



# **INFORMATION BULLETIN**

**Issue No. 24  
August 2015**



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<b>RESOURCE RECOVERY FACILITY UPDATE REPORT</b>	
<b>File No:</b>	<b>WST/13-05</b>
<b>Attachment/s:</b>	<b>Composter construction photos</b>
<b>Date:</b>	<b>5 August 2015</b>
<b>Prepared by:</b>	<b>Director Corporate Services</b>

This report presents a summary of activities that have taken place in the reporting period covering 15 June 2015 to 5 August 2015.

## **ONGOING MATTERS**

### Composter Structural Issues

BioVision have awarded the contract for the manufacture and replacement of the RRF composter tunnels. The installation of the composters was originally scheduled to occur in July 2015, however due to manufacturing delays, will now commence on 18 August 2015. It is anticipated that the installation work will be completed within 3 to 4 months of commencement, during which time the RRF will be closed. All waste which would normally be sent to the facility during this period (25,000 – 33,000 tonnes) will be directed to Tamala Park.

The consequence of this to the Mindarie Regional Council (MRC) is that during the 2015/16 financial year the MRC will only send between 67,000 and 75,000 tonnes to the RRF, instead of the normal 100,000 tonnes. This will see a corresponding reduction in the waste diverted from landfill from the normal 51,000 tonnes per annum to between 34,000 and 38,000 tonnes.

## **OPERATIONAL INFORMATION**

### Waste Delivery

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

<b>MONTH</b>	<b>SCHEDULED TONNES</b>	<b>DELIVERED TONNES</b>	<b>DIFFERENCE TONNES</b>
June 2015	8,800	9,361	561
July 2015	9,200	8,565	(635)

For the 6<sup>th</sup> Contract Year, ended on 16 July 2015, the RRF was 4,889 tonnes ahead of schedule.

The RRF is operating as anticipated in the Resource Recovery Facility Agreement (RRFA), with average availability of 105% 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

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- 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.

For the 6<sup>th</sup> contract year, the MRC has paid an additional \$215,000 in respect of the Fixed Operating Cost component for the Additional Tonnes process during the year. This yields an average gate fee for the year of \$220 per tonne.

#### Waste Diversion

Waste Diversion for the past six months (February 2015 to July 2015) has been 50.7% with a Waste Diversion Target of 51.3%. This is 1.0% ahead of the comparative waste diversion result for the same period in the previous year (49.7%).

#### Operational Activities

BioVision has notified the MRC that the coarse heavy fraction does not consistently pass the requirements to be classified as a Class II waste stream. The MRC is currently in discussions with the Department of Environment Regulation as to how to proceed with this waste stream going forward.

During the planned shutdown to replacement the composters, commencing 18 August 2015, BioVision will be conducting various maintenance and repair activities to make best use of the shutdown period.

#### Community Complaints

BioVision last met with its community stakeholder group on 23 May 2014 and no serious issues were raised.

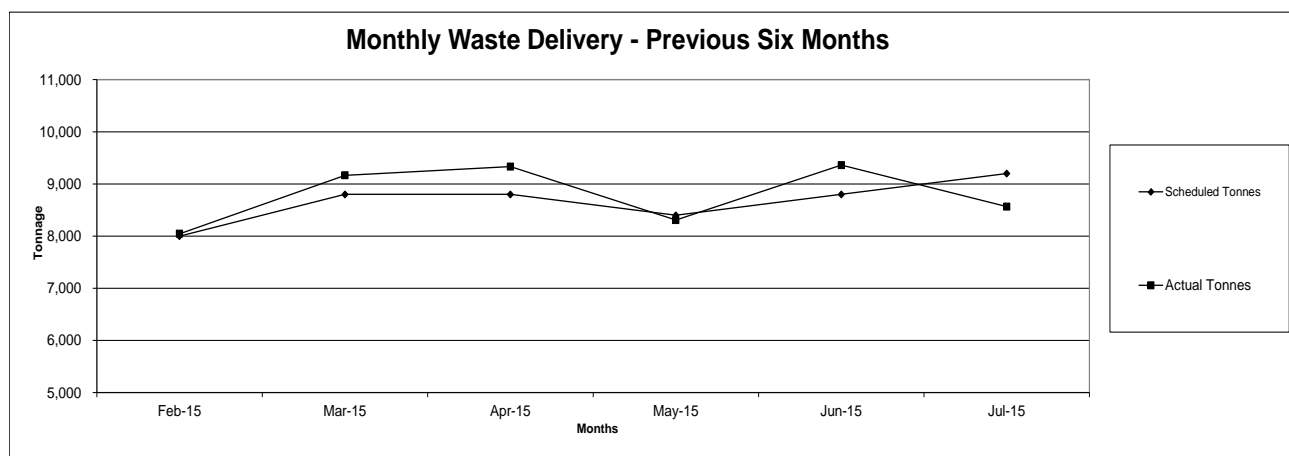
#### **COMMUNITY COMPLAINTS SUMMARY FOR THE REPORTING PERIOD**

<b>Date</b>	<b>Complaint</b>	<b>From</b>	<b>Outcome</b>
Nil	No complaints have been received	Nil	Nil

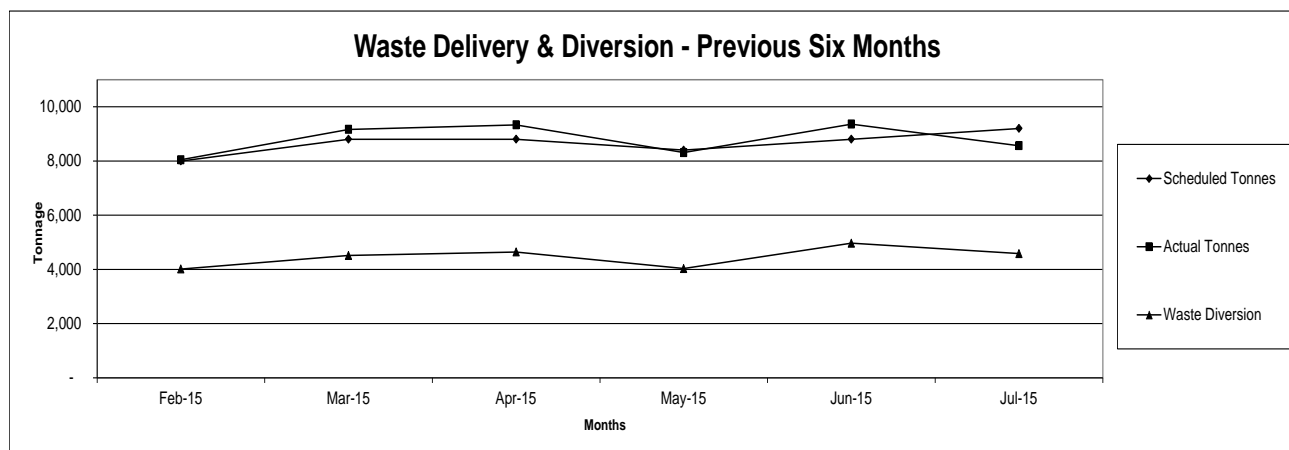
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The graphs below provide data up to **31 July 2015**.

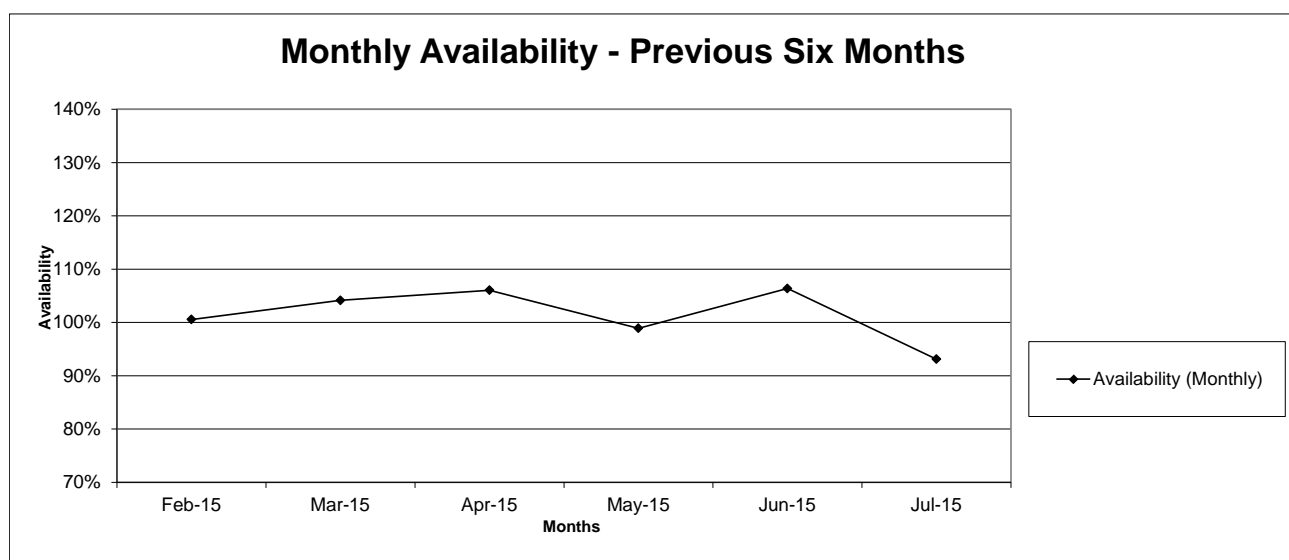
**Graph No. 1 – Monthly Waste Delivery – Previous Six Months**

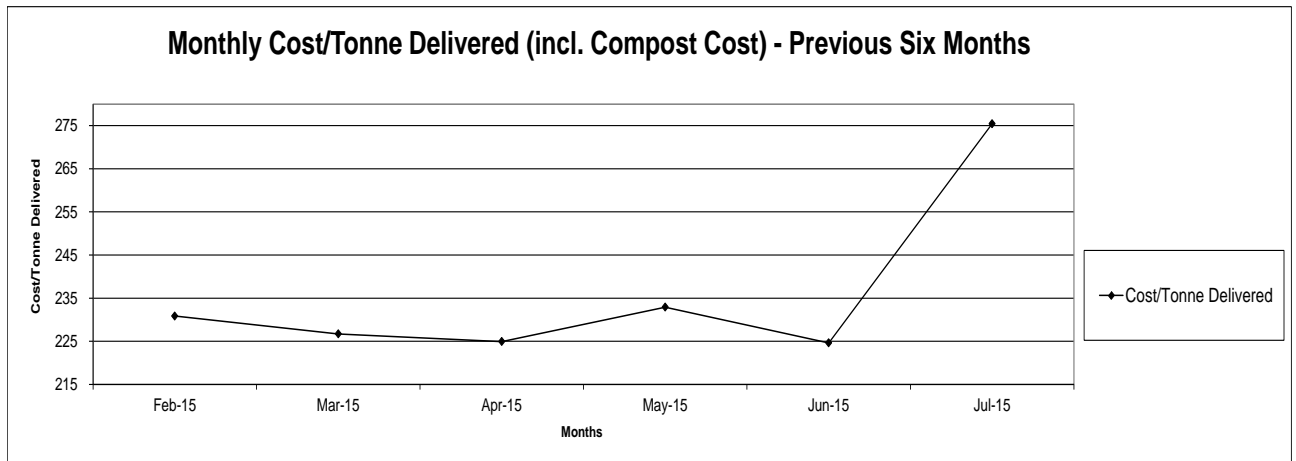
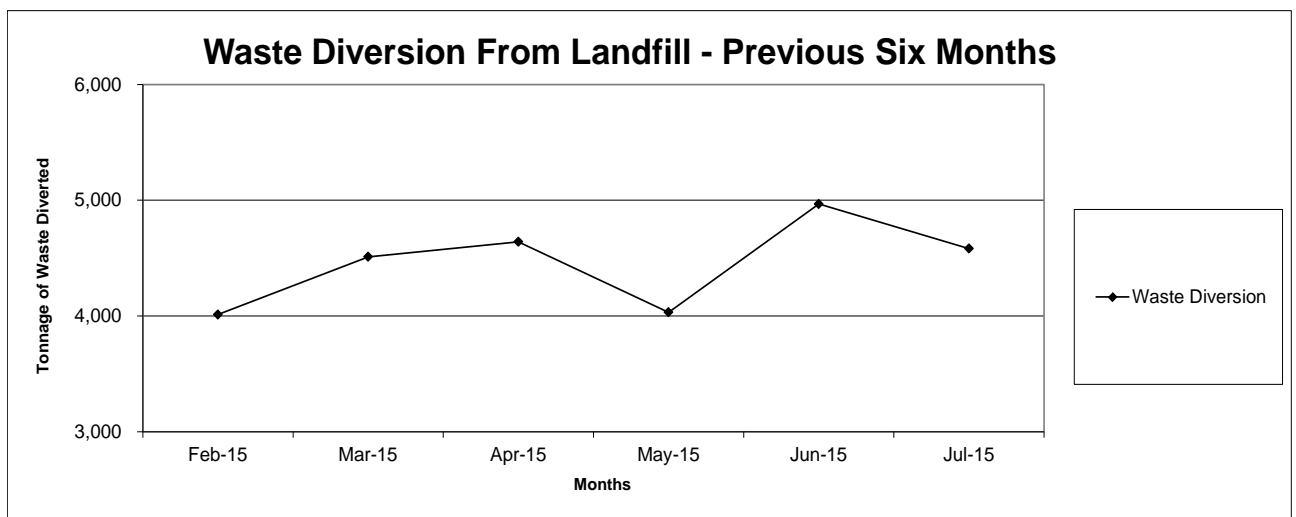


