe noted that the Council no longer had a delegation in place requiring the audit committee to meet with the external auditors. As a result, the auditors were requested to make themselves available for the 14 December 2017 council meeting.
- 7.2 Mr Macri provided an update in respect to Local Government audits being taken over by the Office of the Auditor General. Macri's existing engagement letter would remain in force until its expiry in June 2019.

8 NEXT MEETING

The next audit committee meeting to be scheduled for February 2018.

9 CLOSURE

The Chair closed the meeting at 8.10am.

These Minutes were confirmed by the Audit Committee as a true and accurate record of the Audit Committee Meeting held on 14 November 2017.

SignedChairperson

Dated this day of2017

ATTACHMENT 1

TO ITEM 6.1

AUDIT COMMITTEE MEETING

14 NOVEMBER 2017

DRAFT FINANCIAL REPORT 2016/17

REVIEW OF FINANCIAL PERFORMANCE FOR THE YEAR

The financial statements included in this report reflect the results and financial position of the Mindarie Regional Council (MRC) for the year ended 30 June 2017 and should be read in conjunction with the accounting policies and precepts adopted by the MRC.

Total comprehensive income

The total comprehensive income for the year ended 30 June 2017 was a surplus of \$248,548 (2015/16:\$2,924,294).

The surplus for the year is attributable to realised revaluation gains and operational savings.

Total operating revenues

The total operating income of \$52,588,705 has increased by \$1,685,594 (3.3%) compared with the previous year, primarily as a result of the increase in fees and charges received.

Operating expenses

The total operating expenditures for the year of \$52,587,086 have increased by \$5,002,148 (10.5%) compared to the previous year, primarily as a result of the increase in contract costs associated with the Resource Recovery Facility (RRF) operating for the full twelve months this financial year as opposed to only nine months in the previous financial year.

Actual expenses are \$6,219,562 less than the budget for 2016/17, as a result of lower tonnes received from member councils during the year, combined with operational savings achieved across the business. \$3,052,000 of this saving relates to an agreement with the Western Metropolitan Regional Council (WMRC), which was budgeted for, but not incurred.

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

- Materials and Contracts
Expenditure increased by \$6,233,636 from 2016/17 primarily as a result of the RRF being operational all year.
- Other expenses
Expenditure decreased by \$980,821 primarily as a result of the reduced tonnes being landfilled as a result of decreased member council tonnes and the WMRC contract.

Overall, the MRC produced a good result for the year compared to the budget deficit of \$1,302,065 as a result of operational savings achieved across the business.

DISPOSAL FEES AND CHARGES

Disposal fees and charges for the year ended 30 June 2017 are shown in the table below, as dollars per tonne inclusive of GST, unless otherwise indicated.

GENERAL ENTRY

0. Member local governments	\$181.50
1. Minimum entry to site	\$16.00
2. General waste – price per tonne	\$200.00

SPECIFIED MATERIALS

3. Asbestos – price per tonne	\$215.00
4. Mattresses – per item <i>(in addition to general entry rate where part of a mixed load)</i>	\$24.00
5. Tyres – price per tonne	\$355.00
6. Small animals – per animal	\$16.00
7. Large animals – per animal	\$30.00
8. Controlled waste – per tonne	\$230.00
9. Lightweight bulk material – per cubic metre	\$80.00
10. Special burials – per 5 cubic metres <i>(in addition to general entry rate)</i>	\$225.00
11. Odorous loads – per tonne	\$230.00
12. Car gas cylinders/industrial gas cylinders – per item	\$60.00
13. Fluorescent tubes – commercial loads – per item	\$0.40
14. Clear green waste – price per tonne	\$75.00

PENALTY CHARGES

14. Replacement of Driver Control Station cards	\$60.00
15. Replacement of gate access remotes	\$160.00
16. Tipping with no payment (drive-aways)	\$110.00
17. Clean up charge (per half hour) plus any 3 rd party costs	\$150.00

WEIGHBRIDGE UNAVAILABILITY

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

WASTE PROCESSED BY THE MINDARIE REGIONAL COUNCIL

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

Period/Year	Total tonnes received by the MRC	Tonnes diverted to the RRF	Residue returned from RRF	Tonnes landfilled at Tamala Park	Tonnes landfilled offsite
1991	32,991	-	-	32,991	-
1992	150,487	-	-	150,487	-
1993	156,024	-	-	156,024	-
1994	151,945	-	-	151,945	-
1995	163,818	-	-	163,818	-
1996	179,006	-	-	179,006	-
1997	186,875	-	-	186,875	-
1998	225,620	-	-	225,620	-
1999	249,114	-	-	249,114	-
2000	336,502	-	-	336,502	-
2001	339,285	-	-	339,285	-
2002	331,576	-	-	331,576	-
2003	319,756	-	-	319,756	-
2004	328,655	-	-	328,655	-
2005	333,437	-	-	333,437	-
2006	349,156	-	-	349,156	-
2007	352,544	-	-	352,544	-
2008	380,189	-	-	380,189	-
2009	368,495	7,868	2,112	362,739	-
2010	352,035	65,010	28,889	315,914	-
2011	323,834	97,353	44,489	270,970	4,276
2012	249,783	105,213	45,414	189,984	6,239
2013	234,237	97,957	48,016	184,296	965
2014	339,262	101,622	44,059	281,699	-
2015	320,785	105,657	51,575	266,703	-
2016	267,798	76,126	39,076	230,748	-
2017	249,062	106,463	51,134	193,733	-
TOTAL	7,272,271	763,269	354,764	6,863,766	11,480

WASTE DELIVERED ANALYSED BY SOURCE

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

Source	Tonnes received by the MRC 2017	Tonnes diverted to the RRF	Tonnes landfilled at Tamala Park	Tonnes received by the MRC 2016	Variance
Town of Cambridge	7,157	-	7,157	7,814	(657)
City of Joondalup	54,283	43,338	10,945	62,496	(8,213)
City of Perth	13,872	-	13,872	13,036	836
City of Stirling	65,451	-	65,451	75,536	(10,085)
Town of Victoria Park	12,328	5,578	6,750	12,460	(132)
City of Vincent	14,185	7,395	6,790	14,643	(458)
City of Wanneroo	66,593	50,152	16,441	65,609	984
Total members	233,869	106,463	127,406	251,594	(17,725)
Other casuals	15,193	-	15,193	16,067	(874)
Total casuals	15,193	-	15,193	16,067	(874)
RRF residue*	51,134	-	51,134	39,076	12,058
City of Wanneroo	-	-	-	137	(137)
Total other	51,134	-	51,134	39,213	11,921
TOTAL	300,196	106,463	193,733	306,874	(6,678)

* Not considered as part of the external tonnes received by the MRC in calculating the 249,062 tonnes (2016: 267,798) of waste received by the MRC.

MINDARIE REGIONAL COUNCIL
Financial Report
For the year ended 30 June 2017

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

STATEMENT BY THE CHIEF EXECUTIVE OFFICER

The attached financial statements, including the supporting notes and information, of the Mindarie Regional Council for the financial year ended 30 June 2017 are in my opinion drawn up so as to present fairly the financial position of the Mindarie Regional Council as at 30 June 2017 and the results of its operations for the financial year then ended in accordance with Australian Accounting Standards and in compliance with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the 14 day of November 2017.

