



Central Coast Council

Domestic Waste Review

Clayton Utz

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The following terms are used in this report:

Term	Explanation
Act	Local Government Act 1993
Apportionment Model	A Microsoft Excel workbook used by the Council to allocate costs between the Fund Categories of Domestic Waste and General.
Council	Central Coast Council
CPI	Consumer Price Index
CRRR Manual	Council Rating and Revenue Raising Manual (2007), released by the Department of Local Government.
DWF	Domestic Waste Fund
DWM	Domestic Waste Management
Fund Categories	The categories of General, Water, Sewerage, Drainage and Domestic Waste.
FY	Financial Year
GF	General Fund
Restriction Categories	The categories of externally restricted, internally restricted and unrestricted funds.
Restrictions Master Sheet	A Microsoft Excel spreadsheet that contains the balances of funds for both Fund Categories and Restriction Categories
WMF	Waste Management Facility

1. Executive Summary

1.1. Introduction

The purpose of this report is to provide you and the Council with the findings of our targeted review of Domestic Waste as set out in the scoping email to Brendan Bateman (Clayton Utz) and the Council dated 18 December 2020.

1.2. Summary of Financial Information

A summary of the DWF balances per the general ledger for the three years ended 30 June 2020 follows.

DWF Balance	FY2018	FY2019	FY2020
Opening balance	42,248,636	66,218,233	78,657,570
<i>Revenues</i>	<i>67,052,854</i>	<i>71,539,946</i>	<i>74,583,219</i>
<i>Expenses</i>	<i>(53,487,185)</i>	<i>(57,427,768)</i>	<i>(59,412,405)</i>
Net operating result	13,565,669	14,112,178	15,170,814
Adjustments ¹	10,403,928	(1,672,841)	(3,384,351)
Closing balance	66,218,233	78,657,570	90,444,033
Movement per year	23,933,597	12,439,337	11,786,463
<i>Increase per year</i>	<i>57%</i>	<i>19%</i>	<i>15%</i>

The balance of the DWF has increased over the past three years from \$42.2 million to \$90.4 million.

1.3. Summary of Findings

A summary of our findings from the targeted review of Domestic Waste follows.

- The DWF increased from \$42.2 million to \$90.4 million in the three years to 30 June 2020. The Council attributes this to increasing future costs related to environmental legislation (e.g. remediation standards), new Council objectives (e.g. Food and Garden Organics collection

¹ Adjustments to the fund balance are used to make the net movement in the fund equal to the net operating result of the Domestic Waste division at year end. As there are separate processes for General Accounting (i.e. the accounting for revenue and expenses in the profit & loss) and Fund Accounting (i.e. the accounting for the movement of funds across the Fund Categories), there is a timing difference as the fund balance is updated a month after the accrued expenses are recorded.

service) and the volatility of waste commodity markets. The Council does not record what current or non-current liabilities the balances are kept in reserve for other than an estimate for Future Tip Remediation costs of approximately \$37.7 million.