**Graph No. 2 – Waste Delivery & Diversion – Previous Six Months**



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



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

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## Performance Indicators

KPI's as per the RRFA are as follows:

**Table No. 1 – KPI Summary (to 31 July 2015)**

KPI	Target	Previous 6 Months	June	July	
Availability*	95%	102%	106%	93%	
Environmental Standard - Number of Breaches	0	0	0	0	
Waste Diversion	51.3%	50.7%	53.1%	53.0%	
Quality of Compost - Number of Breaches**	0	0	0	0	
Quantity of Recyclable Packaging ***	0.80%	n/a	1.39%	1.27%	
Health and Safety - Number of LTI's	0	0	0	0	
Community Acceptance - Number of Complaints ****	0	0	0	0	
Project Culture - PAG Chairperson Score	100	100	100	100	

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

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

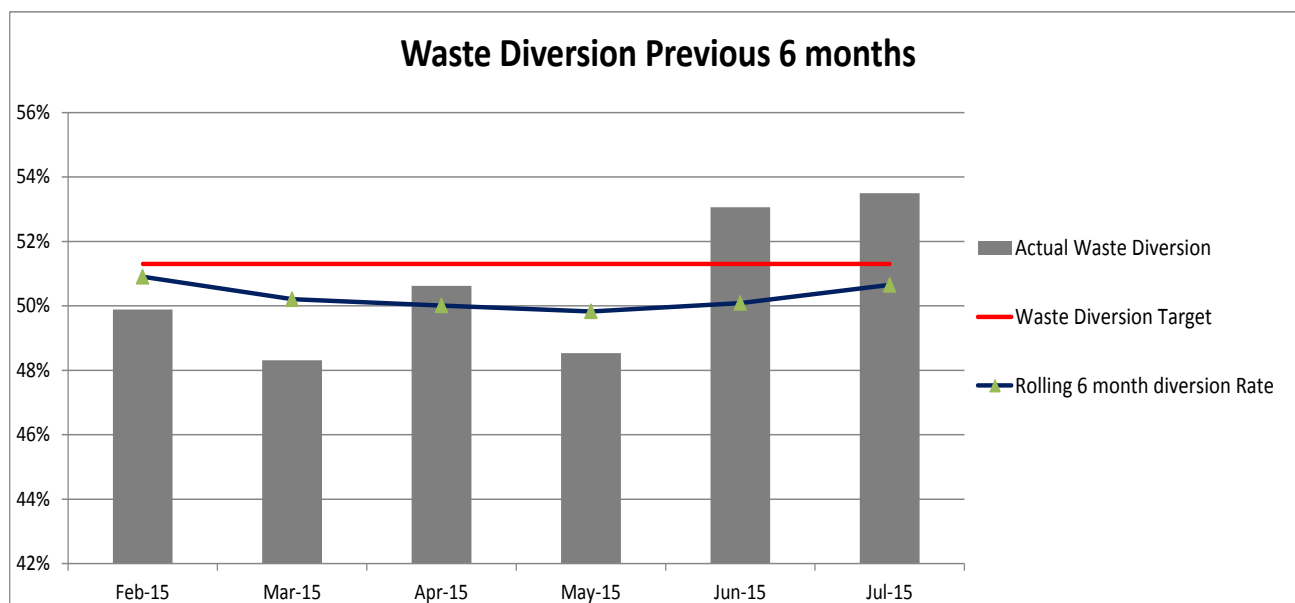
\*\*\* Financial impacts of the KPI were removed by the revisions to the RRFA approved by Council at its meeting of 6 December 2012 and signed under common seal in May 2013. Ferrous diversion has recommenced.

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

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### Waste Diversion

The average waste diversion for the past six months (February 2015 to July 2015) has been 50.7%.



### Project Advisory Group (PAG) as at 5 August 2015

#### **MRC Representatives:**

Cr Dot Newton JP  
 Brian Callander (CEO)  
 Gunther Hoppe  
 Cr Janet Davidson OAM JP (Deputy)

#### **BioVision Representatives:**

Craig Barker  
 Emmanuel Vivant  
 Nial Stock  
 Alan Turner (Alternate)

#### **Chairperson:**

Ian Watkins

The PAG last met on 10 June 2015.

Items dealt with by the group included:

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

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

### Community Engagement

The MRC community engagement program continues to be managed via the Community Engagement and Advisory Group (CEAG).



## FINANCIAL IMPLICATIONS

### Operational Expenditure

The Project Operational Summary below sets out the 2014/15 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.

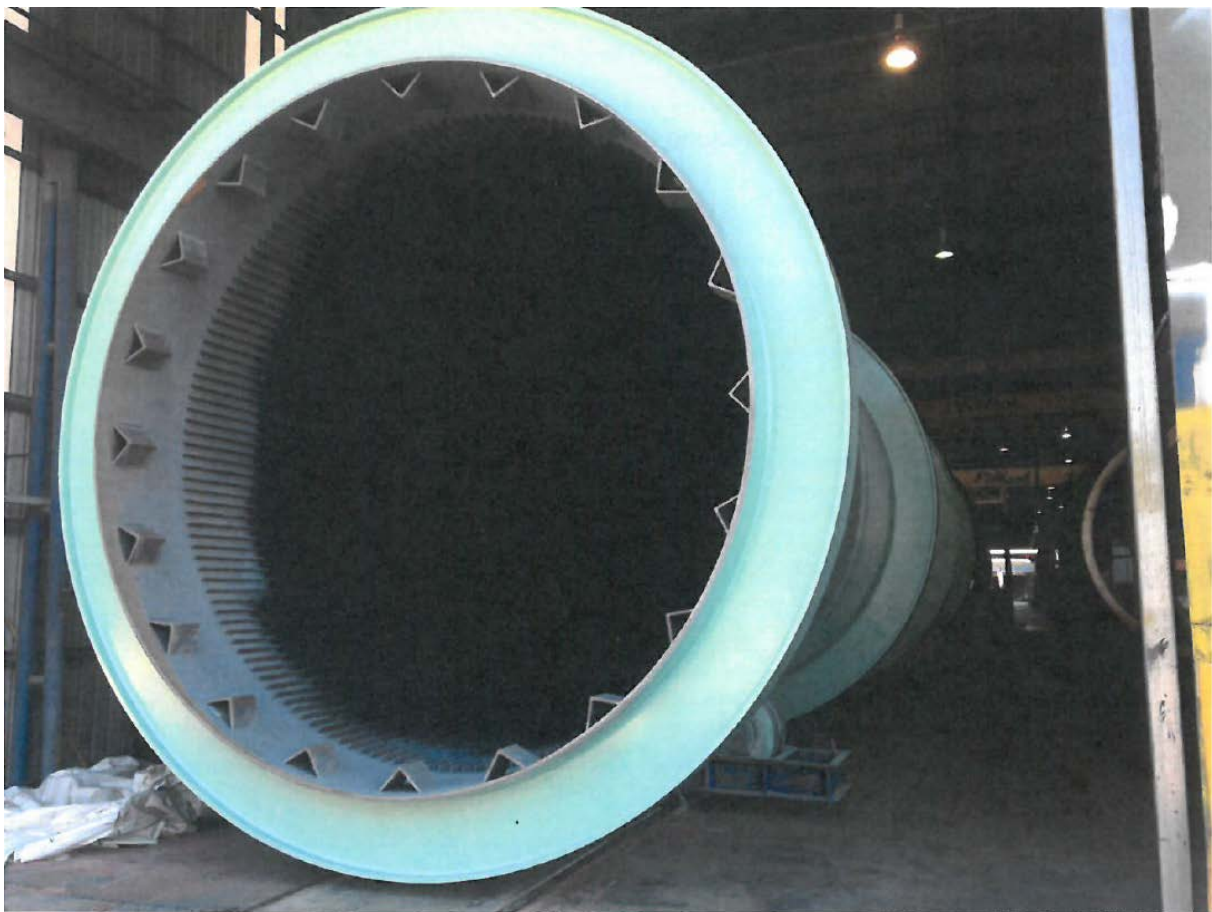
#### Project Operational Costs Summary for 2014/15 Financial Year – as at 30 June 2015

#### Mindarie Regional Council OPERATING STATEMENT For the month ended 30 June 2015

Description	Adopted Budget	Revised Budget	YTD Actual	\$ Variance	% Variance
<b>Resource Recovery Facility</b>					
Operating Expenditure					
Employee Costs					
Salaries	-	-	-	-	
Allowances	-	-	-	-	
Workers Compensation Premium	-	-	-	-	
	-	-	-	-	
Consultants and Contract Labour					
Consultancy	35,000	35,000	-	(35,000)	(100.00%)
Contract Labour External	-	-	-	-	
	35,000	35,000	-	(35,000)	(100.00%)
Office Expenses					
Cleaning of Buildings	15,000	15,000	9,747	(5,253)	(35.02%)
	15,000	15,000	9,747	(5,253)	(35.02%)
Information System Expenses					
Computer System Maintenance	24,000	24,000	16,184	(7,816)	(32.57%)
	24,000	24,000	16,184	(7,816)	(32.57%)
Building Maintenance					
Building Maintenance	3,500	6,999	5,230	(1,769)	(25.28%)
Building Security	2,700	2,700	1,665	(1,035)	(38.34%)
	6,200	9,699	6,895	(2,804)	(28.91%)
RRF Operation Expenses					
Fencing and Gate Maintenance	4,000	4,000	1,092	(2,908)	(72.71%)
Road Maintenance	-	-	-	-	
Bores and Pipework	1,000	1,000	715	(285)	(28.50%)
Vehicle Wash Facility Operations	-	-	-	-	
Landscaping and Gardens	17,500	17,500	13,173	(4,327)	(24.73%)
Compost Disposal	408,300	408,300	396,744	(11,556)	(2.83%)
Contractor's Fees	22,618,000	22,618,000	23,008,686	390,686	1.73%
	23,048,800	23,048,800	23,420,410	371,610	1.61%
Utilities					
Electricity	9,000	9,000	2,520	(6,480)	(72.00%)
Rates	32,000	32,000	20,727	(11,273)	(35.23%)
	41,000	41,000	23,247	(17,753)	(43.30%)
Insurance					
Municipal Property Insurance	-	-	-	-	
Public Liability Insurance	-	-	-	-	
	-	-	-	-	
Cost of Borrowings					
Interest on Loans	368,200	368,200	249,634	(118,566)	(32.20%)
Loan Expenses	8,000	8,000	7,722	(278)	(3.48%)
	376,200	376,200	257,355	(118,845)	(31.59%)
Amortisations					
Amortisation Pre-operating Costs	104,700	104,700	104,700	-	0.00%
Amortisation Costs	435,500	435,500	435,500	-	0.00%
	540,200	540,200	540,200	-	0.00%
Depreciation					
Depreciation on Infrastructure	4,100	4,100	4,100	0	0.00%
	4,100	4,100	4,100	0	0.00%
<b>Total Operating Expenditure</b>	<b>24,090,500</b>	<b>24,093,999</b>	<b>24,278,138</b>	<b>184,139</b>	<b>0.76%</b>
<b>Net Total</b>	<b>(24,090,500)</b>	<b>(24,093,999)</b>	<b>(24,278,138)</b>	<b>(184,139)</b>	<b>0.76%</b>

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## COMPOSTER CONSTRUCTION PHOTOS



<b>COMMUNICATIONS AND EDUCATION REPORT</b>	
<b>File No:</b>	<b>WST/178-02</b>
<b>Attachment(s):</b>	<b>Nil</b>
<b>Date:</b>	<b>5 August 2015</b>
<b>Responsible Officer:</b>	<b>Education Manager</b>

## **Communication and Education Report – June 2015**

The MRC's Communications and Education team's main focus is on community engagement within the region. The main objectives are to:

- improve community awareness and understanding of waste issues
- encourage a reduce, reuse, recycle and dispose wisely ethos and behaviours associated with this
- promote MRC's vision of Winning Back Waste and encourage engagement on many levels to divert waste from landfill.

This is largely done through the provision of facility tours, visits to schools to deliver workshops and talks, displays at community fairs and events and its Earth Carers program.

The Team works closely with:

- the Member Councils through the Waste Education Strategic Steering Group (WESSG) to support the councils
- the State Waste Educators Working Groups (WEWG/WENG) which include representatives from the other Regional Councils, Local Governments, WALGA, Waste Wise Schools, KABWA, Waste Authority and a variety of other members (government/community/business) interested in waste issues.