Brian Callander
Chief Executive Officer

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

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

	Notes	ACTUAL 2016/2017 \$	BUDGET 2016/2017 \$	ACTUAL 2015/2016 \$
Revenue from ordinary activities				
Grants and subsidies	34	-	-	169,580
Contributions, reimbursements and donations		18,329	5,906	18,681
Fees and charges		50,257,056	56,028,589	48,098,908
Gas generation services	2	1,288,449	580,000	1,187,830
Interest earnings	2	540,922	593,000	571,836
Other revenue	2	<u>483,949</u>	<u>313,606</u>	<u>856,276</u>
Total operating income		52,588,705	57,521,101	50,903,111
Operating expenses				
Employee costs		(5,150,277)	(5,413,400)	(4,846,788)
Materials and contracts		(29,430,008)	(34,022,930)	(23,196,372)
Utilities		(293,119)	(266,564)	(252,597)
Depreciation	2	(1,888,555)	(1,928,675)	(1,815,444)
Borrowing costs	2	(89,168)	(89,727)	(351,856)
Insurance		(162,631)	(297,582)	(168,860)
Amortisation	2	(4,004,402)	(4,124,308)	(4,403,274)
Other expenses	2	<u>(11,568,926)</u>	<u>(12,663,462)</u>	<u>(12,549,747)</u>
Total operating expenses		(52,587,086)	(58,806,648)	(47,584,938)
Profit from ordinary activities		1,619	(1,285,547)	3,318,173
Profit on sales of assets	23	35,445	54,207	15,585
Loss on sale of assets	23	<u>(57,190)</u>	<u>(70,725)</u>	<u>(24,773)</u>
		(21,745)	(16,518)	(9,188)
NET RESULT		<u>(20,126)</u>	<u>(1,302,065)</u>	<u>3,308,985</u>
Other comprehensive income				
Net change on revaluation of assets	18	<u>268,674</u>	-	<u>(384,691)</u>
Total other comprehensive income		268,674	-	(384,691)
TOTAL COMPREHENSIVE INCOME		<u>248,548</u>	<u>(1,302,065)</u>	<u>2,924,294</u>

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

	Notes	ACTUAL 2016/2017 \$	BUDGET 2016/2017 \$	ACTUAL 2015/2016 \$
Operating revenues				
General Purpose Funding		<u>52,588,705</u>	<u>57,521,101</u>	<u>50,903,111</u>
Total operating revenues		52,588,705	57,521,101	50,903,111
Profit on disposal of assets				
Governance		-	3,356	-
Community amenities		35,445	50,851	-
Resource recovery facility		<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	23	35,445	54,207	-
Operating expenses				
Governance		(3,558,151)	(4,297,114)	(3,657,226)
Community amenities		(22,160,263)	(27,384,546)	(22,347,980)
Resource recovery facility		<u>(26,779,504)</u>	<u>(27,035,261)</u>	<u>(21,227,876)</u>
Total operating expenses		(52,497,918)	(58,716,921)	(47,233,082)
Loss on sale of assets				
Governance		-	-	-
Community amenities		<u>(57,190)</u>	<u>(70,725)</u>	<u>(9,188)</u>
Total loss on sale of assets	23	(57,190)	(70,725)	(9,188)
Finance costs				
Community amenities		(2,751)	(2,751)	(151,665)
Resource recovery facility		<u>(86,417)</u>	<u>(86,976)</u>	<u>(200,191)</u>
Total finance costs	2	(89,168)	(89,727)	(351,856)
NET RESULT		<u>(20,126)</u>	<u>(1,302,065)</u>	<u>3,308,985</u>
Other comprehensive income				
Net change on revaluation of assets 18		<u>268,674</u>	<u>-</u>	<u>(384,691)</u>
Total other comprehensive income		268,674	-	(384,691)
TOTAL COMPREHENSIVE INCOME		<u>248,548</u>	<u>(1,302,065)</u>	<u>2,924,294</u>

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

	Notes	ACTUAL 2016/2017 \$	ACTUAL 2015/2016 \$
Current assets			
Cash and cash equivalents	3	25,240,291	24,793,165
Trade and other receivables	4	3,633,418	3,536,793
Inventories	5	10,667	12,100
Other current assets	6	<u>297,363</u>	<u>217,286</u>
Total current assets		<u>29,181,739</u>	<u>28,559,344</u>
Non-current assets			
Property, plant and equipment	7	14,139,186	14,296,267
Infrastructure	8	6,373,018	6,182,057
Excavation work	9	27,758,920	29,950,903
Resource recovery facility	10	5,551,578	6,042,926
Rehabilitation asset	11	<u>6,150,828</u>	<u>6,919,015</u>
Total non-current assets		<u>59,973,530</u>	<u>63,391,168</u>
TOTAL ASSETS		89,155,269	91,950,512
Current liabilities			
Trade and other payables	12	5,920,277	5,649,899
Provisions	13	854,398	822,553
Borrowings	14	184,781	4,187,049
Other liabilities	16	<u>-</u>	<u>-</u>
Total current liabilities		<u>6,959,456</u>	<u>10,659,501</u>
Non-current liabilities			
Provisions	13	72,731	83,191
Borrowings	14	973,026	1,196,489
Rehabilitation provision	15	15,495,138	14,949,143
Other liabilities	16	<u>39,983</u>	<u>39,983</u>
Total non-current liabilities		<u>16,580,878</u>	<u>16,268,806</u>
TOTAL LIABILITIES		23,540,334	26,928,307
NET ASSETS		<u>65,614,935</u>	<u>65,022,205</u>
EQUITY			
Retained surplus		14,685,948	18,558,616
Reserves	17	17,148,581	13,236,507
Revaluation surplus	18	29,768,507	29,499,833
Council contributions	19	<u>4,011,899</u>	<u>3,727,249</u>
TOTAL EQUITY		<u>65,614,935</u>	<u>65,022,205</u>

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

	Retained Surplus \$	Reserves \$	Revaluation Surplus \$	Council Contributions \$	Total \$
Balance as at 1 July 2015	13,108,614	15,377,524	29,884,524	3,459,202	61,829,864
Net result	3,308,985	-	-	-	3,308,985
Capital contributions	-	-	-	268,047	268,047
Transfer (to)/from reserves	2,141,017	(2,141,017)	-	-	-
Increases on revaluation of assets	-	-	(384,691)	-	(384,691)
Balance as at 30 June 2016	<u>18,558,616</u>	<u>13,236,507</u>	<u>29,499,833</u>	<u>3,727,249</u>	<u>65,022,205</u>
Balance as at 1 July 2016	18,558,616	13,236,507	29,499,833	3,727,249	65,022,205
Net result	(20,126)	-	-	-	(20,126)
Capital contributions	-	-	-	284,650	284,650
Transfer (to)/from reserves	(3,912,074)	3,912,074	-	-	-
Net increase on revaluation of assets		-	268,674	-	268,674
Adjustment on asset disposal	59,532	-	-	-	59,532
Balance as at 30 June 2017	<u>14,685,948</u>	<u>17,148,581</u>	<u>29,768,507</u>	<u>4,011,899</u>	<u>65,614,935</u>

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

	ACTUAL 2016/2017 \$	BUDGET 2016/2017 \$	ACTUAL 2015/2016 \$
Cash flows from operating activities			
<u>Receipts</u>			
Grants and subsidies	-	-	169,580
Contributions, reimbursements and donations	18,329	5,000	18,681
Service charges	1,288,449	580,000	1,187,830
Fees and charges	50,228,641	59,612,463	47,488,745
Interest earnings	479,714	593,000	634,731
Other revenue	495,768	352,300	307,615
<u>Payments</u>			
Employee costs	(5,090,609)	(5,010,052)	(4,692,493)
Materials and contracts	(29,295,375)	(33,511,979)	(23,447,181)
Utilities	(293,119)	(185,229)	(252,597)
Borrowing costs	(89,168)	(382,472)	(351,856)
Insurance	(162,631)	(293,676)	(168,860)
Other expenditure	<u>(11,568,926)</u>	<u>(14,286,413)</u>	<u>(12,549,747)</u>
Net cash from operating activities 20(b)	6,011,073	7,472,942	8,344,448
Cash flows from investing activities			
Payments for purchases of property, plant and equipment and infrastructure	(1,619,644)	(2,020,900)	(3,338,468)
Payments for excavation works	-	(14,573,000)	-
Council contributions	284,650	284,650	268,047
Payments for work-in-progress	(157,720)	-	(4,550)
Proceeds from sale of assets	<u>154,499</u>	<u>192,750</u>	<u>266,295</u>
Net cash used in investing activities	(1,338,215)	(16,116,500)	(2,808,676)
Cash flows from financing activities			
Repayments of loans 14	(4,225,732)	(4,046,831)	(3,785,702)
(Payments for)/proceeds from Carbon Price	-	-	(2,849,654)
(Payments for)/Proceeds from security deposits	-	-	(604,864)
Proceeds from new loans	<u>-</u>	<u>11,000,000</u>	<u>-</u>
Net cash (used in)/from financing activities	(4,225,732)	6,953,169	(7,240,220)
Net increase in cash and equivalents	447,126	(1,690,389)	(1,704,448)
Cash and cash equivalents 1 July 2016 20(a)	24,793,165	23,908,505	26,497,613
Cash and cash equivalents 30 Jun 2017 20(a)	<u>25,240,291</u>	<u>22,218,116</u>	<u>24,793,165</u>

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

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Basis of preparation

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

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

Critical accounting estimates

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

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

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

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

(b) The Local Government reporting entity

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

In the process of reporting on the MRC as a single unit, all transactions and balances between those funds (for example, loans and transfers between Funds) have been eliminated. The MRC did not hold any trust fund monies for the year ended 30 June 2017.