- At the time of the Council’s amalgamation, there was a recalculation to standardise the different rates being charged to residents for waste services. KPMG understands that the Council rate setting process on amalgamation did not include an assessment of reasonable costs due to the complexities around reliably forecasting costs for the newly formed Council as long-term contractual agreements were in the process of being renegotiated. The Council instead relied on the reasonableness of the cost calculations of the former councils. Since amalgamation, rates have been updated on an annual basis in line with the CPI. The Council provided KPMG with DWM charges levied to residents of the City of Canterbury Bankstown which were higher than the charges to the urban residents of the Council. KPMG understands the Council is currently performing a rates assessment which involves a review of its current waste management costs in compliance with the CRRR Manual guidance that states for DWM “... *income from charges must be calculated not to exceed the “reasonable cost” to the council providing those services...*”.
- There is currently an automatic posting issue in the accounting systems used by the Council whereby the accounts receivable balance for the DWF is temporarily posted to the GF, while the revenue is posted to the DWF. This requires a separate adjustment to the DWF. The result is that the accounts receivable balance is not recognised in the DWF which temporarily inflates the Councils calculation of the DWF balance until the manual adjustment is made. KPMG understands that this issue was partially updated in November 2020. KPMG recommends the Council reviews and amends the automatic posting issue for the relevant accounts receivables so that it is automatically directed to the DWF.
- KPMG was advised by Council personnel that the total balance of the DWF is externally restricted for the sole use of domestic waste management. Our review identified balances for unrestricted cash in each year of the review in the range of \$4 million to \$8 million caused by temporary timing differences between the General Accounting and Fund Accounting processes.
- The Restrictions Master Sheet that is regularly reported to the Council in the form of a monthly Investment Report was either not attached or was out of date (some for several months) for many of the Council’s monthly Investment Reports reviewed. The effect is that inaccurate Restricted and Unrestricted Fund balances have been reported in monthly Investment Reports in the past three years. We note that the Investment Reports regularly stated that the restrictions schedules were out of date or were in draft form. KPMG recommends the Council adopt policies and procedures to ensure a finalised schedule from the Restrictions Master Sheet is included in each Investment Report.
- Our review of the Apportionment Model identified the following errors:
 1. Kincumber expenses were not included in the calculations for FY2018, 2019 and 2020 resulting in an under allocation to the DWF of \$445,389, comprising waste transfer and loader plant hire costs.
 2. The expense category referred to as *Direct Overheads for Waste* was miscalculated and not included in the Apportionment Model for FY2018, 2019 and 2020. The net impact of these errors was that expenses of \$3,474,667 were under allocated to the DWF.
 3. The Apportionment Model used budget or outdated figures instead of actual figures for various expense categories in FY2018, 2019 and 2020. The impact of this error was that the Apportionment Model under allocated \$58,378 of expenses to the DWF over the three years.

- KPMG performed a review of the expenses posted to the GF on a sample basis for the months of July 2017 and June 2020 to confirm they had been recorded appropriately between the GF and the DWF. KPMG identified one transaction relating to Direct Overheads for Waste which had not been apportioned between the GF and the DWF. The remaining transactions sampled were reasonably allocated to the GF and the DWF where necessary.
- Capital expenditure for waste was initially funded by the GF and later recouped from the DWF over the duration of the service delivery. The result is that the GF incurs the capital expenditure and recovers a portion of the costs from DWF through the allocation of a depreciation and amortisation charge. This approach is consistent with the guidance in the CRRR Manual. We note there is no allocation of costs attributable to the land. Further, the acquisition costs of the land, if any, are not currently known.

A summary of our findings resulting in adjustments to the GF and DWF balances follow:

Item	General Fund	Domestic Waste Fund
Kincumber expenses for FY2018, 2019 and 2020	445,389	(445,389)
Direct Overheads for Waste FY2018, 2019 & 2020	2,759,452	(2,759,452)
Internal Plant Hire for FY2018, 2019 & 2020	715,215	(715,215)
Budget Instead of Actual Figures - Depreciation and Amortisation for FY2018	781,941	(781,941)
Budget Instead of Actual Figures – Internal Overheads FY2019 & 2020	(558,271)	558,271
Other Outdated Figures FY2018 & 2019	(165,292)	165,292
Total	3,978,434	(3,978,434)

KPMG calculate that \$4.0 million of expenses for FY2018, 2019 and 2020 should be reallocated from the GF to the DWF.

KPMG recommends the Council process the above adjustments and update the relevant policies and/or procedures for the apportionment calculation to ensure these errors are not repeated for future calculations. Additionally, we note that our review did not include apportionment calculations performed prior to FY2018.

2. Introduction

2.1. Background

We refer to our engagement to provide forensic accounting services to the Council under Purchase Order (1154259) in relation to the funding of restricted and unrestricted Council expenditure.

The purpose of this report is to provide you and the Council with the findings of the targeted review of Domestic Waste as set out in the scoping email to Brendan Bateman (Clayton Utz) and the Council dated 18 December 2020.