These groups assist in developing and delivering waste messages to the community and with support for various waste projects with the view to improve waste minimisation and diversion from landfill.

This report will look to summarise the education activity for the first half of 2015.

## **Community Engagement**

The autumn season tends to be a busy period for the Education Team. During this time events throughout the Region were in full swing, including the Tamala Park Open Day, schools were active and with 'Compost in May' being a feature there were a number of composting workshops held.

### **Tours**

The tours of the MRC facilities (Tamala Park and RRF) continue to be popular with people of all age groups and from all walks of life.

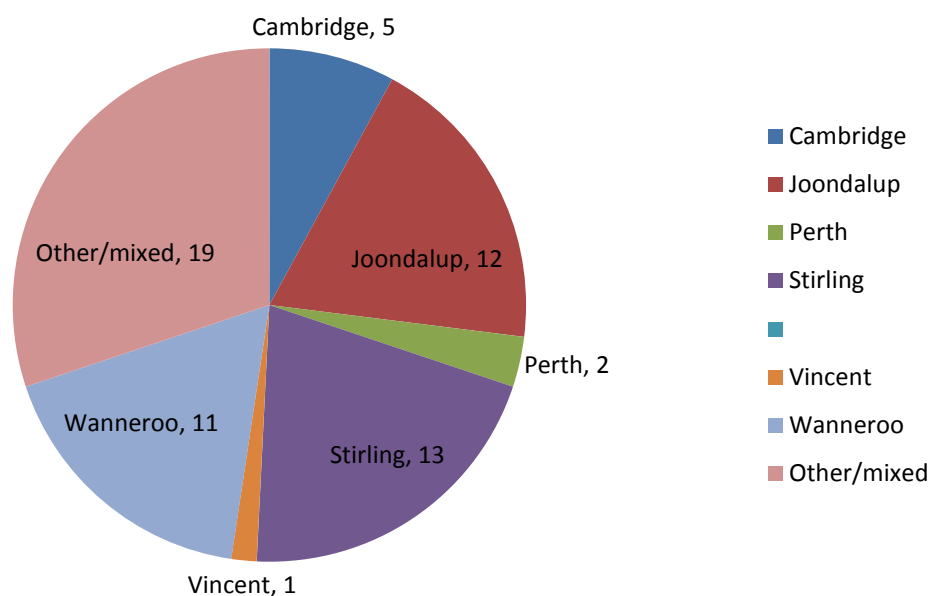
All the feedback given about these tours report a high level of participant satisfaction with them being described as very informative. The tours don't just point out operational aspects of the site but discuss the 'story of waste', engaging people in how the Waste Hierarchy works and discuss behaviours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

During the January to June period 63 tours took place with 1336 people visiting Tamala Park and/or the Resource Recovery Facility (RRF).

TOURS BY COUNCIL	
	Number
Cambridge	5
Joondalup	12
Perth	2
Stirling	13
Victoria Park	0
Vincent	1
Wanneroo	11
Other/mixed*	19
<b>TOTAL</b>	<b>63</b>

\* Includes 1 international tour, 14 MRC tours (including 12 open day tours), 3 tours from outside the region and 1 tour with people from a variety of councils.

### Tours by Council (January-June 2015)



These tours were represented by the following groups:

<b>TOURS BY GROUP</b>	
	<b>Number</b>
Schools	23
Businesses	4
Community	31
Out of School	2
Tertiary	3
<b>TOTAL</b>	<b>63</b>

Tamala Park remains the preferred destination with most of the tours visiting the landfill. Only eight groups went to the RRF.

### **The Roaming Recycler Waste Education Display**

In the relaxed atmosphere of a fair/fete/family fun day/concert it is surprising how many people want to stop and talk about their waste. The Roaming Recycler waste education trailer and display continues to provide a great means of delivering waste messages into the community.

During the January – June period the MRC attended 18 events held throughout the region mainly in the Summer/early Autumn period.

<b>ROAMING RECYCLER EVENTS</b>	
	<b>No Days Out</b>
Cambridge	0
Joondalup	4
Perth	2
Stirling	4
Victoria Park	5
Vincent	5
Wanneroo	1
Other	1
<b>TOTAL</b>	<b>22</b>

Total no of events = 18







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.

During this period a newsletter was prepared and sent to Earth Carers informing members of events and what other Earth Carers are up to.

An Earth Carers training course was held in March with 5 sessions being held over a 3 week period. At its conclusion 19 enthusiastic and waste wise people graduated.

'Earth Carers North' Facebook page continues to grow, now with over 345 likes, with a weekly reach of between 300 and 2,000 people and over 70 regular contributors/engaged. This has proved a great way to enable the Earth Carers to stay connected and discuss issues of interest.

### Talks and Visits

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 may be for single classes or for the whole school.

Compost in May resulted in a number of visits to schools and communities to explain benefits of composting and show them how easy and cheaply it can be done.

VISITS/TALKS	
	Number
Cambridge	4
Joondalup	16
Perth	4
Stirling	10
Victoria Park	3
Vincent	2
Wanneroo	15
Other *	9
<b>TOTAL</b>	<b>63</b>

\* Includes 6 talks at MRC

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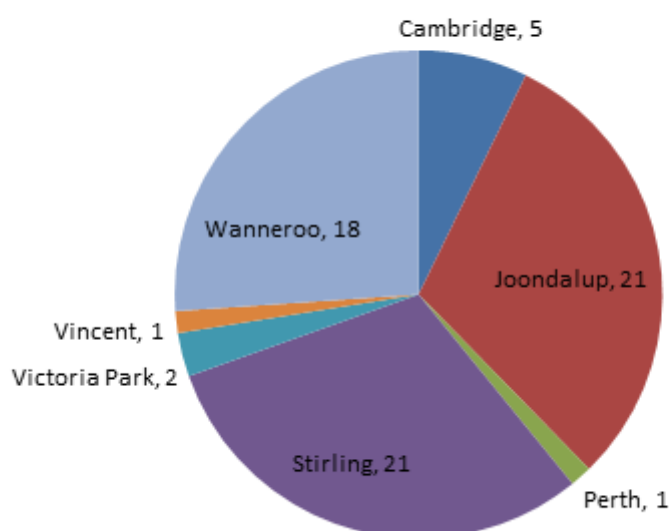
## Schools

The MRC works closely with the Waste Wise Schools program encouraging students to take waste free lunches to school and to help schools with recycling and other waste initiatives.

The 'Nude your food' program has been a popular new addition to the education program offered to schools by the MRC.

All schools in the MRC region were sent a flyer at the start of the school year outlining the services MRC could provide to the schools and their community. Schools responded strongly to this flyer enquiring and booking facility tours and visits to schools for talks and workshops.

### Visits to Schools & Day Care Centres by Council (June 2014-July 2015)



Schools in the Region responded strongly to Compost in May activities promoted by both the MRC and Waste Wise Schools. To cater for this demand composting visits have been scheduled well into the year.



## Battery Program

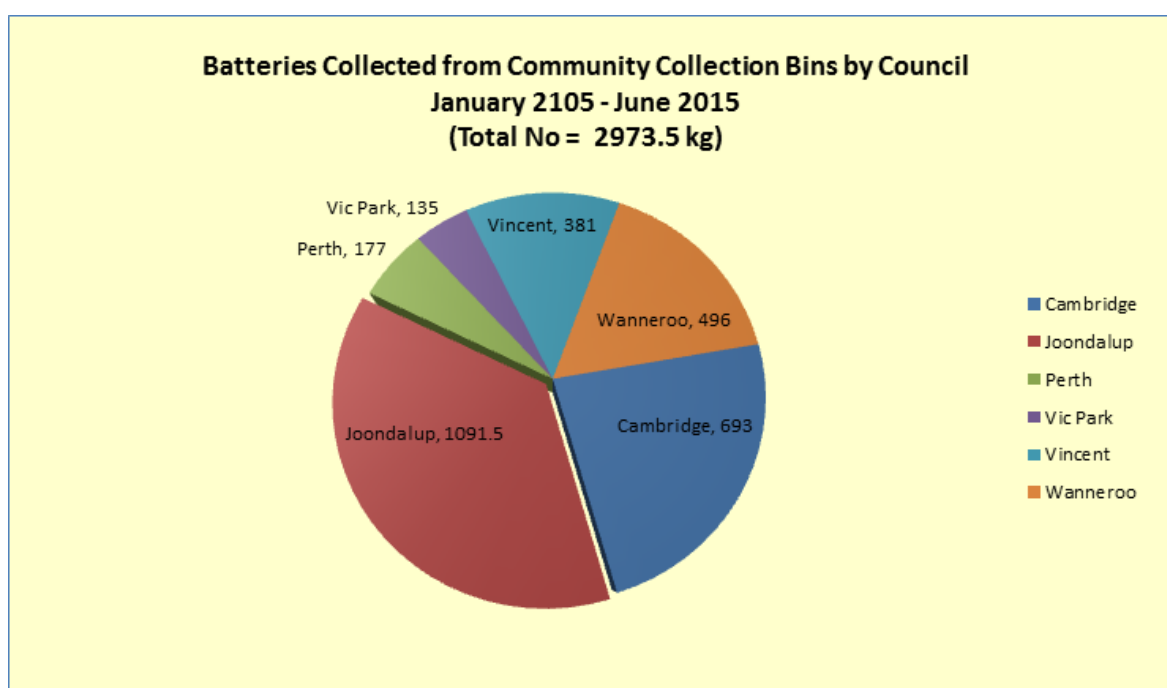
Batteries from school and community bins continued to be collected in large numbers. Importantly most of these batteries previously would have gone into the household green top wheelie-bin then to the RRF and the chemicals contained within ultimately into the compost. However large quantities of batteries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

In recent times an increasing number of fires have occurred on the tipface that have been caused by batteries in particular NiCd and Li type batteries. These are often left in appliances and toys and still contain a residual charge which can spark and ignite surrounding materials. A further indication of the importance of collecting these batteries separate to the normal waste stream.

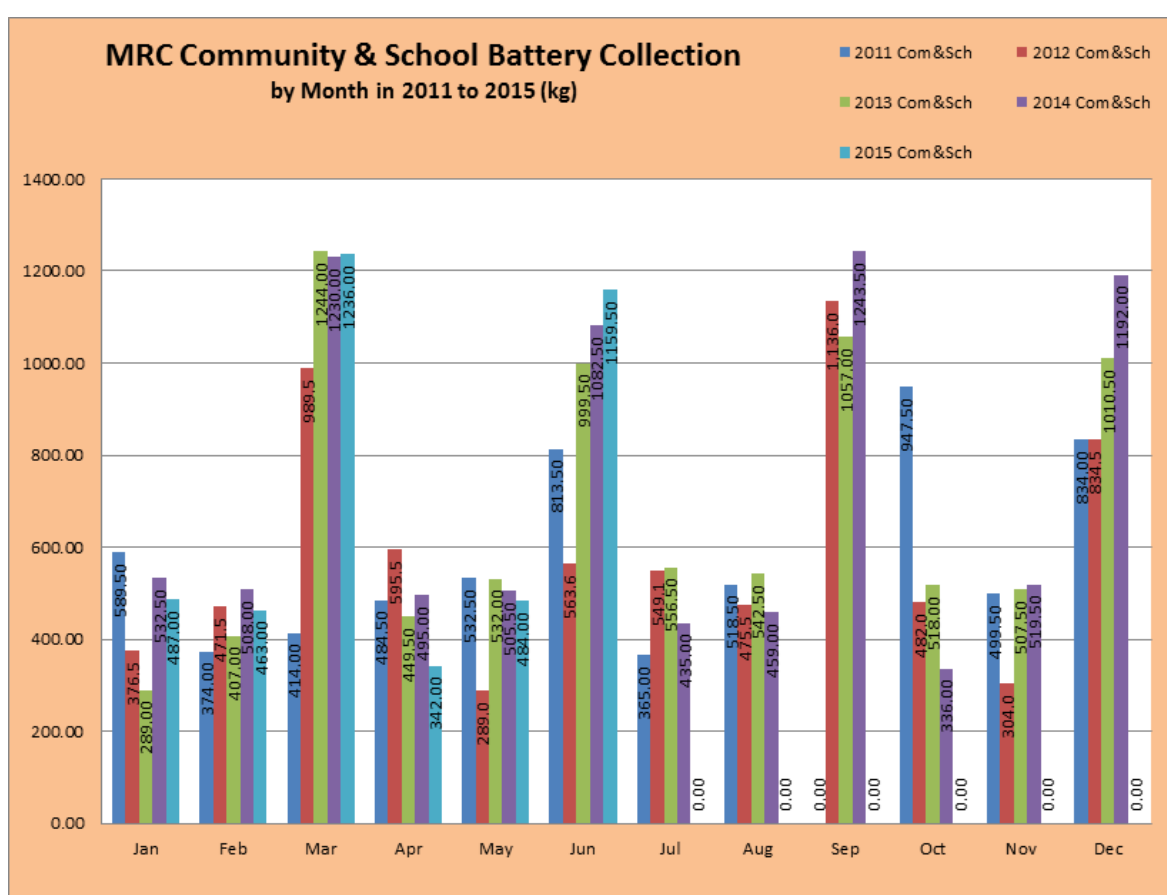
This is seen as a focus project for 2015/16 to develop community awareness to this issue and develop and promote drop off points throughout the community.