(c) Good and services tax

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

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

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

(d) Cash and cash equivalents

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

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

(e) Trade and other receivables

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

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

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

(f) Inventories

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

(g) Acquisition of assets

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

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

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

Initial Recognition and Measurement between Mandatory Revaluation Dates

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

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

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

Revaluation

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

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

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

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

Land and Buildings have been independently valued during the 2016/17 financial year. Land and Buildings have been revalued to fair value in line with the valuer's report, with the increase in fair value being reflected in a revaluation surplus account. Any impairment in values have been recognised directly in the statement of comprehensive income in the current year.

The next valuation will be carried out in the 2017/18 financial year which will cover Computers and equipment, furniture and equipment and infrastructure. Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the financial report as necessary.

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

Land Under Control

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

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

Land Under Roads

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

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

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

(i) Depreciation

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

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

Buildings	20 years
Plant and equipment	6½ years
Furniture and fittings	5 years
Computers and equipment (excluding servers)	3 years
Computers and equipment (servers)	5 years
Roads, landscaping, fences, walls and security lighting	20 years

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

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

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

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

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

(j) Leased assets

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

(k) Impairment

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

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

(l) Trade and other payables

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

(m) Employee benefits

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

(i) Short term benefits

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

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

(ii) Long term benefits

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

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

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

(n) Interest bearing loans and borrowings

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

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

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

(o) Superannuation

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

(p) Provisions

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

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

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

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

(r) Future capping expenditure

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

(s) Revenue recognition

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

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

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

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

Interest income is recognised on an accrual basis.

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

(t) Comparative figures and rounding

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

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

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

(u) Current and non-current classifications

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

(v) Budget figures

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

(w) Rates

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

(x) Intangible AssetsEasements

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

(y) Financial InstrumentsInitial recognition and measurement

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

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

Classification and subsequent measurement

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

Financial assets at fair value through profit or loss

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

Loans and Receivables

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

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

Held-to-maturity investments

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

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

Available for sale financial assets

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

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

Financial Liabilities

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

Fair Value

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

Impairment

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

Derecognition

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

(z) Fair Value of Assets and Liabilities

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

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

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

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

Fair Value Hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

The MRC selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or

liability being measured. The valuation techniques selected by the MRC are consistent with one or more of the following valuation approaches:

Market approach

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

Income approach

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

Cost approach

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

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

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

(aa) Landfill Cells

There are three general components of landfill cell construction:

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

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

	ACTUAL 2016/2017 \$	ACTUAL 2015/2016 \$
2. REVENUES AND EXPENSES		
The result from operating activities includes:		
<u>Revenue</u>		
Gas generation services		
Gas sales	1,288,449	1,187,830
Interest earnings		
Interest on reserve funds	504,775	496,591
Interest on other funds	<u>39,147</u>	<u>75,245</u>
	540,922	571,836
Other revenue		
Other revenue	483,949	856,276
<u>Expenses</u>		
Depreciation		
Buildings	292,868	282,197
Furniture and equipment	40,655	98,547
Computing equipment	247,624	250,553
Plant and machinery	<u>929,953</u>	<u>883,028</u>
	1,511,100	1,514,325
Infrastructure	<u>377,455</u>	<u>301,119</u>
	1,888,555	1,815,444
Borrowing costs		
Interest expense – loans	88,103	337,410
Loan expenses	<u>1,065</u>	<u>14,446</u>
	89,168	351,856
Amortisation		
Excavation works	2,198,872	2,585,275
Decommissioning provision accretion	545,995	431,700
Decommissioning asset	768,187	846,100
Resource recovery facility assets	<u>491,348</u>	<u>540,199</u>
	4,004,402	4,403,274
Other expenses		
State landfill levy	10,577,045	11,525,542
Other expenses	<u>991,881</u>	<u>1,024,205</u>
	11,568,926	12,549,747

	ACTUAL 2016/2017 \$	ACTUAL 2015/2016 \$
2. REVENUES AND EXPENSES (continued)		
Auditors' remuneration		
Audit of the financial report	27,140	25,640
3. CASH AND CASH EQUIVALENTS		
Unrestricted cash	8,091,710	11,556,659
Restricted cash	<u>17,148,581</u>	<u>13,236,506</u>
	25,240,291	24,793,165
The following restrictions have been imposed by Council resolution, regulation or external requirements:		
Site rehabilitation reserve	9,570,818	9,140,456
Carbon abatement reserve	491,076	491,076
Capital expenditure reserve	4,836,687	1,604,975
RRF maintenance reserve	250,000	-
Participants' surplus reserve	<u>2,000,000</u>	<u>2,000,000</u>
Total reserves	17,148,581	13,236,507
4. TRADE AND OTHER RECEIVABLES		
<u>Current</u>		
Trade receivables	3,633,418	3,536,793
Less provision for doubtful debts	<u>-</u>	<u>-</u>
	3,633,418	3,536,793
5. INVENTORIES		
<u>Current</u>		
Fuel	10,667	12,100

	ACTUAL 2016/2017 \$	ACTUAL 2015/2016 \$
6. OTHER CURRENT ASSETS		
Prepaid expenses	114,326	83,638
Accrued income	<u>183,037</u>	<u>133,648</u>
	297,363	217,286
 7. PROPERTY, PLANT AND EQUIPMENT		
Land at fair value	<u>6,760,000</u>	<u>7,000,000</u>
	6,760,000	7,000,000
Buildings – at fair value	3,487,866	3,247,653
Less Accumulated depreciation	<u>-</u>	<u>(282,197)</u>
	3,487,866	2,965,456
Furniture and fittings – at fair value	262,601	172,235
Less Accumulated depreciation	<u>(139,202)</u>	<u>(98,547)</u>
	123,399	73,688
Computers and equipment – at fair value	680,884	657,937
Less Accumulated depreciation	(498,177)	(250,553)
Add Work in progress	<u>150,831</u>	<u>-</u>
	333,538	407,384
Plant and equipment – at fair value	4,051,013	3,849,739
Less Accumulated depreciation	<u>(616,630)</u>	<u>-</u>
	3,434,383	3,849,739
	14,139,186	14,296,267

7. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Land	Buildings	Furniture and fittings	Computers and equipment	Plant and equipment	Total
	\$	\$	\$	\$	\$	\$
Opening balance	7,000,000	2,965,456	73,688	407,384	3,849,739	14,296,267
Work in Progress	-	-	-	150,831	-	150,831
Additions	-	247,074	90,366	22,947	690,841	1,051,228
Disposals	-	-	-	-	(176,244)	(176,244)
Depreciation	-	(292,868)	(40,655)	(247,624)	(929,953)	(1,511,100)
Devaluation	(240,000)		-	-	-	(240,000)
Revaluation	-	568,204	-	-	-	568,204
Closing Balance	6,760,000	3,487,866	123,399	333,538	3,434,383	14,139,186

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

	ACTUAL 2016/2017 \$	ACTUAL 2015/2016 \$
8. INFRASTRUCTURE		
Infrastructure – at fair value	6,182,057	4,876,416
Additions	568,416	1,606,760
Less Accumulated depreciation	<u>(377,455)</u>	<u>(301,119)</u>
	6,373,018	6,182,057

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

	Total \$
Opening balance	6,182,057
Additions	568,416
Depreciation	(377,455)
Closing balance	6,373,018

	ACTUAL 2016/2017 \$	ACTUAL 2015/2016 \$
9. EXCAVATION WORK		
Excavation work completed	32,531,628	32,531,628
Less Accumulated amortisation	(4,784,147)	(2,585,275)
Work In Progress	<u>11,439</u>	<u>4,550</u>
	27,758,920	29,950,903