2.2. Work Performed

KPMG performed the following as part of the scope of the targeted review of Domestic Waste:

- Attended walk-throughs to obtain an understanding of the Councils waste function; to understand the allocation of funding related to Domestic Waste (Fund 50); and General Waste (Fund 10).
- A review of the Apportionment Model used to allocate costs between Domestic Waste and General.
- A review of the journals and supporting work papers for entries pertaining to the allocation of funding within Domestic Waste in accordance with restrictions for the months of July 2017 and June 2020.
- A review of the CRRR Manual from the Department of Local Government for Waste.
- A review of the ledger transactions which reference the relevant cost centres of the GF for waste in July 2017 and June 2020 and sample testing to review the appropriateness of funding allocation.
- A review of the reported waste figures in the financial statements.

2.3. Summary of the Council's Waste Function

To understand the Council's waste function, KPMG attended walk-throughs with the Waste Services and Finance teams on 18 December 2020 and 22 December 2020.

The Council's waste can be broadly categorised into two groups as follows:

- Domestic Waste, which is waste on domestic premises and ordinarily generated from domestic premises, for which the Council provides periodic collection services. Examples include waste collected by the Council (such as on a weekly basis if in urban areas) for general household waste, recycling and green waste.

- Non-Domestic Waste, which comprises all other waste (other than sewerage which is a separate category and outside the scope of this report) including general waste. Examples include self-hauled waste (i.e. a council resident delivering waste to a local tip, including if it is from a domestic property), public litter (e.g. bins at parks and beaches), internal council waste and business customer waste and recyclables delivered to the Council's WMF.

A reason this distinction is made is the Act includes legislation that covers household garbage services being funded by specific annual charges made and levies for that purpose.

3. Summary of Financial Information

A summary of the DWF balances per the general ledger for the three years ended 30 June 2020 follows.

DWF Balance	FY2018	FY2019	FY2020
Opening balance	42,248,636	66,218,233	78,657,570
<i>Revenues</i>	<i>67,052,854</i>	<i>71,539,946</i>	<i>74,583,219</i>
<i>Expenses</i>	<i>(53,487,185)</i>	<i>(57,427,768)</i>	<i>(59,412,405)</i>
Net operating result	13,565,669	14,112,178	15,170,814
Adjustments	10,403,928	(1,672,841)	(3,384,351)
Closing balance	66,218,233	78,657,570	90,444,033
Movement per year	23,969,597	12,439,337	11,786,463
Increase per year	57%	19%	15%

The balance of the DWF has increased over the past three years from \$42.2 million to \$90.4 million.

Adjustments to the fund balance are required as the fund is updated to reflect the net operating result of the Domestic Waste division at year end. As there are separate processes for General Accounting (i.e. the accounting for revenue and expenses in the profit & loss) and Fund Accounting (i.e. the accounting for the opening and closing balance across Fund Categories), there is a temporary timing difference as the fund balance is updated a month after the accrued expenses are recorded.

As a result, the opening fund balance carries forward the accruals from the previous year which need to be removed from the calculation for the following year. The adjustments listed in the above table are summarised below.

DWF Adjustments	FY2018	FY2019	FY2020
Accounts Payable Control	(1,776)	-	(1,884,243)
Accrued Expenses Finance	(10,404,212)	(7,084,697)	(6,704,713)
Goods Received Not Invoice	(3,968)	(1,801)	-
Government Grants Receivable	6,029	-	-
Rates Overpayments (Pathway) ²	-	(1,644,589)	-
Rates Overpayments (Authority)	-	-	(2,573)
Interest and Extra Charges Receivable (Authority)	-	-	348,536
Interest and Extra Charges Receivable (Pathway)	-	-	71,021
Waste Management Annual Charges Receivable (Pathway)	1,547,496	1,547,496	1,907,793
Waste Management Annual Charges Receivable (Authority)	-	-	2,464,939
Adjustment total	(8,856,430)	(7,183,590)	(3,799,239)
<i>Accrual from previous year reflected in fund opening balance</i>	(1,547,496)	8,856,430	7,183,590
Total Adjustment	(10,403,927)	1,672,840	3,384,351

For FY2020, the temporary timing adjustment of \$3.4 million comprises:

- The accrual adjustment at 30 June 2019 to account for FY2019 revenue and expense transactions where the cash flow impact was in FY2020 (\$7.2 million); less
- The accrual adjustment to account for revenue and expense transactions in FY2020 where the pending cash flow impact will be in FY2021 (\$3.8 million).

A summary of the DWF balance and total funds over the past three years follows.