WALGA, through MWAC, has been investigating the community and schools battery programs in the Perth Metro area. MRC's (in conjunction with that of the City of Stirling) is the largest in the State collecting significant numbers of batteries. The report is due out soon and hope to use findings to direct future development of this program in the Region.







The battery program remains an important community engagement opportunity to not only educate about batteries but other problematic wastes. A further five schools (1 in Joondalup, 2 in Wanneroo and 2 in Victoria Park) joined the battery collection program in the first half of the 2015 year with a talk about the battery program being delivered at a school assembly.

MRC School Battery Program - League						
Table		Total Batteries collected by				
		Schools (kgs), Term 1 and 2, 2015				
Rank	Place	Term 1	Term 2	Term 3	Term 4	Grand Total
1	Sorrento Primary School	64	82			146
2	Duncraig Primary School	33	47			80
3	Mullaloo Beach Primary School	31	32			63
4	Halidon Primary School	16	37			53
5	Greenwood Primary School	20	32			52
6	Hillarys Primary School	32	11			43
7	Carramar Primary School	13	29			42
8	Bold Park Community School	32	7			39
9	St Marks Anglican Community School	22	11			33
10	Ashdale Primary School	11	13			24

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## E-Waste

The MRC has an e-waste contract that covers all of its member councils enabling free recycling of computers, TVs and other peripheral items that can be plugged into these devices. In addition to providing a permanent drop off site at Tamala Park this contract has enabled member councils to review the way they handle e-waste, for example, the City of Joondalup has banned e-waste from its verge collections through holding regular e-waste collection days throughout the year.

In recent times other service providers have either withdrawn their service or reduced the tonnages collected from councils for recycling, resulting in e-waste either being landfilled or councils having to pay for recycling themselves. The MRC and its member councils through its agreement with Infoactive have continued to have its e-waste picked up and recycled at no cost.

## WESSG

Waste Education Strategic Steering Group (WESSG) meetings are held at the end of each month. These continue to be an important forum for exchanging ideas and keeping everyone updated on happenings associated with waste within the Member Councils.

The importance of **Regional messaging** remains on the agenda as does the groups role in dealing with regional waste issues. This includes looking at ways to improve waste diversion figures for the Region.

The **Waste Diversion Report Card** continues to be produced with quarterly information on how the MRC as a Region is tracking with regard to overall waste diversion. The report includes waste and recycling figures from each of the member councils. Member Councils are encouraged to report on activities where waste is diverted from landfill i.e. verge mattress and steel collections to ensure the diversion figures are as accurate as possible.

Whilst some councils are performing well others for a variety of reasons are not. In the Jan – Mar 2015 period the MRC as a Region was looking at a waste diversion figure of about 28% this up from the same period's figure of 25% in 2014. These figures indicate an improvement but still a lot of work needing to be done if Waste Authority targets are to be met. However with the introduction of the City of Stirling's 3-bin system it is hoped that these figures will improve considerably.

The **RRF issues** have remained in focus.

This has included discussing the impact on waste deliveries during the expected composter replacement during August to October 2015 and a communications plan to keep the public informed of this intended activity. The RRF shutdown campaign will focus on reducing contamination in the bins with the view to encourage the public to recycle and divert waste from the RRF bound green top bin.

This then will provide the lead into the '**No glass**' campaign to create behavioural change by residents to reduce the glass component in the compost. This campaign to create an awareness of the issue of glass in the green lidded bin and to encourage residents NOT to put glass in this bin has been planned. The project uses a sticker to be placed on bins and a flyer to explain why glass in the green lidded bin is an issue. Removing the glass from the green top bin has many potential benefits. Funding for the project had been sort from Council through the 2014/2015 and 2015/2016 Budget process and from the Waste Authority.

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The **Garage Sale Trail** is a community engagement program with a waste theme. Its main aim is awareness raising event of the need to Reuse and not just discard, with a focus on bulk verge collections. With Waste Authority backing all MRC member councils are looking to be involved this year.

This has led to discussions on garage sales in general, maybe to produce a “how to successfully hold a garage sale’ guide to promote garage sales over the full year.

Planning for and promotion of **Plastic Free July** began. This included the development of a library display to be used in libraries throughout the region, community workshops and a number of media releases.



### Will you accept the challenge?

Coming up is Plastic Free July, an annual campaign to create an awareness of the environmental problems associated with plastics, in particular single use plastic products. Plastic bags, plastic drinking straws, plastic wrap, disposable plastic plates and cups are just some of the many products we use, just once and throw away...what a waste. Plastic Free July aims to encourage us to look at the way we consume and maybe see where we can reduce our consumption of single-use plastics. The challenge can be as individuals, families or work place groups, it all creates an interesting and fun month of awareness.

Started in Perth in 2011, the challenge has spread to countries all around the world. The Mindarie Regional Council supports Plastic Free July and encourages readers to visit the [www.mrc.wa.gov.au](http://www.mrc.wa.gov.au) to find out more, join the challenge and get ideas on how to reduce and reuse to live plastic-free.



**Shopping centre green rooms** or the idea of a **mobile collection trailer or truck** has also been discussed and is seen as a 2015/16 focus project.

Permanent greenrooms have been difficult to establish in shopping centres so the idea is the trailer/truck could move around centres on a roster basis similar to the Safety Watch-it vans. These would provide convenient drop off locations for people to dispose of unwanted items including HHW, recyclables and reusables. The presence of either mobile collection units or permanent greenrooms, would provide another avenue to reduce bin contamination and get people to become more aware and responsible for their waste, encouraging behaviours higher up the Waste Hierarchy.


## WEWG

WMAA-WA's Waste Education Working Group, in which MRC is involved, meets every month discussing wider waste issues and providing networking opportunities. The group provides MRC with close links to other regional council education staff, Waste Wise Schools and Keep Australia Beautiful staff and programs, Waste Authority and WALGA programs. Items discussed include: the State Waste Communications Strategy; WALGA recycling campaign including the Bin Tagging trial; HHW program; TV/Computers Stewardship Scheme; Garage Sale Trail; Waste Authority funding opportunities, Compost in May activity, planning for the site and activities for the 2015 Perth Royal Show and sharing of resources and discussion of other waste education related topics.


## Communications

During the June period:

- World Environment Day article in the West Australian
- Flyer to advertise new Gate Fee for 2015/2016
- RRF shutdown communication release



## Tamala Park—New Fees



The Mandarie Regional Council's operational costs have remained fixed for the last four years with fluctuations in the gate fee having only been caused by the Carbon Price and rises in the State Government Landfill levy.

However a small fee increase will occur as of **Monday July 6<sup>th</sup> 2015** to cover rises in operational costs. This rise is largely inflationary but is partially caused through increased resource recovery and recycling activity and due to reduced tonnage being landfilled.

2015	→	2015/2016
\$188	→	\$195/tonne
\$15	→	\$16 minimum entry

A full list of Fees and Charges can be found on the MRC website: [www.mrc.wa.gov.au](http://www.mrc.wa.gov.au)

FREE drop off for householders will continue at the Recycling Centre for recyclables, good condition second hand items and household hazardous waste (see website for more details).

Visit our website: [www.mrc.wa.gov.au](http://www.mrc.wa.gov.au)



# RRF Shutdown

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## Communications Brief





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# Media Release

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**To ensure consistent messaging on the issue of the RRF shutdown, please use the following information as the core for any media releases. The MRC will make a press release on this mid- late July to Community Newspapers in the region.**

## **WASTE PROCESSING FACILITY CLOSING FOR REPAIRS**

The Mindarie Regional Council's (MRC) Resource Recovery Facility (RRF) in Neerabup will be temporarily closed later this year to undergo repairs and maintenance, specifically to replace the composters that developed cracks early after commissioning.

The RRF converts general household waste into a composted soil conditioner. It is successful in diverting from landfill over 50% of the waste it receives from the MRC's member councils (Cities of, Joondalup, Perth, Stirling, Vincent and Wanneroo and the Towns of Cambridge and Victoria Park). This process contributes significantly to the waste diversion rates achieved in particular by the Cities of Joondalup and Wanneroo who are the principal users of the facility.

The composters have been temporarily repaired to allow production to continue whilst new composters were being designed and fabricated. The manufacturing process is all but completed and the installation is planned for late August/early September 2015, closing the RRF for a period of 3 to 4 months. Whilst the RRF is closed, the waste will be diverted to the Tamala Park landfill site.

**Residents should use their bins as usual and the collection of both bins (recycling and general waste) and bulk verge waste will not change. No additional cost to the member councils or their ratepayers will result due to the shutdown and the waste tonnage that is not processed during the closure period of the RRF will be processed at the end of the contract term.**

July 2015



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# Website

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**Please place the following information on your website to provide more detailed information of the RRF shutdown. MRC will be placing this information on its website.**

## **WASTE PROCESSING FACILITY CLOSING FOR REPAIRS**

The Mindarie Regional Council's (MRC) Resource Recovery Facility (RRF) in Neerabup will be temporarily closed later this year to undergo repairs and maintenance, specifically to replace the composters that developed cracks early after commissioning.

The RRF accepts 100,000 tonnes of general household waste per year from the MRC's member councils (Cities of, Joondalup, Perth, Stirling, Vincent and Wanneroo and the Towns of Cambridge and Victoria Park) and extracts the organic component (e.g. food waste, garden waste and paper products) from the waste converting it to a composted soil conditioner. The RRF diverts from landfill over 50% of the waste it receives and has contributed significantly to the waste diversion rates achieved by the MRC's member councils, in particular the Cities of Joondalup and Wanneroo who are the principal users of the facility.

BioVision 2020 Pty Ltd built own and operate the Resource Recovery Facility in Neerabup for the Mindarie Regional Council. The company SUEZ environnement (formerly SITA Australia) is a shareholder in BioVision 2020 and is contracted to manage the day to day operations of the facility.

The RRF opened in 2009, with structural cracks in the composting vessels developing early in proceedings. These cracks were temporarily repaired with minimal interference to the normal operations of the RRF. However, to avoid the possibility of a future composter failure, it has been decided to replace the composters to see the RRF through until the end of its operational life.

The two composters, each 65m long with a diameter of 4.5m and weighing 300 tonnes, are a key part of the facility. The composters lie horizontally and slowly rotate to break down the waste and start the maturation process of the compost.

The composters and associated gearing have been redesigned to both improve their durability and provide operational efficiencies. The new composters are currently being fabricated and it is expected that the composters will be installed late August/early September 2015, closing the RRF for a period of 3 to 4 months. During this time, the plant will undergo both scheduled and additional maintenance to minimise future lost production time. Whilst the RRF is closed the waste will be diverted to the Tamala Park landfill site.

Investigations have been undertaken to see if the waste normally sent to the RRF could be diverted during the shutdown to similar type composting facilities, however this was found to be both prohibitively expensive and impractical. Contractual negotiations however will see the lost processing of tonnes caused by the RRF shutdown, being recovered at the end of the contract period. This effectively results in no loss in waste processed and materials recovered for the MRC and its member councils over the contract period.

**Residents should use their bins as usual and the collection of both bins (recycling and general waste) and bulk verge waste will not change. No additional cost to the member councils or their ratepayers will result due to the shutdown.**

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In the first 5 years of the RRF's operation its performance and contribution include:

- Processed over 471,000 tonnes of waste
- Diverted over 247,000 tonnes of waste from landfill
- Produced about 130,000 tonnes of compost or organic soil conditioner (as it is labelled in the trade)
- Recovered 2,740 tonnes of ferrous metals for recycling
- Diverted over 6,000 tonnes of coarse heavies (rock and glass) in a trial as road base aggregate
- About 110,000 tonnes of waste gases, mainly water vapour, are lost in the process
- Prevented an estimated 250,000 to 300,000 tonnes of greenhouse gas emissions from entering the atmosphere

The **Mindarie Regional Council (MRC)** is one of WA's largest waste management authorities assisting its member councils (Cities of Joondalup, Perth, Stirling, Vincent and Wanneroo and the Towns of Cambridge and Victoria Park) manage their waste. Operating the Tamala Park waste facility and the Resource Recovery Facility in Neerabup, it accepts approximately 350,000 tonnes of waste per year from its member councils, commercial operators and other groups.

The MRC's vision is Winning Back Waste, recognising that waste is a valuable resource. The MRC is committed to managing waste in line with the waste hierarchy and in a way which is sensitive to the environment and protects future generations. The RRF was one of the first projects of its kind in the State being designed to divert waste from landfill and convert it to a composted soil enhancer.