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

	Total \$
Opening balance (less WIP)	<u>29,946,353</u>
Amortisation	(2,198,872)
Work in Progress	<u>11,439</u>
Closing balance	<u>27,758,920</u>

	ACTUAL 2016/2017 \$	ACTUAL 2015/2016 \$
10. RESOURCE RECOVERY FACILITY		
Capital expenditures	7,728,481	7,728,481
Less Accumulated amortisation	<u>(3,432,399)</u>	<u>(3,045,751)</u>
	4,296,082	4,682,730
Pre-operating expenses (commissioning)	2,093,000	2,093,000
Less Accumulated amortisation	<u>(837,504)</u>	<u>(732,804)</u>
	1,255,496	1,360,196
	5,551,578	6,042,926

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

	Capital expenditures \$	Pre- operating expenses \$	Total \$
Opening balance	<u>4,682,730</u>	<u>1,360,196</u>	<u>6,042,926</u>
Amortisation	(386,648)	(104,700)	(491,348)
Closing balance	<u>4,296,082</u>	<u>1,255,496</u>	<u>5,551,578</u>

	ACTUAL 2016/2017 \$	ACTUAL 2015/2016 \$
11. REHABILITATION ASSET		
Decommissioning asset for stage 2 capping	9,203,830	9,203,830
Less Accumulated amortisation	<u>(5,623,665)</u>	<u>(5,089,175)</u>
	3,580,165	4,114,655
Post closure rehabilitation asset	4,050,757	4,050,757
Less Accumulated amortisation	<u>(1,480,094)</u>	<u>(1,246,397)</u>
	2,570,663	2,804,360
	<u>6,150,828</u>	<u>6,919,015</u>

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

	Stage 2 Phase 2 (east) \$	Stage 2 Phase 2 (West) \$	Stage 2 Phase 3 \$	Total \$
Opening balance	143,637	163,866	3,807,152	4,114,655
Amortisation	(71,808)	(81,971)	(380,711)	(534,490)
Closing balance	<u>71,829</u>	<u>81,895</u>	<u>3,426,441</u>	<u>3,580,165</u>

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

	Total \$
Opening balance	2,804,360
Amortisation	(233,697)
Closing balance	<u>2,570,663</u>

	ACTUAL 2016/2017 \$	ACTUAL 2015/2016 \$
12. TRADE AND OTHER PAYABLES		
<u>Current</u>		
Sundry creditors	5,196,369	5,385,913
Accrued expenses	310,690	144,515
Accrued salaries and wages	100,189	61,906
GST Payable	<u>313,029</u>	<u>57,565</u>
	5,920,277	5,649,899

	ACTUAL 2016/2017 \$	ACTUAL 2015/2016 \$
13. PROVISIONS		
<u>Current</u>		
Provision for annual leave and sick leave	601,178	542,950
Provision for long service leave	<u>253,220</u>	<u>279,603</u>
	854,398	822,553
<u>Non-current</u>		
Provision for long service leave	<u>72,731</u>	<u>83,191</u>
	72,731	83,191

14. BORROWINGS

<u>Current</u>		
Loan principal	184,781	4,187,049
<u>Non-current</u>		
Loan principal	973,026	1,196,489

BUDGET	Estimated principal 1 Jul 2016 \$	Budgeted Draw- downs \$	Budgeted Principal repayments \$	Projected principal 30 Jun 2017 \$	Interest payments \$
Tamala Park					
Loan 13	1,151,157	-	1,151,157	-	2,751
RRF					
Loan 10	3,873,906	-	2,787,282	1,086,624	73,218
Loan 11	358,477	-	284,650	73,827	12,693
Closing balance	5,383,540	-	4,223,089	1,160,451	88,662
Facility fee					1,065
					89,727

14. BORROWINGS (continued)

ACTUAL	Actual principal 1 Jul 2016 \$	Actual Draw- downs \$	Actual Principal repayments \$	Actual principal 30 Jun 2017 \$	Interest payments \$
Tamala Park					
Loan 13	1,151,156	-	1,151,156		2,751
RRF					
Loan 10	3,873,905	-	2,789,926	1,083,980	71,573
Loan 11	358,477	-	284,650	73,827	13,779
Closing balance	5,383,538	-	4,225,732	1,157,807	88,103
Facility fee					1,065
					89,168

Details of loans

Loan 10 – Resource Recovery Facility Infrastructure

Loan 11 – Resource Recovery Facility Land

Loan 13 – Construction Stage 2 – Phase 3

Unspent Loans

All loan funds were fully expended.

New loans

No new loans were entered into during the year.

15. REHABILITATION PROVISION

	ACTUAL 2016/2017 \$	ACTUAL 2015/2016 \$
Decommissioning provision for Stage 2 – Phase 2 (East)	512,816	497,880
Decommissioning provision for Stage 2 – Phase 2 (West)	512,816	497,880
Decommissioning provision for Stage 2 – Phase 3	8,389,832	8,145,470
Decommissioning provision for post closure rehabilitation	<u>6,079,674</u>	<u>5,807,913</u>
	15,495,138	14,949,143

		ACTUAL 2016/2017 \$	ACTUAL 2015/2016 \$
16. OTHER LIABILITIES			
<u>Non-current</u>			
Security deposit		39,983	39,983
	ACTUAL 2016/2017 \$	BUDGET 2016/2017 \$	ACTUAL 2015/2016 \$
17. RESERVES			
CASH BACKED			
<u>Site rehabilitation reserve</u>			
Opening balance	9,140,456	8,708,756	8,708,756
Transfer to reserve	430,362	431,700	431,700
Transfer from reserve	-	-	-
	9,570,818	9,140,456	9,140,456
<u>Capital expenditure reserve</u>			
Opening balance	1,604,975	1,007,523	1,328,037
Transfer to reserve	5,000,000	2,000,000	2,000,000
Transfer from reserve	(1,768,288)	(2,820,500)	(1,723,062)
	4,836,687	187,023	1,604,975
<u>Participants' surplus reserve</u>			
Opening balance	2,000,000	229,086	2,000,000
Transfer to reserve	-	-	-
Transfer from reserve	-	-	-
	2,000,000	229,086	2,000,000
<u>Carbon abatement reserve</u>			
Opening balance	491,076	3,309,266	3,340,731
Transfer to reserve	-	-	-
Transfer from reserve	-	-	(2,849,655)
	491,076	3,309,266	491,076
<u>RRF maintenance reserve</u>			
Opening balance	-	-	-
Transfer to reserve	250,000	-	-
Transfer from reserve	-	-	-
	250,000	-	-
Total Reserves	17,148,581	12,865,831	13,236,507

17. RESERVES (continued)

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

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

Site rehabilitation reserve – to be used to fund the rehabilitation following the closure of the landfill.

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

Participants' Surplus Reserve – to be used to fund a deficit as shown in the year end accounts.

Carbon abatement reserve - to be used to fund carbon abatement projects.

RRF maintenance reserve – to be used to fund RRF maintenance obligations.