Council Fund Balances	FY2018	FY2019	FY2020
DWF balance	66,218,233	78,657,570	90,444,033
Other restricted funds (external)	210,019,584	243,102,900	252,563,205
Restricted funds (internal)	112,724,671	112,238,671	111,158,472
Unrestricted funds	87,744,182	39,626,594	(93,745,325)
Total non-DWF balances	410,488,437	394,968,165	269,976,352
Total funds	476,706,670	473,625,735	360,420,384
<i>DWF as % of total funds</i>	<i>13.9%</i>	<i>16.6%</i>	<i>25.1%</i>

The DWF as a percentage of total Council funds has increased from 13.9% at 30 June 2018 to 25.1% in 2020.

² This account contains the balance of overpayments recorded in the rates module which covers both rates and annual charges levied. The Council has advised that overpayments are either applied against new charges, or ratepayers can request a refund.

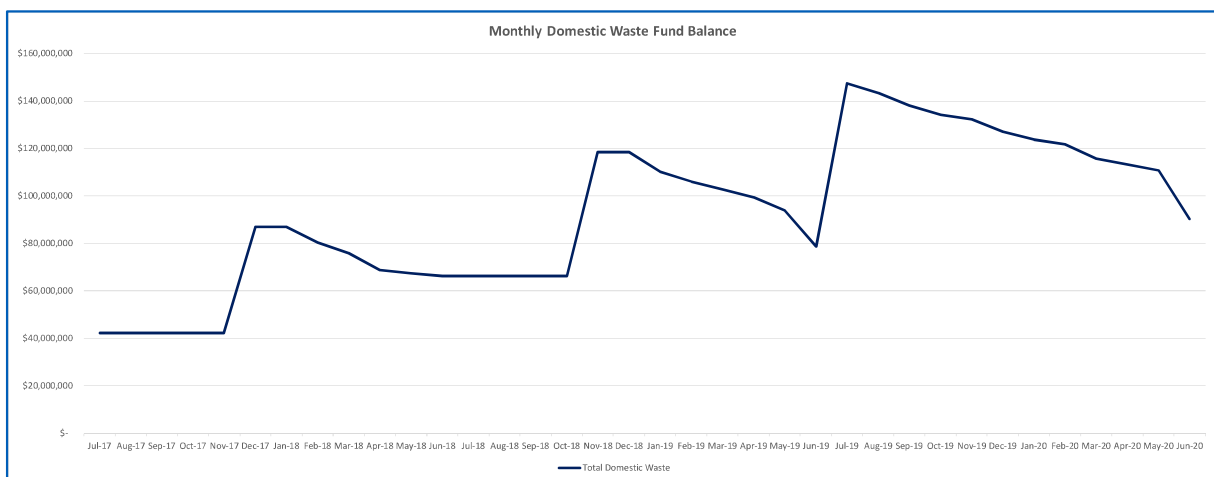
Carrying forward a surplus balance in the DWF is permitted under the applicable regulations which state the “*accumulated surplus for DWM should lead to a reduction in the appropriate charge(s), over time, unless it is planned to absorb the surplus through anticipated higher service delivery costs in future years*”. KPMG has been advised by Council personnel that the reasons for the DWF surplus include:

1. Increasing costs to Council related to environmental legislation, policy and strategy changes for waste management (e.g. increasing remediation standards for inactive WMF).
2. Increasing waste management costs linked to new Council objectives. For example, the infrastructure costs connected to the Council’s commitment to implement a Food and Garden Organics collection service. The Council will need to construct a fully enclosed tunnel composting complex which is expected to cost an estimated \$30 million.
3. Volatile waste commodity markets. For example, recent market events have restricted the options for exporting waste to be processed, increasing the recycling costs for the Council.

The Council does not record what current or non-current liabilities the balances (\$90.4 million at 30 June 2020) are kept in reserve for. For example, the Council is unable to show how much of the \$90.4 million held as at 30 June 2020 is set aside for different categories of costs. However, we understand from documentation provided that the Council estimates Future Tip Remediation to cost approximately \$37.7 million.

KPMG note the relevant guidance requires provisions for future costs to be recorded but does not stipulate that those provisions should be categorised by expected use. As such, KPMG note the Councils accounting for the DWF surplus is not inconsistent with the guidance.