July 2015

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ADVERTISING LIFTOUT

# World ENVIRONMENT Day

## Campaign urges people to reduce consumption

We live in a consumer-driven world and with this comes waste, a lot of waste.

Much of this can be recycled or reused in some way but unfortunately, much of it ends up in landfill. An example of this is what people discard in bulk verge collections, where much of what is thrown out has value.

You only have to see the people who are out 'verge shopping' during collection time to know a lot of the objects are worth something. In many cases, the items thrown out are simply things we don't want anymore, they are not really rubbish.

The Mandarie Regional Council (MRC) operates a recycling centre and tip shop at Tamala Park where it is free for people to drop off good quality, unwanted, second-hand goods for reuse.

Rather than place furniture and other household goods on the verge, people are encouraged to bring in items and have them on sold at a bargain price. Importantly, these items are given a second, maybe even a third, lease on life and are diverted from landfill. Tip shops such as this are popping up across the state.

They, along with second-hand shops and online sites, are becoming increasingly popular as a source of quality items at a fraction of the cost of similar new ones. Many household items, even if they can't be sold and reused, are made of material that can be recycled.

At MRC's recycling centre, people can drop off all manner of recyclables for free, including paper and cardboard, metals, glass bottles, white goods (fridges, freezers, washing machines and dryers), televisions and computers.

People can do so much for the environment by simply following the mantra of reduce, reuse, recycle and dispose wisely.

If everyone did just one thing to reduce waste each day, millions of actions would result and collectively it would make a big difference. Reducing waste saves resources, energy, water and the environment.

### Will you accept the challenge?

Next month is Plastic Free July, an annual campaign to create awareness of environmental problems associated with plastics, in particular single-use plastic products.

Plastic bags, plastic drinking straws, plastic wrap, disposable plastic plates and cups are just some of the many products people use once and then throw away.

Plastic Free July aims to encourage people to look at the way they consume and see where they can reduce their consumption of single-use plastics.

The challenge is great for individuals, families or workplaces and creates an interesting and fun month of awareness.

The MRC supports Plastic Free July and encourages readers to visit [plasticfreejuly.org](http://plasticfreejuly.org) to find out more, join the challenge and get ideas on how to live plastic free.

The MRC is one of Western Australia's largest waste management authorities, dealing with nearly 400,000 tonnes of household waste every year.

Most of this waste is generated within the borders of its member councils, including the cities of Joondalup, Perth, Stirling, Vincent and Wimmeroo and the towns of Cambridge and Victoria Park.

The MRC's vision is 'winning back waste' and recognises waste as a valuable resource. The council is committed to managing waste in line with the 'waste hierarchy' in a way sensitive to the environment and future generations.



## PLASTIC FREE JULY

## TAMALA PARK RECYCLING CENTRE

1700 Marmion Avenue, TAMALA PARK WA 6030

**The Mandarie Regional Council operates a Recycling Centre and Tip Shop in an effort to recover resources and divert waste to landfill.**

**FREE drop off for:**

- Unwanted good quality second hand items (e.g. furniture, household goods, bikes, toys, building materials)
- Recyclables (e.g. paper/cardboard, glass bottles, metals, white goods, TV & computers, oil)
- Household hazardous waste (e.g. paint, batteries, gas bottles, cleaner, pesticides, household chemicals)

**Opening Times:**  
Drop off: 7 days 8am - 4:45pm  
**Tip Shops for sales:**  
Fri/Sat/Sun/Mon only, 8am - 4:45pm  
**For more information:**  
[www.mrc.wa.gov.au](http://www.mrc.wa.gov.au)

**Grab a bargain**  
at the Tip Shop from a large range of pre-loved goods.  
**Come see for yourself.**





## **MINUTES**

### **AUDIT COMMITTEE MEETING**

**30 JULY 2015**

**TIME: 7.30AM**

**CITY OF STIRLING**

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*Managing waste and recovering resources responsibly*  
*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 meeting was declared open at 7.30am.*

## **2 ATTENDANCE / APOLOGIES**

### **MEMBERS**

Cr Russ Fishwick ( <b>Chair</b> )	City of Joondalup
Cr David Boothman	City of Stirling
Cr Stephanie Proud	City of Stirling
Ms Gayle Rogers	External member

### **IN ATTENDANCE**

Mr Brian Callander	Chief Executive Officer MRC
Mr Gunther Hoppe	Director Corporate Services MRC

### **VISITORS**

Nil

### **APOLOGIES**

Cr Bill Stewart	City of Stirling
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## **3 TERMS OF REFERENCE**

The Audit Committee was established by Council under s7.1A of the Local Government Act 1995 and the Terms of Reference for the operation of the Audit Committee were adopted by Council at an Ordinary Council Meeting held on 24 April 2014.

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

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

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**

Nil

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<b>5</b>	<b>CONFIRMATION OF MINUTES OF PREVIOUS MEETING – 5 FEBRUARY 2015</b>
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**RESOLVED**

**Cr Boothman moved, Cr Proud seconded**

**That the Minutes of the Audit Committee Meeting held on 5 February 2015 be confirmed as a true record of the proceedings.**

*(Carried: 4/0)*

<b>6</b>	<b>REPORTS</b>
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**6.1 EXTERNAL AUDIT PLAN**

**SUMMARY**

The Mindarie Regional Council's (MRC) external auditors, Macri Partners, have prepared an audit plan in respect of the 2014/15 year end audit for review by the Audit Committee.

The audit plan has been prepared by Marci Partners taking into account their prior experience of the MRC's operations, as well as discussions with the MRC's officers, and their experience with other regional councils and local governments.

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

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

“6(j) Review the scope of the audit plan and program and its effectiveness.”

The 2014/15 Audit Plan is at Attachment 1.

**RESPONSIBLE OFFICER RECOMMENDATION**

That the Audit Committee note its review of the scope and effectiveness of the 2014/15 Audit Plan.

**RESOLVED**

**Ms Rogers moved, Cr Proud seconded**

**That the Audit Committee note its review of the scope and effectiveness of the 2014/15 Audit Plan.**

*(Carried: 4/0)*

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## 6.2 RISK REGISTER SUMMARY

### SUMMARY

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

At the meeting it was agreed that a summarised risk register would be tabled with the Audit Committee every six months for discussion. The summarised risk register was last presented to the Audit Committee at its meeting of 5 February 2015.

A summarised risk register which outlines those risks rated as 'High' or 'Extreme' is included as **Attachment 2** to this agenda. Management have prepared management plans for each of the risks included in the summary.

Management conducted a full risk register review in June 2015 and the following risks have been amended or removed from or added to the summary register of those risks with a high or extreme risk rating:

#### Amended

- OPS 02 - Inability to contain leachate from groundwater within landfill boundaries  
*Amended - Downgraded to a rating of 15 as a result of redefinition of the risk and the creation of a new risk OPS 34*
- OPS 06 - Inability to contain odours within site boundaries  
*Amended - Risk downgraded to a risk rating of 10 based on the lack of customer complaints regarding odour received in the last 2 years*
- OPS 21 - Inability to keep recyclable material out of landfill  
*Amended - Risk downgraded to a risk rating of 10 based on the market conditions experienced in the last 6 months*

#### New

- OPS 33 - Inability to contain landfill gas within the leased site boundaries  
*New - Risk was redefined to take into account the risk of landfill gas escaping the site rather than the landfill.*
- OPS 34 - Inability to contain leachate from groundwater within leased site boundaries  
*New – Risk OPS 02 split to deal with leachate within the landfill and leachate that escapes the landfill*

#### Removed

- OPS 17 - Failure to deliver consistent and quality levels of customer service  
*Removed – Risk downgraded from a risk rating of 10 to a rating of 5 based on the lack of negative customer feedback and the controls in place.*
- CEO 04 - Fail to define and communicate vision, mission and strategies to guide and influence organisational culture  
*Removed – Risk downgraded from a risk rating of 10 to a rating of 5 based on the introduction of the cultural change program and KPI reporting.*
-

STRAT 14 - Inability to maintain viable markets for recyclable/reusable materials  
*Removed – Risk downgraded from a risk rating of 12 to a rating of 9 based on a reassessment of the revenue likely to be lost as a result of this risk occurring to less than \$500,000.*

#### **RESPONSIBLE OFFICER RECOMMENDATION**

That the Audit Committee note the Risk Register Summary presented.

A discussion ensued about the risks tabled, in particular those that had been added to or removed from the list or had had their risk rating altered.

#### **RESOLVED**

**Cr Boothman moved, Cr Proud seconded**

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

*(Carried: 4/0)*

### **6.3 CONSIDERATION OF FRAUD RISK (FOR DISCUSSION)**

#### **SUMMARY**

As part of their assessment of the risk of fraud and error in relation to the year-end audit, the MRC's external auditors, Macri Partners, have requested the completion of the questionnaire included as **Attachment 3** by the Audit Committee.

Under Australian Auditing Standards, external auditors are required to assess the risk of fraud or error occurring within the organisation. This includes specific enquiries made from 'management and those charged with governance' within the MRC.

At this point in time, the requirement to consider the risk of fraud is not specifically identified in the Audit Committee's Terms of Reference (ToR), however it is considered that the ToR is broad enough for the Committee to address the issue of fraud if required.

It is proposed to address the request from the Auditor by seeking consideration from the Audit Committee to amend its current ToR by adding a part (x) to the Duties and Responsibilities as follows:

- “(x) Assist the Auditor in meeting its obligations of the Australian Auditing Standards by completing a Fraud and Error Assessment questionnaire. The CEO is required to provide any information required by the committee members to allow them to provide informed responses to the questionnaire.”

A copy of the ToR, including the suggested amendment is provided (refer **Attachment 4**).

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#### **RESPONSIBLE OFFICER RECOMMENDATION**

That the Audit Committee:

1. endorse the change to the Duties and Responsibilities as contained in its Terms of Reference by adding a part (x) as follows:
  - (x) Assist the Auditor in meeting its obligations of the Australian Auditing Standards by completing a Fraud and Error Assessment questionnaire. The CEO is required to provide any information required by the committee members to allow them to provide informed responses to the questionnaire.
2. seek the council of the MRC's endorsement of the changes to the Terms of Reference as detailed in 1. above.

A fulsome discussion of the merits of the Officer's recommendation followed and the Audit Committee members were of the view that this matter should be discussed further between the Administration and the external auditors, and be brought back to the November Audit Committee meeting should this be required.

#### **RESOLVED**

**Cr Fishwick moved, Ms Rogers seconded**

**That the matter of the Audit Committee being required to respond to the Fraud and Error Assessment Questionnaire be referred back to Macri Partners for further consideration and be brought back to the November Audit Committee meeting.**

*(Carried: 4/0)*

<b>7</b>	<b>NEW BUSINESS</b>
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Mr Callander spoke to new draft guidelines with respect to composting that had been recently issued by the Department of Environment Regulation (DER) for comment. Mr Callander noted that the guidelines as drafted had the potential to negatively impact of the Resource Recovery Facility and that further consultation with the DER and the Minister for the Environment would be undertaken on this matter in the weeks following the Audit Committee meeting.

<b>8</b>	<b>NEXT MEETING</b>
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The next Audit Committee meeting is scheduled to be held on 19 November 2015.

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<b>9 CLOSURE</b>
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The Chairman closed the meeting at 8.20am.

These Minutes were confirmed by the Audit Committee as a true and accurate record of the Audit Committee Meeting held on 30 July 2015.

Signed ..... Chairman

Dated this ..... day of ..... 2015

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**ATTACHMENT 1**  
**TO ITEM 6.1**  
**AUDIT COMMITTEE MEETING**  
**30 JULY 2015**  
**MACRI PARTNERS – 2014/15 AUDIT PLAN**

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Certified Practising Accountants



## **Mindarie Regional Council**

### External Audit Plan For the Year Ending 30 June 2015

31 March 2015

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# 1. Purpose of the Audit

The purpose of this audit plan is to summarise our external audit approach in relation to the statutory audit of the Mindarie Regional Council for the financial year ending 30 June 2015.

Our Audit Plan has been prepared to inform the officers and the Audit Committee of Mindarie Regional Council about our responsibilities as your external auditors and how we plan to discharge them.

The plan focuses on:

- Documenting our audit approach, including:
  - audit process;
  - materiality;
  - approach to auditing key financial statement risk issues; and
  - completion;
- Presenting our audit engagement team;
- Highlighting relevant independence and governance matters;
- Providing a preliminary assessment of timing;

Our audit approach is focused on assessing and responding to the risk of misstatement in the financial statements.

We are committed to audit quality and the requirements of independence based on Macri Partners' and the accounting profession's strict rules and policies. We have made our initial assessment of potential threats to independence and have adopted appropriately robust safeguards to address those risks and protect independence.

# 2. Scope of the Audit

We will conduct an independent audit of the financial statements in order to express an opinion on it to the members of the Mindarie Regional Council.