	ACTUAL 2016/2017 \$	BUDGET 2016/2017 \$	ACTUAL 2015/2016 \$
18. REVALUATION SURPLUS			
Revaluation surpluses have arisen on the revaluation of the following classes of non-current assets:			
<u>Land and buildings</u>			
Opening balance	5,843,826	-	5,843,826
Revaluation increment	708,249	-	-
Reversal of previous revaluation gains	(380,045)	-	-
	6,172,030	-	5,843,826
<u>Furniture and fittings</u>			
Opening balance	155,067	-	155,067
Revaluation increment	-	-	-
Revaluation decrement	-	-	-
	155,067	-	155,067
<u>Computers and equipment</u>			
Opening balance	538,668	-	538,668
Revaluation increment	-	-	-
Revaluation decrement	-	-	-
	538,668	-	538,668
<u>Plant and equipment</u>			
Opening balance	330,774	-	715,465
Revaluation increment	-	-	106,200
Realised on sale	(59,530)	-	(490,891)
	271,244	-	330,774
<u>Infrastructure</u>			
Opening balance	2,071,219	-	2,071,219
Revaluation increment	-	-	-
Revaluation decrement	-	-	-
	2,071,219	-	2,071,219
<u>Landfill cell development excavation</u>			
Opening balance	20,560,279	-	20,560,279
Revaluation increment	-	-	-
Revaluation decrement	-	-	-
	20,560,279	-	20,560,279
Total Revaluation Surplus	29,768,507	-	29,499,833
Net Movement in year	268,674	-	(384,691)

		ACTUAL 2016/2017 \$	ACTUAL 2015/2016 \$
19. COUNCIL CONTRIBUTIONS			
City of Joondalup	(16.67%)	668,654	621,212
City of Wanneroo	(16.67%)	668,654	621,212
City of Stirling	(33.33%)	1,337,296	1,242,413
City of Perth	(8.33%)	444,132	420,412
City of Vincent	(8.33%)	297,721	274,000
Town of Cambridge	(8.33%)	297,721	274,000
Town of Victoria Park	(8.33%)	<u>297,721</u>	<u>274,000</u>
		4,011,899	3,727,249

20. NOTES TO THE STATEMENT OF CASH FLOWS

20(a) Reconciliation of cash

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

Cash and cash equivalents	25,240,291	24,793,165
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20(b) Reconciliation of the Net Result to net cash provided by operating activities

Net result	39,407	3,308,985
Depreciation	1,888,555	1,815,444
Amortisation – excavation	2,198,872	2,585,275
Amortisation and finance charges for capping	1,042,421	1,142,400
Amortisation – post closure site monitoring	271,761	165,400
Amortisation – RRF assets	491,348	540,199
(Profit)/Loss on sale of assets	(37,788)	9,188
Impairment of assets on revaluation	-	-
(Increase)/decrease in receivables	(96,624)	(506,605)
(Increase)/decrease in inventories	1,433	(637)
(Increase)/decrease in prepayments and accrued income	(80,076)	5,955
(Decrease)/increase in payables	270,379	(331,373)
(Decrease)/increase in other liabilities	-	(491,076)
(Decrease)/Increase in employee provisions	21,385	131,293
Net cash provided by operating activities	6,011,073	8,344,448

	ACTUAL 2016/2017 \$	ACTUAL 2015/2016 \$
20. NOTES TO THE STATEMENT OF CASH FLOWS (continued)		
20(c) Undrawn borrowing facilities		
NAB Bank overdraft limit	-	1,000,000
NAB Bank overdraft drawn	-	-
NAB Credit card limit	50,000	50,000
NAB Credit card balance drawn	-	-
CBA Credit card limit	50,000	50,000
CBA Credit card balance drawn	-	-
Loan facility limits	973,026	1,196,489
Loan principal drawn	(973,026)	(1,196,489)
Total undrawn borrowing facilities	100,000	1,100,000

21. FAIR VALUE MEASUREMENTS

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

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

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

21. FAIR VALUE MEASUREMENTS (continued)

Recurring fair value measurements

30 June 2017			
Level 1	Level 2	Level 3	Total
\$	\$	\$	\$
Land	- 6,760,000	-	6,760,000
Buildings	-	3,487,866	3,487,866
Furniture and fittings	-	123,399	123,399
Computers and equipment	-	333,538	333,538
Plant and equipment	- 118,044	3,316,339	3,434,383
Infrastructure	-	6,373,018	6,373,018
	- 6,878,044	13,634,160	20,512,204

30 June 2016			
Level 1	Level 2	Level 3	Total
\$	\$	\$	\$
Land	- 7,000,000	-	7,000,000
Buildings	-	2,965,456	2,965,456
Furniture and fittings	-	73,688	73,688
Computers and equipment	-	407,384	407,384
Plant and equipment	- 229,115	3,620,624	3,849,739
Infrastructure	-	6,182,057	6,182,057
	- 7,229,115	13,249,209	20,478,324

21(a) Transfers policy

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

21(b) Highest and best use

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

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

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

21. FAIR VALUE MEASUREMENTS (continued)

Asset class	Level of valuation input	Fair value at 30 June 2017	Valuation techniques	Inputs used
		\$		
Land	2	6,760,000	Market approach	A
Buildings	3	3,487,866	Cost approach	B
Furniture and fittings	3	123,399	Cost approach	B
Computers and equipment	3	333,538	Cost approach	B
Plant and equipment	2 / 3	3,434,383	Market approach / Cost approach	B
Infrastructure	3	6,373,018	Cost approach	B
Total		20,512,204		

A - Sales of similar properties

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

Recurring fair value measurements

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

Land

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

Buildings

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

21. FAIR VALUE MEASUREMENTS (continued)

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

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

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

Furniture and fittings

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

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

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

Computers and equipment

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

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

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

Plant and equipment

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

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

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

Infrastructure

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

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

21(d) Valuation process

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

As at 30 June 2017, an assessment of the revaluation work performed by the external valuers, which included a review of the valuer's methodology, limitations, algorithms, key assumptions and inputs used in applying the valuation methodology to ensure they were appropriate in their application. Changes in fair value were analysed at the end of the reporting period. Consequently, management is satisfied with the results of the valuations undertaken and confirm that the movement in the asset values are reasonable.

21. FAIR VALUE MEASUREMENTS (continued)

21(e) Disclosed fair value measurements

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

- Borrowings

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

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

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

ACTUAL 2016/2017	ACTUAL 2015/2016
\$	\$

22. OPERATING LEASE COMMITMENTS

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

- not later than one year	706,213	703,341
- later than one year, but not later than five years	2,824,851	2,813,362
- later than five years	<u>7,062,127</u>	<u>7,736,746</u>
	10,593,191	11,253,449

23. ASSET DISPOSALS

	Net Book Value \$	Selling Price \$	Profit/ (loss) \$
<u>Budget</u>			
Plant and equipment			
Hino Bin Truck	63,263	20,000	(43,263)
Caterpillar 257 MTL	67,462	40,000	(27,462)
Nissan Fire Ute	-	5,000	5,000
Hino Water Truck	-	15,000	15,000
CAT Forklift	8,866	8,866	-
Nissan Ute	9,884	9,884	-
VW Amarok	29,474	32,000	2,526
VW CC	29,528	32,000	2,472
Ford Ranger	<u>28,876</u>	<u>30,000</u>	<u>1,124</u>
Loss on sale of assets	237,353	192,750	(44,603)
	Net Book Value \$	Selling Price \$	Profit/ (loss) \$
<u>Actual</u>			
Plant and equipment			
Ford Ranger	18,559	31,818	13,259
Nissan Navara Ute	11,126	20,680	9,554
Kubota Lawnmower	-	6,053	6,053
VW Amarok	20,255	22,762	2,507
Electric Vehicle	-	1,985	1,985
Litter Critter	-	1,237	1,237
VW CC	<u>21,555</u>	<u>22,405</u>	<u>849</u>
Profit on Sale of Assets	71,495	106,940	35,445
CAT Forklift	10,481	7,273	(3,209)
Lighting Tower	18,472	3,273	(15,199)
Caterpillar 247B3 Skid Steer	41,043	21,923	(19,121)
Hino Water Truck	<u>34,753</u>	<u>15,091</u>	<u>(19,661)</u>
Loss on Sale of Assets	104,749	47,559	(57,190)
Net Loss on Sale of Assets	<u>176,244</u>	<u>154,499</u>	<u>(21,745)</u>

	ACTUAL 2016/2017 \$	ACTUAL 2015/2016 \$	ACTUAL 2014/2015 \$
24. FINANCIAL RATIOS			
Current ratio	1.73	1.44	1.00
Asset sustainability ratio	0.68	1.42	2.24
Debt service cover ratio	1.40	2.39	2.17
Operating surplus ratio	0.01	0.07	0.01
Own source revenue coverage ratio	1.00	1.07	1.01*

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

Asset consumption ratio	0.68	0.72	0.75**
Asset renewal funding ratio	0.55	0.68	1.00

Ratio formulas

Current ratio

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

Asset sustainability ratio

Capital renewal and replacement expenditure / depreciation expense

Debt service cover ratio

Annual operating surplus before interest and depreciation / principal and interest

Operating surplus ratio

Operating revenue - operating expense / own source operating revenue

Own source revenue ratio

Own source operating revenue / operating expenses

Asset consumption ratio

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

Asset renewal funding ratio

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

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

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

25. ASSETS CLASSIFIED BY TYPE AND LOCAL GOVERNMENT PROGRAM

Statement of objective

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

Component of Functions

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

General Purpose Funding - Interest from investments

Governance - Member Council elected delegates, corporate support services.