A chart of the monthly movement in the DWF from July 2017 to 30 June 2018 follows.



The chart shows the recording of the movement of the funds in the DWF is not consistent each month. From discussions with Council personnel we understand that there are periodic adjustments to the DWF conducted annually or during the year to record the balance of DWF revenues and expenses rather than a consistent monthly recording.

The DWF recognises revenue comprising fees and annual charges (i.e. council rates) at the time they are levied to residents which is at the commencement of each financial year and updated if there are any changes to waste services throughout the year. Residents have several options for payment terms (e.g. quarterly instalments) which are not reflected in the DWF balances.

4. Accounting for waste

4.1 Key Principles

To ensure compliance with the Act, the Council must separate the accounting treatment of the waste services it provides, depending on the type of waste managed:

- Domestic Waste Management Services are defined by the CRRR Manual as “*services comprising the periodic collection of domestic waste from individual parcels of rateable land and services that are associated with those services*”. The related revenue and expenses are allocated to the DWF restricted funds.
- Non-Domestic Waste Management Services include all services relating to non-domestic waste. The related revenue and expenses are allocated to the GF unrestricted funds.

KPMG has conducted a targeted review of the Domestic Waste accounting processes having regard to requirements under the Act. As part of the review, KPMG has:

1. Attended walk-throughs with the Council’s waste services division and had numerous conversations with finance team members to understand the related accounting processes.
2. Reviewed the CRRR Manual.

4.2 Accounting for the Domestic Waste Fund

The accounting for Domestic Waste involves two separate processes:

- a) General Accounting Process: The accounting of revenue and expenditure transactions are accounted for using typical accrual accounting processes. For example, the typical ledger transaction for an expense when the invoice is received and the service has been provided is Debit Expense (P&L), Credit Accounts Payable (Balance Sheet). On payment of the invoice the ledger transaction is then Dr Accounts Payable (Balance Sheet) and Cr Cash at Bank (Balance Sheet).
- b) The Fund Accounting Process: The accounting for the allocation of funding uses a contra account in the Equity section of the Balance Sheet. From these accounts the available funds are allocated to the restricted and unrestricted balances across the Fund Categories, including Domestic Waste.

The General Accounting Process

Revenues related to Domestic Waste are derived from fees and annual charges collected from residents and are a separate identifiable charge on the Council’s rates notices.

At the time of the Council amalgamation, there was a recalculation to standardise the rates across the Council. Since amalgamation, rates have been updated on an annual basis in line with CPI. We note the CRRR Manual provides that “DWM income from charges must be calculated not to exceed the “reasonable cost” to the council providing those services”. KPMG understands from discussions with Council that the rate setting process on amalgamation did not include an assessment of reasonable costs due to the complexities around reliably forecasting costs for the newly formed Council as long-term contractual agreements were in the process of being renegotiated. The Council instead relied on the reasonableness of the cost calculations of the former councils. The Council is currently performing the rates assessment which includes a review of costs.

The Council provided KPMG with DWM charges for the Central Coast urban residents and the City of Canterbury Bankstown residents which follow:

Annual Charge FY2020	Central Coast Council (Urban Area)	Bankstown Branch	Canterbury Branch
Vacant Land Charge	71	148	148
DWM Service Charge	512	565	530

KPMG has not performed a review of the comparability of the councils, however makes the observation that the DWM charges for the Central Coast are lower than Bankstown and Canterbury branches.

The Council maintained an increasing net operating surplus for its waste division for FY2018, 2019 and 2020, which increased broadly in line with CPI. This surplus can be seen in both the budget and actual figures for the DWF, as follows:

Financial Results	FY2018		FY2019		FY2020	
	Budget	Actual	Budget	Actual	Budget	Actual
Revenue	67,078,330	67,052,854	69,938,423	71,539,946	72,071,373	74,583,219
Expenses	(58,675,721)	(53,487,185)	(68,879,540)	(57,427,768)	(66,391,230)	(59,412,405)
Surplus	8,402,609	13,565,668	1,058,883	14,112,178	5,680,143	15,170,814

KPMG note that the budget expenses include allowances for future tip rehabilitation costs which are not incurred in the current year resulting in the actual expenses being lower than budgeted expenses.