Our audit will be conducted in accordance with Australian Auditing Standards with the objective of reducing the level of material misstatement in the financial statements to an acceptably low level. These standards have been fully updated and revised to improve their clarity and in some cases this is accompanied by additional audit requirements. We are required to comply with them for the audit of your 2014/15 accounts.

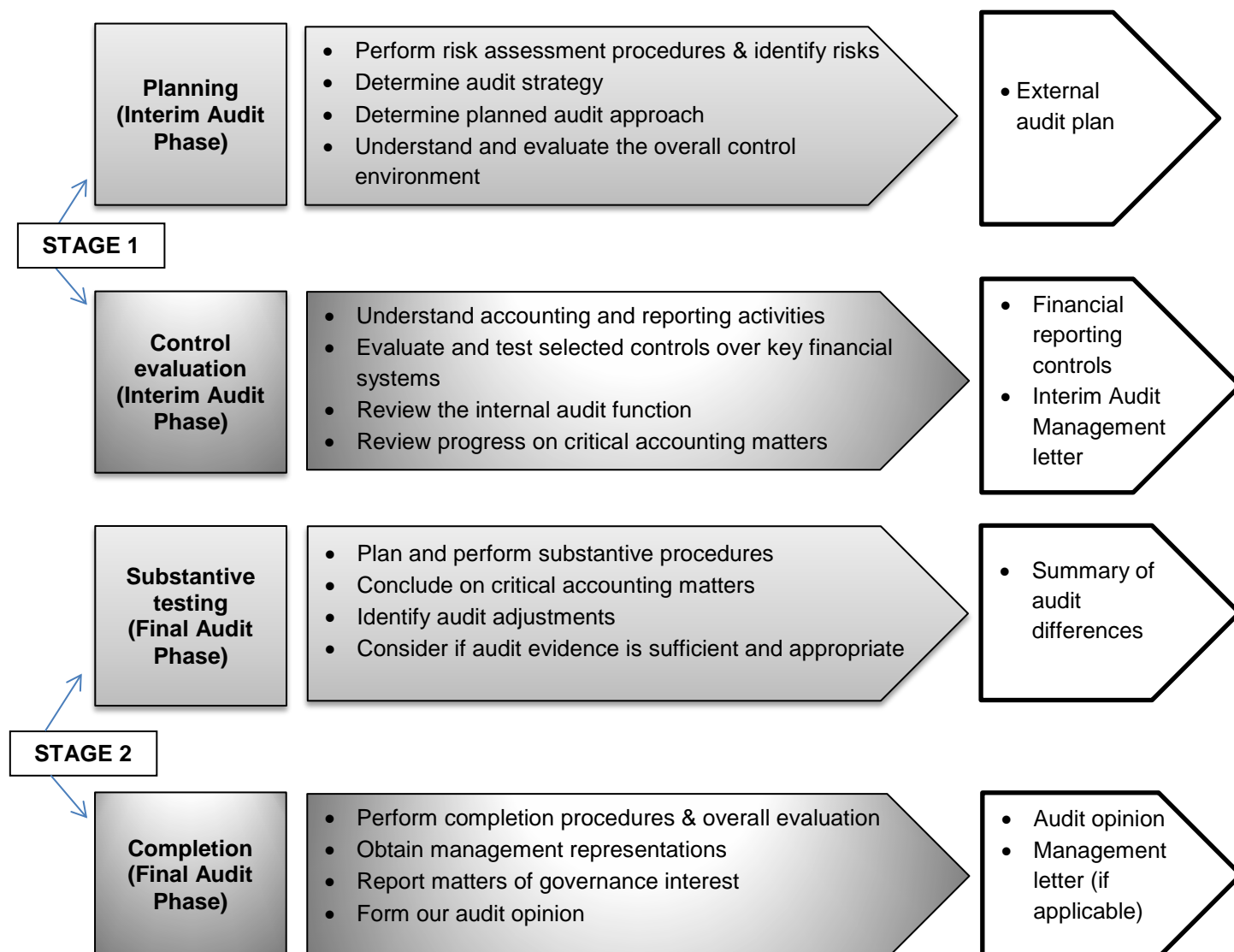
We plan and perform our audit to be able to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. We use professional judgement to assess what is material. This includes consideration of the amount and nature of transactions.

### 3. Financial Reporting Responsibilities

Management	External Audit	Audit Committee
<ul style="list-style-type: none"> <li>• Prepare financial statements and notes in accordance with Australian Accounting Standards, Local Government Act 1995 (as amended) and Regulations under the Act</li> <li>• Design, implement and maintain effective internal control over financial reporting processes</li> <li>• Risk management</li> <li>• Exercise sound judgement in selecting and applying critical accounting policies</li> <li>• Safeguard assets</li> <li>• Prevent, detect and correct errors</li> <li>• Prevent and detect fraud</li> <li>• Provide representations to external auditors</li> <li>• Assess quantitative and qualitative impact of misstatements discovered during the audit on fair presentation of the financial statements</li> <li>• Confirm the effective operations of financial reporting controls and disclosures in the annual financial statements</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct audit in accordance with professional standards and applicable financial reporting framework (i.e. Auditing Standards and Australian Accounting Standards)</li> <li>• Express an opinion on whether the financial statements present a true and fair view in accordance with Australian Accounting Standards, Local Government Act 1995 (as amended) and Regulations under the Act</li> <li>• Plan and perform the audit to obtain reasonable assurance (not absolute assurance) as to whether the accounts are free of material misstatements, whether caused by error or fraud</li> <li>• Maintain audit independence</li> </ul>	<ul style="list-style-type: none"> <li>• Create a culture of honesty and ethical behaviour; set the proper tone and emphasise fraud prevention</li> <li>• Oversee management, including ensuring that management establishes and maintains internal control to provide reasonable assurance regarding integrity and reliability of financial reporting</li> <li>• Oversee management activities which ensure appropriate risk management and controls are in place for monitoring risk and compliance with policies, procedures and laws</li> <li>• Review the Council's performance</li> <li>• Liaise with the external auditors to facilitate external audit</li> <li>• Review annual financial statements and recommend approval to the Council</li> </ul>

## 4. Audit Approach

Our objective is to provide an independent auditor's opinion on the financial report of the Mindarie Regional Council for the year ending 30 June 2015. Our audit methodology is split into two stages and is applied uniquely to your circumstances. It involves the following activities.



Our audit approach is also based on understanding and evaluating your internal control environment and where appropriate validating these controls, if we wish to place reliance on them. This work is supplemented with substantive audit procedures, which include detailed testing of transactions and balances and suitable analytical procedures.

Our audit procedures will focus on those areas of the Mindarie Regional Council's activities that are considered to represent the key audit risks identified in our planning memorandum and through discussions with management and the Audit Committee during the course of our audit.



## (a) Interim Audit Coverage

Our examination of internal controls during interim audit for the year ending 30 June 2015 will be carried out for audit purposes designed primarily for the purpose of expressing an opinion on the financial statements of the Mindarie Regional Council.

During our interim audit visit, we will focus on updating our understanding of the Council's internal controls. This includes reviewing the control environment, risk assessment processes and relevant aspects of information systems controls. Following on from this, we will use the results of this assessment to determine how much we can rely on the information produced from the Council's systems during our final audit visit.

The interim audit is not intended to cover all aspects of the Council's internal controls and accounting systems and is limited to those matters that arise from our normal audit procedures. To this end, we have designed audit programs to carry out our interim audit and we summarise below the areas which we normally cover:

- Bank Reconciliations
- Investment of Surplus Funds
- Purchase of Goods and Services and Payments
- Creditors
- Receipting
- Sundry Debtors
- Payroll
- Fixed Assets (Property, Plant and Equipment and Infrastructure)
- General Accounting (Journals, General Ledger, etc.)
- IT Controls
- Registers (Tender, etc.)
- Minutes Review
- Other financial matters/issues requested by the management/audit committee
- Discuss progress on audit findings and recommendations reported by the Auditor in the previous:
  - interim audit management letter
  - final Audit Completion Report to the Audit Committee to check what action has been taken and audit implications.

Any significant issues arising during the course of the audit will be discussed and management report will be issued.

## (b) Final Audit Coverage

During our final audit visit, we will focus on auditing the balances, disclosures and other information included in the Council's financial statements.

- Current Assets
  - Bank and investments
  - Receivables and prepayments
  - Inventories
  - Other assets
- Non-Current Assets
  - Property, plant and equipment
  - Infrastructure and depreciation
  - Resource recovery facility
  - Excavation work
  - Rehabilitation assets
- Liabilities (Current and non-current)
  - Creditors and accruals
  - Loan borrowings including new loans raised
  - Provision for employee entitlements
  - Rehabilitation provision
- Equity
- Analytical Review of Budget vs Actual (Statement of Comprehensive Income)
- Statement of Cash Flows
- Statement of Changes in Equity
- Accounting Policies and Notes to the Financial Statements
- Reserve Funds
- Contingent Liabilities
- Capital Commitments
- Financial Ratios
- Any other statutory obligations

## 5. Significant Risks Identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty".

In this section, we outline the significant risks of material misstatement which we have identified.

Focus Area	Financial Statement Impact	Planned Audit Approach
Property Plant and Equipment Infrastructure Resource Recovery Facility	Valuation and accuracy of Property Plant and Equipment and infrastructure asset classes	<ul style="list-style-type: none"> <li>➤ Review the basis of any asset valuations (at fair value) undertaken and in doing so consider: <ul style="list-style-type: none"> <li>• the judgements, assumptions and data used;</li> <li>• the reasonableness of any estimation techniques applied; and</li> <li>• the expertise and appropriateness of valuations undertaken by your external valuer.</li> </ul> </li> <li>➤ Substantiate the adjustments after valuation in the general ledger and asset register</li> <li>➤ Review of the reconciliation between asset register and general ledger</li> <li>➤ Sample testing of acquisitions, disposals and write-offs</li> <li>➤ Review of depreciation/amortisation charge for reasonableness</li> </ul>
Rehabilitation Provisions	Completeness, Accuracy and Valuation of Rehabilitation Provisions	<ul style="list-style-type: none"> <li>➤ Review of the estimates and assumptions in the model developed by management for estimating total future rehabilitation expenditures over the landfill discounted to net present value</li> </ul>

## 6. Other Risks

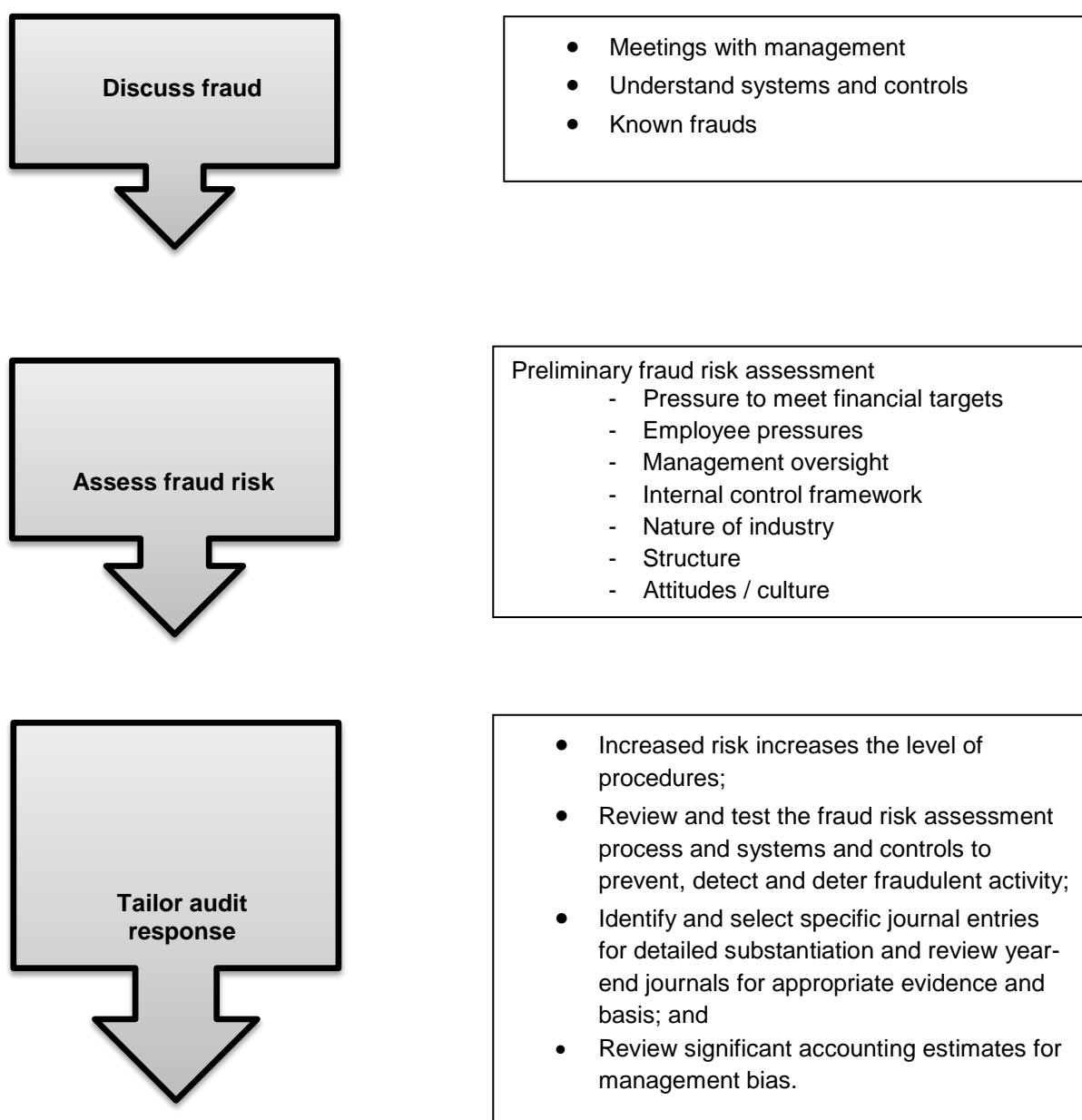
Focus Area	Financial Statement Impact	Planned Audit Approach
Revenue	Completeness and accuracy of Fees and charges, Grant income and Other revenue	<ul style="list-style-type: none"> <li>➤ Control testing on fees and charges and selected other revenue</li> <li>➤ Test a sample of revenue transactions to supporting documentation</li> <li>➤ Substantive analytical procedures</li> </ul>