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

	ACTUAL 2016/2017 \$	ACTUAL 2015/2016 \$
Current assets		
Community amenities	29,181,738	28,563,894
Non-current assets		
Land and buildings		
Governance	1,550,686	988,025
Community amenities	1,937,180	1,977,430
Resource recovery facility	6,760,000	7,000,000
Furniture and fittings		
Governance	705	2,031
Community amenities	122,695	71,657
Computers and equipment		
Governance	158	5,763
Community amenities	333,380	401,621
Plant and equipment		
Governance	41,536	22,000
Community amenities	3,392,847	3,827,739
Infrastructure		
Community amenities	6,373,018	6,182,057
Excavation work		
Community amenities	27,758,920	29,946,353
Resource recovery facility		
Resource recovery facility	5,551,578	6,042,926
Rehabilitation asset		
Community amenities	6,150,828	6,919,016
TOTAL ASSETS	<u>89,155,269</u>	<u>91,950,512</u>

	ACTUAL 2016/2017 \$	BUDGET 2016/2017 \$	ACTUAL 2015/2016 \$
26. FEES AND CHARGES CLASSIFIED BY TYPE AND LOCAL GOVERNMENT PROGRAM			
General Purpose Funding	52,047,783	56,928,101	50,161,695
Total Fees and charges	52,047,783	56,928,101	50,161,695

27. FINANCIAL ACTIVITY INFORMATION AND MEMBER CHARGES

BUDGET

	Processable Tonnes	Non- processable Tonnes	Total Tonnes	Rate* \$	Revenue \$
<u>Waste</u>					
City of Joondalup	52,597	1,800	54,397	164.83	8,966,401
City of Wanneroo	58,324	16,514	74,838	164.87	12,338,761
City of Stirling	43,525	25,000	68,525	161.26	11,050,285
City of Perth	13,500	120	13,620	164.81	2,244,769
City of Vincent	13,500	1,800	15,300	164.85	2,522,130
Town of Cambridge	7,500	1,200	8,700	164.86	1,434,308
Town of Victoria Park	14,500	2,000	16,500	164.86	2,720,184
<u>Residue</u>					
BioVision	-	48,700	48,700	164.87	8,028,933
Closing balance	203,446	97,134	300,580		49,305,771

ACTUAL

	Processable Tonnes	Non- processable Tonnes	Total Tonnes	Rate* \$	Revenue \$
<u>Waste</u>					
City of Joondalup	52,139	2,144	54,283	164.84	8,947,887
City of Wanneroo	57,446	9,147	66,593	164.89	10,980,197
City of Stirling	43,148	22,303	65,451	161.25	10,553,697
City of Perth	13,705	167	13,872	164.82	2,286,446
City of Vincent	12,170	2,015	14,185	164.83	2,338,157
Town of Cambridge	6,077	1,080	7,157	164.87	1,179,743
Town of Victoria Park	12,082	246	12,328	164.81	2,031,774
<u>Residue</u>					
BioVision	-	51,134	51,134	164.79	8,426,574
Closing balance	196,767	88,236	285,003		46,744,475

**Average tonnage rates may vary as a result of certain waste types being charged at the approved non-standard rates for that waste category*

27. FINANCIAL ACTIVITY INFORMATION AND MEMBER CHARGES (continued)

	ACTUAL 2016/2017 \$	BUDGET 2016/2017 \$	ACTUAL 2015/2016 \$
<u>Make up of surplus funding</u>			
Cash	25,240,291	23,599,016	24,793,165
Receivables	3,633,418	3,424,524	3,536,793
Inventories	<u>10,667</u>	<u>13,303</u>	<u>12,105</u>
	28,884,376	27,036,843	28,342,063
<i>Less</i>			
Reserves – cash restricted	(17,148,580)	(12,152,360)	(13,236,506)
Sundry creditors and GST	(5,920,277)	(4,460,719)	(5,649,899)
Provisions	<u>-</u>	<u>(1,017,061)</u>	<u>-</u>
	(23,068,857)	(17,631,140)	(18,886,405)
	5,815,519	9,405,703	9,455,658

28. COUNCILLORS' REMUNERATION

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

Meeting fees	126,455	128,750	125,745
Chairman's and Deputy Chairman's allowance	24,463	19,750	24,215
Conference expenses	20,379	4,893	1,264
Members' allowances	<u>12,054</u>	<u>15,000</u>	<u>11,799</u>
	183,351	168,393	163,023

ACTUAL 2016/2017	ACTUAL 2015/2016
-----------------------------	-----------------------------

29. EMPLOYEE NUMBERS

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

38.4	37.6
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30. FINANCIAL RISK MANAGEMENT

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

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

The MRC held the following financial instruments at year end:

	Carrying value		Fair value	
	2016/2017	2015/2016	2016/2017	2015/2016
	\$	\$	\$	\$
<u>Financial assets</u>				
Cash and equivalents	25,240,291	24,793,165	25,240,291	24,793,165
Receivables	3,633,418	3,536,793	3,633,418	3,536,793
	28,873,709	28,329,958	28,873,709	28,329,958
<u>Financial liabilities</u>				
Payables	5,920,277	6,070,009	5,920,277	6,070,009
Borrowings	1,157,807	5,383,538	883,713	5,179,332
	7,078,084	11,453,547	6,803,990	11,249,341

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

30(a) Cash and cash equivalents

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

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

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

A 1% fluctuation in annualised interest rates is estimated at approximately \$252,403.

30. FINANCIAL RISK MANAGEMENT (continued)

30(b) Receivables

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

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

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

	ACTUAL 2016/2017 \$	ACTUAL 2015/2016 \$
Receivables within credit terms	3,625,767	3,524,466
Receivables overdue	7,651	12,327
Provisions for bad debts	-	-
	3,633,418	3,536,793
	%	%
Receivables within credit terms	100	100
Receivables overdue	-	-
	100	100

30(c) Payables and borrowings

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

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

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

30. FINANCIAL RISK MANAGEMENT (continued)

	Due within 1 year \$	Due between 1 and 5 years \$	Due after 5 years \$	Total contractual cash flow \$	Carrying value \$
<u>30 June 2017</u>					
Payables	5,920,277	-	-	5,920,277	5,920,277
Borrowings	184,781	629,837	343,189	1,157,807	1,157,807
	6,150,058	629,837	343,189	7,078,084	7,078,084
<i>Weighted average effective interest rate on borrowings</i>	2.7%				
<u>30 June 2016</u>					
Payables	5,649,899	-	-	5,649,899	5,649,899
Borrowings	4,187,049	722,734	473,755	5,383,538	5,383,538
	9,836,948	722,734	473,755	11,033,437	11,033,437
<i>Weighted average effective interest rate on borrowings</i>	6.2%				

31. EVENTS AFTER THE REPORTING PERIOD

There have been no material events after the reporting period which would affect the financial report of the MRC for the year ended 30 June 2017 or which would require separate disclosure.

32. COMMITMENTS FOR CAPITAL AND LEASING EXPENDITURE

	ACTUAL 2016/2017 \$	ACTUAL 2015/2016 \$
Contracted capital equipment purchases and lease expenditure		
Payable not later than one year	5,520	5,515
Payable between one and five years	1,840	11,030

33. CONTINGENT LIABILITIES

As at 30 June 2017, the MRC had no contingent liabilities.

34. GRANTS AND SUBSIDIES - GRANT REVENUE

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

	ACTUAL 2016/2017 \$	ACTUAL 2015/2016 \$
By Nature and Type:		
Operating Grants and Subsidies	-	169,580
By Program:		
Community Amenities	-	169,580

35. RELATED PARTY DISCLOSURES

Key Management Personnel (KMP)

The totals of remuneration paid to KMP of the Council during the year are as follows:

	ACTUAL 2016/2017 \$
Short-term employee benefits	333,113
Post-employment benefits	48,909
Other long-term benefits	27,389
Termination benefits	-
	<u>409,411</u>

Short-term employee benefits

These amounts include all salary, paid leave, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found at Note 28.

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

35. RELATED PARTY DISCLOSURES (cont.)

Related Parties

The Council's main related parties are as follows:

i. Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any elected member, are considered key management personnel.

ii. Entities subject to significant influence by the Council

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

35. RELATED PARTY DISCLOSURES (cont.)

Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	ACTUAL
	2016/2017
	\$
<i>Associated companies/individuals:</i>	
Sale of goods and services	-
Purchase of goods and services	-
<i>Amounts outstanding from related parties:</i>	
Trade and other receivables	2,746,919
Loans to associated entities	-
Loans to key management personnel	-
<i>Amounts payable to related parties:</i>	
Trade and other receivables	46,473
Loans to associated entities	-
	<u>2,793,392</u>

Note: Transitional provisions contained within AASB 2015-6 do not require comparative related party disclosures to be presented in the period of initial application. As a consequence, only disclosures in relation to the current year have been presented.

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

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

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

	Title and topic	Issued	Applicable	Impact
i.	AASB 9 – Financial Instruments (Incorporating AASB 2014-7 and AASB 2014-8)	Dec 2014	1 Jan 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.
ii.	AASB 15 Revenue from Contracts with Customers	Dec 2014	1 Jan 2019	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effect of this Standard will depend upon the nature of future transactions the Council has with third parties. It may or may not be significant.

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

	Title and topic	Issued	Applicable	Impact
iii.	AASB 16 Leases	Feb 2016	1 Jan 2019	<p>Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted.</p> <p>Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the Council, the impact is not expected to be significant.</p>
iv.	AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	Dec 2016	1 Jan 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates; and - Volunteer services. <p>Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the Council's operations.</p>

36. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

Adoption of New and Revised Accounting Standards

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

Whilst many reflected consequential changes associate with the amendment of existing standards, the only new standard with material application is as follows:

(i) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]	<p>The objective of this Standard was to extend the scope of AASB 124 Related Party Disclosures to include not-for-profit sector entities.</p> <p>The Standard has had a significant disclosure impact on the financial report of the Council as both Elected Members and Senior Management are deemed to be Key Management Personnel and resultant disclosures in accordance to AASB 124 have been necessary.</p>
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ATTACHMENT 2

TO ITEM 6.2

AUDIT COMMITTEE MEETING

14 NOVEMBER 2017

AUDIT COMPLETION REPORT 2016/17



Certified Practising Accountants

Mindarie Regional Council



Audit Completion Report to the Audit Committee For the Year Ended 30 June 2017

1 November 2017

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1. Executive Summary

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

This report has been prepared for the Council via its Audit Committee to summarise the significant matters that have arisen from our year-end audit of the MRC for the year ended 30 June 2017.

1.1 Status of Audit

Our audit field work at the MRC for the financial year ended 30 June 2017 has been completed.

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

- Completion of audit procedures relating to Auditing Standard ASA 560 *Subsequent Events* to be performed up to the date of signing the Independent Auditor's Report.

1.2 Deliverables

Output	Timing
External Audit Plan	9 May 2017
Interim Audit Management Letter	11 May 2017
Present the Audit Completion Report to the Audit Committee	14 November 2017
Provide Independent Auditor's Report on the Financial Report	After recommendation of Financial Report by the Audit Committee

2. Financial Statements and Audit Opinion

Audit Opinion

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

- (a) gives a true and fair view of the financial position of the Mindarie Regional Council as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (b) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards.

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

3. Current Year Areas of Audit Focus

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

	Risk Area	Audit Response
1	Revaluation of Land and Buildings	<p>Regulation 17A(4) of the LG (Financial Management) Regulations 1996 requires Land and Building assets to be measured at fair value for the year ending 30 June 2017. The MRC'S Land and Buildings asset classes were revalued at fair value by external valuers, APV Valuers at 30 June 2017.</p> <p>Audit evaluated the professional competence and objectivity of the expert and the adequacy of the scope of the expert's work. We are satisfied that the expert is suitably independent of the Council, objective and experienced in undertaking this work.</p> <p>Audit procedures tested capital asset additions on a sample basis for accuracy to supporting documentation. Audit also reviewed the basis of the asset valuations (at fair value) undertaken and considered the judgements, assumptions and data used together with the reasonableness of any estimation techniques applied. Asset reconciliation schedules were verified against trial balance reported amounts.</p> <p>We have relied upon the values adopted by the external valuers.</p> <p>Results of the audit procedures conducted did not note any material misstatement of the land and building asset classes.</p>

2	Related Party Disclosures	<p>AASB 12015-6 Amendments to Australian Accounting Standards – Extends Related Party Disclosures to Not – for – Profit Public Sector Entities. The objective of this Standard was to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not –for– profit sector entities.</p> <p>Audit procedures included discussions with Management and review of supporting documentation in this regards.</p> <p>As this date, we are satisfied with the current disclosure in the financial report.</p>
3	Contingent Liabilities	<p>Audit procedures included discussions with management and reviewing the representation letters by the MRC's solicitors, Kott Gunning, Herbert Smith Freehills and Castledine Gregory.</p> <p>We have also obtained a management representation letter to confirm that there are no contingent liabilities required to be disclosed in the financial report.</p> <p>At this date, we are satisfied with management's disclosures in the financial report in this regards.</p>

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

4. Assessment of Internal Controls

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

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

Our follow up indicates that the management comments for the interim audit visit conducted during the financial year ended 30 June 2017 have been fully implemented.

5. Key Findings During Final Phase of Audit

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

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

- there are no other matters of which you are aware that would impact these issues;
- there are no other significant issues that ought to be considered before recommending the adoption of the financial statements to the Council; and
- you concur with the resolution of the issues as described below.

1	Area: Asset Management Plans
	Recommendation
	<p>Given the significant work undertaken in the revaluation of the Mindarie Regional Council's Land and Buildings during the financial year ended 30 June 2017, we recommend that Asset Management Plans for each asset class be reviewed and updated with the most recently acquired data collected to ensure all future projections of required capital maintenance and upgrades remain reliable for strategic decision making purposes.</p> <p>Updated projections from the Asset Management Plans should be factored into the MRC's Long Term Financial Plan estimates to ensure appropriate planning for future funding requirements are appropriately planned for and known.</p>

6. Specific Required Communications

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

Reporting Requirement	Detailed Comments
Changes to Audit Approach Outlined in External Audit Plan	<ul style="list-style-type: none"> ➤ There were no changes to the audit approach outlined in the External Audit Plan.
Significant accounting policies	<ul style="list-style-type: none"> ➤ Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the MRC including new pronouncements adopted during the year, are described in Note 1 to the financial statements. ➤ There were no significant changes in the application of existing policies during the year ended 30 June 2017. The accounting policies adopted in the financial statements are appropriately disclosed.
Sensitive Accounting Estimates and Disclosures	Refer to “Current Year of Audit Focus” section
Misstatements and significant audit adjustments	<ul style="list-style-type: none"> ➤ We are required to report to you all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature. In the context of the MRC, we consider that amounts of a value less than \$52,500 should be considered trivial. This represents 5% of materiality. ➤ A few disclosure adjustments to the financial statements have been discussed and amended during the course of our audit. ➤ No financial adjustments have been raised through our audit work meaning there are no unadjusted misstatements to report.
Significant Weaknesses in Internal Controls	<ul style="list-style-type: none"> ➤ No significant weaknesses in internal control were identified. Refer to our Interim Audit Management Letter.
Disagreements with management	<ul style="list-style-type: none"> ➤ There have been no significant disagreements with management during the course of the audit.
Serious Difficulties Encountered in Dealing with Management when Performing the Audit such as:	<ul style="list-style-type: none"> ➤ There were no serious difficulties encountered in dealing with management when performing the audit.