Focus Area	Financial Statement Impact	Planned Audit Approach
Expenses	Completeness of operating expenses	<ul style="list-style-type: none"> <li>➤ Review of expenditure incurring and approval processes</li> <li>➤ Test a sample of expenditure transactions to supporting documentation</li> <li>➤ Analytical review of operating expenditure</li> </ul>
Payroll	Completeness of payroll expenses	<ul style="list-style-type: none"> <li>➤ Review and assess controls over the payroll process</li> <li>➤ Analytical review of employee expenditure</li> </ul>
Cash and Cash Equivalents, Investments	Existence, completeness and accuracy of cash and investment balances held with financial institutions	<ul style="list-style-type: none"> <li>➤ Obtain external confirmations from the relevant financial institutions</li> </ul>
Trade and Other Receivables	Existence, completeness and accuracy of receivables	<ul style="list-style-type: none"> <li>➤ Obtain external confirmations for material balances</li> <li>➤ Assess adequacy of provision for bad and doubtful debts</li> </ul>
Trade and Other Payables	Existence, Completeness and accuracy of Sundry Creditors and Accrued Expenses	<ul style="list-style-type: none"> <li>➤ Perform search for unrecorded liabilities</li> <li>➤ Review of trade payables and accrued expenses</li> <li>➤ Vouching significant balances</li> </ul>
Provisions for Carbon Pricing	Completeness, Accuracy and Valuation of Carbon Pricing provisions	<ul style="list-style-type: none"> <li>➤ Review of the model and methodology used by management for estimating future carbon emissions from the landfill discounted to net present value</li> <li>➤ Review calculation of the carbon pricing provisions</li> </ul>
Borrowings	Existence, completeness and accuracy of borrowings with the Western Australian Treasury Corporation (WATC)	<ul style="list-style-type: none"> <li>➤ Obtain external confirmations from the WATC</li> </ul>
Provisions for Annual and Long Service Leave	Completeness, Accuracy and Valuation of Annual and Long Service Leave provisions	<ul style="list-style-type: none"> <li>➤ Review calculation of annual leave and long service leave provisions</li> </ul>

## 7. Impact of Fraud on the Financial Report

In accordance with Auditing Standard ASA 240 “The Auditor’s responsibility to consider fraud in an Audit of a Financial Report”, we will undertake specific procedures and report findings to the Council in respect of financial reporting fraud. The following diagram highlights the phases of our work on fraud.

The Council and senior management have responsibility for maintaining internal controls that prevent or detect fraud or error, and assuring regulatory compliance. The Council should be informed by management of any actual or suspected fraud or material errors. We are not responsible for preventing or detecting fraud. However, we are required to consider the risk of material misstatement due to fraud when performing our risk assessments.



## 8. Highlights – 2014/15 Financial Year

### Regulatory Environment

The second phase of fair value implementation was undertaken in the 2014 financial year with respect to Property, Plant and Equipment.

Following the timetable set in the Regulation 17A of the Local Government (Financial Management) Regulations 1996 and our discussions with management, the next class of assets to be revalued by the Council are as follows:

Financial Year	Asset Group - Resources
2014/15	<ul style="list-style-type: none"> <li>➤ Property, Plant and Equipment</li> <li>➤ Infrastructure (landfill cells etc.)</li> <li>➤ Resource Recovery Facility</li> </ul>

## 9. Materiality

Materiality drives the scope of our audit and is determined in accordance with the auditing standard requirements. We plan and perform our audit to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. We use professional judgement to assess what is material. This includes consideration of the amount and nature of transactions.

<b>Type of Materiality</b>	<b>What is it used for?</b>	<b>Amount for 2015 Year</b>
Overall materiality	Our overall materiality for the Council is calculated as a percentage of gross operating expenditure; this represents the level at which we would consider qualifying our audit opinion and is consistent with the prior year.	<b>\$1,000,000</b>  Approximately 2% of Total Budgeted Expenditure (2015 year) \$53m
Performance materiality	We determine performance materiality (from overall materiality) in order to assess risks of material misstatement and to determine the nature, timing and extent of audit procedures.  This is the level to which we plan our audit work and identify significant accounts.	<b>\$750,000</b>  which has been set at 75% of Overall Materiality
Trivial error threshold	Auditing Standard ASA 450 <i>Evaluation of Misstatements Identified during the Audit</i> requires that we record all misstatements identified except those which are "clearly trivial". Matters which are clearly trivial are those which we expect not to have a material effect on the financial statements even if accumulated. When there is any uncertainty about whether one or more items are clearly trivial, the matter is considered not to be clearly trivial.  We determine a trivial error threshold (from materiality) in order to accumulate misstatements identified during the audit.  We will not report misstatements below the threshold level unless we believe that the nature of the misstatement should be of concern. We will include a summary of any uncorrected misstatements identified during our audit in our year-end Audit Completion Report to the Audit Committee.	<b>\$50,000</b>  which has been set at 5% of Overall Materiality

We will reassess materiality based on year-end results or new information to confirm whether it remains appropriate for evaluating the effects of uncorrected misstatements on the financial statements.

## 10. Audit Engagement Team

The audit team consists of the key members listed below:

Engagement Role	Name	Responsibilities
Audit Partner	Anthony Macri	Engagement leader responsible for the audit, including: <ul style="list-style-type: none"> <li>liaison with the Chief Executive Officer and audit committee members</li> <li>agreeing the audit plan</li> <li>signing of external audit opinion and other relevant reports</li> </ul>
Audit Manager	Mit Gudka	Responsible for: <ul style="list-style-type: none"> <li>key contact for operational audit matters</li> <li>ensuring delivery to timetable</li> <li>management of targeted work</li> <li>overall review of audit outputs</li> </ul>

## 11. Communications Plan and Timetable

Auditing Standard **ASA 260 'Communication of audit matters with those charged with governance'** requires auditors to plan with those charged with governance the form and timing of communications with them. We have assumed that 'those charged with governance' are the Audit Committee.

Output	Timing
Interim Audit Field Work	14 May 2015 – 15 May 2015 (Confirmed with Management)
Provide Interim Management Letter	On completion of interim audit and management responses received
Final Audit Field Work	September 2015 – November 2015 (Management to confirm)
Present the Audit Findings Report to the Audit Committee	September 2015 – November 2015 (Management to confirm)
Provide Audit Opinion on Financial Statements	September 2015 – November 2015 (Management to confirm)



## 12. Independence

### Independence and Objectivity Confirmation

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the Audit Engagement Partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, this is the Audit Committee.

### Confirmation Statement

We confirm that as of March 2015 in our professional judgement, Macri Partners is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Engagement Partner and audit staff is not impaired.

## 13. Disclaimer

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

**ATTACHMENT 2**  
**TO ITEM 6.2**  
**AUDIT COMMITTEE MEETING**  
**30 JULY 2015**  
**RISK REGISTER SUMMARY**

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Mindarie Regional Council  
Summary Risk Register  
January 2015 to - Revised 25 June 2015

Risk Ref.	Risk description	Causal factors	Consequence	Existing Controls	Consequence	Likelihood	Risk	Previous rating	
OPS-02	Inability to contain leachate from groundwater within <b>site landfill</b> boundaries.	Stage 1 unlined Liner failure Environmental factors Water table rise Third party influence on ground water	Water plume Contaminated sites branch status Damaged reputation Urban extraction requirements	Lined landfill Remediation extraction Rediverting leachate BEMP CSM Leachate level testing <b>DER Contaminated Site Branch</b>	3	5	15	20 (4/5)	Risk downgraded due to new risk developed OPS-034
OPS-01	Inability to contain landfill gas within <b>site boundaries</b> <b>Landfill boundaries</b>	Stage 1 unlined Insufficient capture Natural migration of gas Power station failure Damage to liners Infrastructure failure	Environmental impacts Financial penalties Loss of license Poor public perception	Power station Monitoring License conditions Third party design of landfill BEPM Liners and membranes Stakeholder relationships CSM <b>Contract arrangements with LP&amp;G</b> <b>Engaged GHD consultancy services</b>	5	3	15		
STRAT 06	State Government implements changes to Regional Councils existence	Robson Report Proposed legislative change <b>WARR Act Review</b>	State Government takes over service LG takes over service Commercial entities enter market WARR Act Review (discussion paper)	Lobbying with peak bodies Industry networking and consultation <b>Submission to the WARR Act Review</b>	5	3	15		
COR-09	Failure to effectively manage existing MRC contracts	Lack of assigned internal contract owners Lack of contract management skills Lack of data input within system Differing expectations of performance Poor management of processes Unclear contracts and agreements Lack of communication	Contracts being mis-managed Non compliance with contract terms Inability to achieve best economic outcome Reduced efficiencies Loss of storage space Staff frustration	Key dates logged in IN Control System Assigned Contract Manager Tendering process WALGA preferred suppliers Point of contact	4	3	12		
COR-14	Failure of Resource Recovery Facility (RRF)	Major mechanical failure Force majeure	Additional tonnes to landfill Contract dispute	RRF Contract PAG meetings Insurance	3	4	12		
OPS-06	Inability to contain odours <b>within site boundaries</b> <b>from causing social impact</b>	Type of waste received/accepted Inadequate cover Poor gas capture Extreme weather events Poor leachate management Tying in to existing landfill Urban encroachment	Complaints Non compliance with license Investigations Financial penalties Reputation damage	Gas collection Daily cover Leachate management Alternate cover SOP Odorous load management Biological odour control	2	5	10	12 (4/3)	Reduced risk based on lack of customer complaints
OPS-21	Inability to keep recyclable materials out of landfill	Lack of recycling business Lack of education and awareness Lack of recycling options	Longevity of landfill Costs to landfill Reduces life cycle of landfill Poor public perception Increased global warming potential	Industry networking and consultation Grants for resource recovery Waste segregation Resell from shop <b>Multiple locations</b> Education program <b>Recover Recycled material from landfill</b> <b>Recover Recycled material from transfer</b> <b>Manage Hazardous Waste</b>	2	5	10	12 (3/4)	Reassessed risk based on past 6 months' experience on site.
STRAT-05	Federal/State Government changes to Environmental Law and or carbon pricing	Community pressure Government agenda	Increased operational costs Stakeholder frustration with increased costs Potential closure of landfill site	Stakeholder communication Industry network and consultation <b>Monitoring of Environmental Law</b>	4	3	12		
OPS-22	Major Fire or Explosions <b>(methane gas leak)</b>	Bush fire due to severe weather Major vehicle fire Criminal activity Methane Gas leak resulting in explosion or damage to gas bottle	Inability to deliver service Legal action Loss of revenue Personal injury Property damage Poor public perception	Business Continuity Plan Emergency Management Plan Emergency Exercises Fire Fighting Equipment Trained personnel - Wardens EMMP SOP's <b>Emergency Equipment Review</b>	5	2	10		