<ul style="list-style-type: none"> • Significant delays in management providing required information • An unnecessarily brief time within which to complete the audit • Extensive unexpected effort required to obtain sufficient appropriate audit evidence • The unavailability of expected information • Restrictions imposed on the auditor by management 	
Fraud and Illegal Acts	<ul style="list-style-type: none"> ➤ We are not aware of any matters that require communication. ➤ We would request that the Audit Committee members raise with us any areas of risk not addressed in our communications and that they inform us of their knowledge of any actual or suspected fraud.
Compliance with laws and regulations	<ul style="list-style-type: none"> ➤ In performing our audit procedures, we have not become aware of any non-compliance with applicable laws or regulations that would have an impact on the determination of material amounts and disclosures in the financial report. ➤ We have also received representations from management confirming that the Council is in compliance with all laws and regulations that impact the Council.
Books and records and conduct of the audit	<ul style="list-style-type: none"> ➤ We have been presented with all the necessary books and explanations requested of management to support the amounts and disclosures contained in the financial statements in a timely and efficient manner.
Other Information in Documents Containing Audited Financial Statements	<ul style="list-style-type: none"> ➤ Our financial statement audit opinion relates only to the financial statements and accompanying notes. ➤ However, we also review other information in the Annual Report, such as Management's Discussion and Analysis, for consistency with the audited financial statements. Once the annual report is prepared and provided to us, we will review the Annual Report for consistency between the audited financial statements and other sections of that document.
Related Party Transactions	<ul style="list-style-type: none"> ➤ None of which we are aware other than what is disclosed in Note 35 of the Annual Financial Report.
Major Issues Discussed with Management in Connection with Initial or Recurring Retention	<ul style="list-style-type: none"> ➤ None.

Going concern	<ul style="list-style-type: none"> ➤ As part of our audit, we have assessed and agreed with the conclusions reached by the management concerning the application of the going concern concept.
Independence	<ul style="list-style-type: none"> ➤ We confirm that, as the date of this report, we are independent having regard to Macri Partners' policies, professional rules and relevant statutory requirements regarding auditor independence. ➤ During the year ended 30 June 2017, Macri Partners has not provided any non-audit services to the MRC.

7. Disclaimer

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

8. Appendix 1 - Proposed Audit Opinion

INDEPENDENT AUDITOR'S REPORT

TO: MEMBERS OF MINDARIE REGIONAL COUNCIL

Report on the Financial Report

Opinion

We have audited the financial report of **Mindarie Regional Council** (the Council), which comprises the Statement of Financial position as at 30 June 2017, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information and Statement by Chief Executive Officer.

In our opinion, the accompanying financial report of the **Mindarie Regional Council** is in accordance with the *Local Government Act 1995* (as amended), including:

- (c) giving a true and fair view of the financial position of the **Mindarie Regional Council** as at 30 June 2017 and of its financial performance for the year then ended; and
- (d) complying with the Australian Accounting Standards (including Australian Accounting Interpretations) and the *Local Government (Financial Management) Regulations 1996* (as amended).

Report on Other Legal and Regulatory Requirements

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

- (a) There are no matters that in our opinion indicate significant adverse trends in the financial position or financial management practices of the Council.
- (b) There are no other matters indicating non-compliance with Part 6 of the *Local Government Act 1995* (as amended), the *Local Government (Financial Management) Regulations 1996* (as amended) or applicable financial controls of any other written law noted during the course of our audit.
- (c) In relation to the asset consumption ratio and asset renewal funding ratio (presented at **Note 24** of the annual financial report) we have reviewed the calculations as presented and nothing has come to our attention to suggest they are not:
 - (i) reasonably calculated; and
 - (ii) based on verifiable information.
- (d) All necessary information and explanations were obtained by us.
- (e) All audit procedures were satisfactorily completed in conducting our audit.

INDEPENDENT AUDITOR'S REPORT (Cont'd)

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Council in accordance with the auditor independence and ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The management is responsible for the other information. The other information comprises the information included in the Council's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management for the Financial Report

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

INDEPENDENT AUDITOR'S REPORT (Cont'd)

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the **Mindarie Regional Council** for the year ended 30 June 2017 included on the Council's website. Management is responsible for the integrity of the Council's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

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

**A MACRI
PARTNER**

**PERTH
DATED THIS 14TH DAY OF NOVEMBER 2017.**

ATTACHMENT 3

TO ITEM 6.3

AUDIT COMMITTEE MEETING

14 NOVEMBER 2017

INTERIM AUDIT MANAGEMENT LETTER 2016/17

11 May 2017

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

Dear Sir

RE: INTERIM AUDIT VISIT FOR THE YEAR ENDING 30 JUNE 2017

We carried out an interim audit of the Mindarie Regional Council (MRC) for the year ending 30 June 2017.

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

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

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



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

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

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

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

INVESTMENT OF FUNDS

We conducted a review of the investment of funds by the Mindarie Regional Council as at 28 February 2017.

An investment policy document (CP 09: Investments) 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 Council's policy indicates that the policy has been prepared to ensure that all investments are made in accordance with:

- Local Government Act 1995 - Section 6.14.
- Local Government (Financial Management) Regulations 1996 – Regulation 19
- The Trustees Amendment Act 1997 – Part III Investments.

The following issues have been addressed:

- Council's investment objectives.
- Diversification/Credit risk – to ensure that Council's investments must be maintained within the investment parameters detailed in the policy at all times.
- Appropriate reporting arrangements - to ensure/confirm compliance i.e. documentary evidence of each investment and recording thereof.
- Monthly reporting to Council.

The Council maintains its own investments and all movements, such as transfers and redemption of investments, are controlled by and originated from the Council. All investments placed are appropriately documented, authorised and correctly recorded in the Council's Investment Register and monitored by the Director Corporate Services.

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

The investment policy document stipulates the maximum percentage that can be directly invested with any one institution for a tenor exceeding 90 days.

We noted that the Council's investment of funds as at 28 February 2017 was not made within the percentage limits stipulated in the investment policy document as indicated below.



Name of Institution	Investment (\$)	Percentage % to Total Investment	Maximum % Stipulated
National Australia Bank Limited	14,081,096	68.04%	50.00%

We recommend that the Council's investments be made in line with the council policy and management practice.

Management Comments:

Management accepts and will refresh finance staff of the policy.

PURCHASING AND PAYMENTS

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

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

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

List of Accounts

Regulation 13 of the Local Government (Financial Management) Regulations 1996 requires, among other things, the monthly list of accounts to be presented to the Council.

Our review of the monthly list of accounts in the Council minutes revealed that 3 payments in August (EFT-01265, EFT-01266 and EFT-01267) were not shown on the list.

It is our understanding that all payments need to be included in the monthly list of accounts to fully comply with the regulation.

Management Comments:

Management accepts and an extra checking system has been implemented before reports are sent to Council. Management will report these payments at the next Council meeting (6th July 2017).



CREDITORS

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

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

This matter was also raised in our previous interim audit management letters dated 29 July 2015 and 24 May 2016. The management response then provided was as follows:

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

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

Management Comments:

Management have devised an IT Steering Group to update our service provider of the general ledger system amongst other systems. This will be addressed when renewing the software.

JOURNAL ENTRIES

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

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

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

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

We noted that except for some journals, which are reviewed by the Finance Manager as part of the month-end reconciliation, the journals are not reviewed by an independent senior officer.

This practice may lead to erroneous journals which might cause material misstatements in the financial statements.

We recommend that all the journals passed by finance staff be reviewed and authorised by a senior officer on the system. We further recommend that all the supporting documents, where appropriate, be scanned and attached to the relevant journal on the system or be filed in the manual journal file together with the relevant journal.



Management Comments:

Management have devised an IT Steering Group to update our service provider of the general ledger system amongst other systems. This will be addressed when renewing the software.

PROPERTY, PLANT & EQUIPMENT AND INFRASTRUCTURE

As part of the audit, on a sample basis, we examined the supporting documentation in respect of additions and disposals of property, plant & equipment and infrastructure.

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

We noted that there was no documentary evidence to indicate that disposals of assets are properly authorised by the management.


We recommend that an Asset Disposal/Deletion Form be introduced by the management which can be used to authorise all asset disposals/deletions by officers having appropriate authority to authorise asset disposals.

Management Comments:

Management accepts and a draft form is being presented at the next senior management meeting (11th May 2017) for sign off and introduction.

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

Yours faithfully



ANTHONY MACRI
AUDIT PARTNER