OPS-24	Chemical Spill	Chemical delivered to site in damaged containers Staff and customer inattentive Damage by plant Unidentified loads	Inability to deliver services Legal Action Personal injury Property Damage Temporary Closure of part or all of site Loss of Revenue Health and Safety Disgruntle customers Poor public perception	Business Continuity Plan SOP's Trained personnel - Wardens EMP DER license Emergency Equipment Dangerous goods license requirements and compliance EMMP	5	2	10	
OPS-30	Worksafe Shutdown	Fatality or reportable incident on site	Inability to deliver services Legal Action Temporary Closure of part or all of site Loss of revenue Staff Wellness Disgruntle customer Poor public perception Health & Safety	Qualified OHS Officer on site Safety Inductions / Tool box's Qualified Employees Safety culture Reportable incident procedure EMP EMMP SOP's Include OHS procedures in purchasing procedures	5	2	10	
STRAT 10	Fail to provide safe and suitable work environment at MRC in compliance with OSH legislation	Lack of understanding Complacency Lack of awareness of change Lack of staff training Changes to legislation Inherent nature of Regional Council operations Public interaction with staff and recycled goods Nature of recycled goods Loading and unloading of vehicles Plant and equipment operating in area People behaviours Household chemicals Third party vehicle damage Wildlife	Staff harm Public harms Non compliance Emergency/evacuation	SOP's Training OSH Committee/Reps Wardens OSH Procedure and Management system Incident reporting Emergency exercises Safety Management systems Environmental monitoring (dust, odours, air) Inspections Staff selection Inductions Pre employment medicals Waste acceptance criteria Traffic Management Plan Signage Informal alerts of dangerous materials Technical Officer Separation of operations Inspect and review Plant and Equipment	5	2	10	
STRAT-04	Failure of commercial partners to fulfil MRC expectations	Overcommitted Company liquidation RRF Breakdowns Poor quality of service	Increased stockpiles/quantities of product MRC not operating within licence conditions Increased costs of alternative arrangements Increased labour costs	Contracts and agreements Contract management Communication Relationship management	2	5	10	
OPS-033	Inability to contain landfill gas within leased site boundaries	Stage 1 unlined Insufficient capture Natural migration of gas Power station failure Infrastructure failure Liner failure	Environmental impacts Financial penalties Loss of license Poor public perception	Power station Monitoring DER License conditions Third party design of landfill BEPM Liners and membranes Stakeholder relationships CSM Contract arrangement with LG&P Engaged GHD consultancy services	5	3	15	
OPS-034	Inability to contain leachate from groundwater within leased site boundaries	Stage 1 unlined Liner failure Environmental factors Water table rise Third party influence on ground water	Water plume Contaminated sites branch status Damaged reputation Urban extraction requirements	Lined landfill Remediation extraction Rediverting leachate BEMP CSM Leachate level testing DER Contaminated sites branch	4	5	20	
OPS-17	Failure to deliver consistent and quality levels of customer service	Downgraded to a rating of 5 due to reduced risk of consequence based on historical trends						10 (2/5)
GEO-04	Fail to define and communicate vision, mission and strategies to guide and influence organisational culture	Downgraded to a rating of 5 due to a reduction in the likelihood of serious accidents as a result of the introduction of the cultural program.						10 (5/2)
STRAT 14	Inability to maintain viable markets for recyclable/usable materials	Downgraded to a rating of 9 due to reassessment of revenue loss being unlikely to be over \$500,000						12 (4/3)

**MINDARIE REGIONAL COUNCIL  
RISK ASSESSMENT & ACCEPTANCE CRITERIA  
(As at 20<sup>th</sup> November 2013)**

**EXISTING CONTROLS RATING**

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

**MEASURES OF CONSEQUENCE**

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

**MINDARIE REGIONAL COUNCIL**  
**RISK ASSESSMENT & ACCEPTANCE CRITERIA**  
(As at 20<sup>th</sup> November 2013)

**MEASURES OF LIKELIHOOD**

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

**RISK MATRIX**

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

**RISK ACCEPTANCE CRITERIA**

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

**ATTACHMENT 3**  
**TO ITEM 6.3**  
**AUDIT COMMITTEE MEETING**  
**30 JULY 2015**  
**MACRI PARTNERS – FRAUD ASSESSMENT QUESTIONNAIRE**

**MACRI PARTNERS**

# **2015 INTERIM AUDIT REQUIREMENTS SCHEDULE**

**MINDARIE REGIONAL COUNCIL  
(MRC)**



# Fraud and Error Assessment – Audit Committee MRC

FOR THE YEAR ENDING 30 JUNE 2015

The Australian Auditing Standards require us to consider the risk that fraud could occur within the Council. We are preparing to perform our Interim Audit risk assessment of your Council in relation to the audit for the year ending 30 June 2015. We would appreciate if you could briefly answer the following questions in the spaces provided, and return this signed letter.

1. Do you believe the policies and procedures in place within the Council are adequate to minimise the risk of fraud to an appropriately low level? Please provide an explanation for the reasons for your answer.
2. Have you, during the past year, become aware of or suspected fraud within the Council? If yes, please provide details.
3. Are you aware of any instances where policies and procedures have not been adhered to which could have resulted in a fraud occurring? If yes, please provide details.
4. Has the Council's management communicated to you its processes for identifying/responding to risks of fraud?

**Signature:**

\_\_\_\_\_

**Name:**

\_\_\_\_\_

**Position:**

\_\_\_\_\_

**Date:**

\_\_\_\_\_

### Examples of Circumstances that Indicate the Possibility of Fraud

The following are examples of circumstances that may indicate the possibility that the financial report may contain a material misstatement resulting from fraud.

Discrepancies in the accounting records, including:

- Transactions that are not recorded in a complete or timely manner or are improperly recorded as to amount, accounting period, classification, or entity policy.
- Unsupported or unauthorised balances or transactions.
- Last-minute adjustments that significantly affect financial results.
- Evidence of employees' access to systems and records inconsistent with that necessary to perform their authorised duties.
- Tips or complaints to the auditor about alleged fraud.

Conflicting or missing evidence, including:

- Missing documents.
- Documents that appear to have been altered.
- Unavailability of other than photocopied or electronically transmitted documents when documents in original form are expected to exist.
- Significant unexplained items on reconciliations.
- Unusual balance sheet changes, or changes in trends or important financial statement ratios or relationships – for example receivables growing faster than revenues.
- Inconsistent, vague, or implausible responses from management or employees arising from enquiries or analytical procedures.
- Unusual discrepancies between the entity's records and confirmation replies.
- Large numbers of credit entries and other adjustments made to accounts receivable records.
- Unexplained or inadequately explained differences between the accounts receivable sub-ledger and the control account, or between the customer statements and the accounts receivable sub-ledger.
- Missing or non-existent cancelled cheques in circumstances where cancelled cheques are ordinarily returned to the entity with the bank statement.
- Missing inventory or physical assets of significant magnitude.
- Unavailable or missing electronic evidence, inconsistent with the entity's record retention practices or policies.
- Fewer responses to confirmations than anticipated or a greater number of responses than anticipated.
- Inability to produce evidence of key systems development and program change testing and implementation activities for current-year system changes and deployments.

Problematic or unusual relationships between the auditor and management, including:

- Denial of access to records, facilities, certain employees, customers, vendors, or others from whom audit evidence might be sought.
- Undue time pressures imposed by management to resolve complex or contentious issues.
- Complaints by management about the conduct of the audit or management intimidation of engagement team members, particularly in connection with the auditor's critical assessment of audit evidence or in the resolution of potential disagreements with management.
- Unusual delays by the entity in providing requested information.
- Unwillingness to facilitate auditor access to key electronic files for testing through the use of computer-assisted audit techniques.
- Denial of access to key IT operations staff and facilities, including security, operations, and systems development personnel.
- An unwillingness to add or revise disclosures in the financial report to make them more complete and understandable.
- An unwillingness to address identified deficiencies in internal control on a timely basis.

**MACRI PARTNERS**

Other

- Unwillingness by management to permit the auditor to meet privately with those charged with governance.
- Personal financial pressure
- Vices such as substance abuse and gambling
- Extravagant purchasing or lifestyle
- Real or imagined grievances against the organisation or management
- Increased stress, irritable, defensive and argumentative
- No vacations / sick leave / excessive overtime
- Dominant personality
- Protective of area of administration and missing documents and files from the staff's area
- Accounting policies that appear to be at variance with industry norms.
- Frequent changes in accounting estimates that do not appear to result from changed circumstances.
- Tolerance of violations of the entity's Code of Conduct.

**ATTACHMENT 4**

**TO ITEM 6.3**

**AUDIT COMMITTEE MEETING**

**30 JULY 2015**

**TERMS OF REFERENCE – AUDIT COMMITTEE**  
**(DRAFT AMENDMENT TO INCLUDE FRAUD RISK)**

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## **AUDIT COMMITTEE TERMS OF REFERENCE**

### **1. Objectives of Audit Committee**

In accordance with Regulation 16 of the Local Government (Audit) Regulations 1996, the primary objective of the Audit Committee is to accept responsibility for the annual external audit and liaise with the Mindarie Regional Council's (Council) auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.

Reports from the Committee will assist Council in discharging its legislative responsibilities of controlling the Council's affairs, determining the Council's policies and overseeing the allocation of the Council's finances and resources. The Committee will ensure openness in the Council's financial reporting and will liaise with the Chief Executive Officer (CEO) to ensure the effective and efficient management of the Council's financial accounting systems and compliance with legislation.

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.

### **2. Powers of the Audit Committee**

The Committee is a formally appointed committee of Council and is responsible to that body. The Committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility. The Committee does not have any management functions and cannot involve itself in management processes or procedures.

The Committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its terms of reference in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the Council that have not been delegated to the CEO.

### **3. Membership**

The Committee will consist of three elected members. The Council may also appoint an external member. All members shall have full voting rights.

External persons appointed to the Committee will be a member of CPA Australia or the Institute of Chartered Accountants (Australia), have the requisite financial, commercial and/or business experience, and will be sufficiently conversant with governance, financial and other reporting requirements so as to allow them to fulfil the role.

Appointment of external persons shall be made by Council by way of a public advertisement and be for a maximum of two years.

Reimbursement of approved expenses will be paid to each external person who is a member of the Committee, up to an annual limit set as part of the annual budget process.

The CEO and employees are not members of the committee.

The CEO or his/her nominee is to attend all meetings to provide advice and guidance to the Committee.

The Council shall provide secretarial and administrative support to the Committee.

### **4. Meetings**

The Committee shall meet at least once a year. Additional meetings shall be convened at the discretion of the presiding person.

A quorum of the Committee will be constituted by three members.

A decision of the Committee is to be made by simple majority.

### **5. Reporting**

Reports and recommendations of each committee meeting shall be presented to the next ordinary meeting of the Council.

### **6. Duties and Responsibilities**

The duties and responsibilities of the Committee will be –

- (a) Provide guidance and assistance to Council as to the carrying out the function of the Council in relation to audits.
- (b) Develop and recommend to Council an appropriate process for the selection and appointment of a person as the Council's auditor.
- (c) Develop and recommend to Council –
  - a list of those matters to be audited; and
  - the scope of the audit to be undertaken.
- (d) Recommend to Council the person or persons to be appointed as auditor.

- (e) Develop and recommend to Council a written agreement for the appointment of the auditor. The agreement is to include –
  - the objectives of the audit
  - the scope of the audit
  - a plan of the audit
  - details of the remuneration and expenses to be paid to the auditor; and
  - the method to be used by the Council to communicate with, and supply information to, the auditor.
- (f) Meet with the auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions.
- (g) Liaise with the CEO to ensure that the local government does everything in its power to –
  - assist the auditor to conduct the audit and carry out his or her other duties under the *Local Government Act 1995*; and
  - ensure that audits are conducted successfully and expeditiously.
- (h) Examine the reports of the auditor after receiving a report from the CEO on the matters and –
  - determine if any matters raised require action to be taken by the Council; and
  - ensure that appropriate action is taken in respect of those matters.
- (i) Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and presenting the report to Council for adoption prior to the end of the next financial year or six months after the last report prepared by the auditor is received, whichever is the latest in time.
- (j) Review the scope of the audit plan and program and its effectiveness.
- (k) Review the appropriateness of special internal audit assignments undertaken at the request of Council or CEO.
- (l) Review the level of resources allocated to internal audit and the scope of its authority.
- (m) Review reports of internal audits and by monitoring the implementation of recommendations made by the audit and reviewing the extent to which Council and management reacts to matters raised.
- (n) Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs.
- (o) Review Council's draft annual financial report, focusing on:
  - accounting policies and practices;
  - changes to accounting policies and practices;
  - the process used in making significant accounting estimates;
  - significant adjustments to the financial report (if any) arising from the audit process;
  - compliance with accounting standards and other reporting requirements; and

- significant variances from prior years.
- (p) Consider recommending adoption of the financial report to Council
- (q) Address issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of the Committee's terms of reference.
- (r) Seek information or obtain expert advice through the CEO on matters of concern within the scope of the Committee's terms of reference following authorisation from the Council.
- (s) Review the annual Compliance Audit Return and report to the Council the results of that review.
- (t) Consider the CEO's biennial reviews of the appropriateness and effectiveness of the Council's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the Committee, and report to the Council the results of those reviews.
- (v) Monitor the progress of any major lawsuits facing the Council.
- (w) Perform a biannual review of the material risks identified in the Council's Risk Register.
- (x) ***Assist the Auditor in meeting its obligations of the Australian Auditing Standards by completing a Fraud and Error Assessment questionnaire. The CEO will provide any information required by the committee members to allow them to provide informed responses to the questionnaire.***