Expenses related to Domestic Waste fall into two categories:

- Direct expenses, including:
 - Waste collection which comprise the direct costs associated with the waste from a contractor (currently Cleanaway).
 - Waste processing and disposal for domestic recycling and green (gardening) waste.
- Apportioned expenses, including:
 - Processing and disposal of domestic general household waste. This is apportioned using the Council’s Apportionment Model reported below.
 - Tip Rehabilitation related to Domestic Waste. Total costs are apportioned using the Tip Rehabilitation Model which splits the costs by WMF based on the usage of that site and allocates a reasonable portion to DWF (i.e. if a site is 80% used for Domestic Waste, then 80% of the rehabilitation costs will be recorded to the DWF).

Revenue and direct expenses are posted directly to the fund they relate to while apportioned expenses (e.g. WMF expenses) are initially posted to the GF and later, through the fund accounting process, apportioned to other funds.

There is an exception with revenue recognition for the DWF whereby the accounts receivable balance is temporarily posted to the GF, while the revenue is posted to the DWF. The Council manually posts a fund adjustment at the end of the financial year to move the balance from the GF to the DWF. The result is that the accounts receivable balance is not recognised in the DWF which temporarily inflates the DWF balance until the manual adjustment is made. We understand that the Council has partially updated its automatic postings in November 2020, however the process has not been completely resolved and remains for the accounting system, Authority³, which was used by the former Gosford City LGA.

Fund Accounting Process

The default Fund Category for apportioned expenses is the GF and for the Restriction Category, the unrestricted fund within the relevant Fund Category. Since 2017, the process to adjust this has been for the finance team to receive the monthly Restrictions Master Sheet from the division business partner which contains the balances of funds for both Fund Categories and Restriction Categories.

The finance team then posts journals to the relevant ledger accounts in the equity section of the balance sheet to record the incremental changes to the Fund Categories and Restriction Categories. This process in effect, notionally allocates the balance of cash and investments in the balance sheet across the Fund Categories and Restriction Categories.

An example of a Fund Category change was as a result of the June 2020 apportionment calculation whereby the waste business partner advised finance that \$3,643,947 had to be transferred from the GF to the DWF, being the apportioned costs related to Domestic Waste. The journal processed was:

DR	Internal Expense - Tipping Fee DWM (Fund 50 – Domestic Waste)	3,643,947
	CR Internal Expense - Tipping Fee DWM (Fund 10 - General)	3,643,947

For an example of a Restriction Category change, in June 2020 the waste business partner advised finance the balance of restricted funds for DWF needed to be increased by \$15,051,463, being the net operating result of the waste division for FY2020. The journal processed was:

DR	External Restrictions (Fund 50)	15,051,463
	CR Unrestricted Cash (Fund 50)	15,051,463

³ The system is due to be decommissioned in FY2021

A summary of the Restriction Category balances for the DWF for the past three years follows:

Restriction Category Balances	FY2018	FY2019	FY2020
External Restriction (domestic waste management - current)	57,020,631	71,132,516	86,183,980
External Restriction (domestic waste management - non-current)	(0.12)	-	-
External Restriction (unexpended grants)	1,137,251	1,104,560	-
Internal Restriction (other – current)	-	38,776,529	-
Internal Restriction (other – non-current)	-	(38,776,529)	-
Unrestricted Cash (current)	8,060,349	6,420,493	58,088,045
Unrestricted Cash (non-current)	-	-	(53,827,992)
Total	66,218,231	78,657,569	90,444,033

KPMG makes the observation that there are balances recorded as unrestricted cash in the DWF. These balances are caused by timing differences between the general accounting and the fund accounting processes. Where there are funds allocated to the DWF (the general accounting process) which have not yet been recorded in the Restrictions Master Sheet (fund accounting process), these will appear temporarily as unrestricted cash in the DWF.

The balances reported above for unrestricted funds in each year are restricted funds rather than unrestricted funds, as funds allocated to the DWF are inherently restricted for the purposes of domestic waste.

After the Fund Categories and Restriction Categories have been processed, the finance team updates the Restrictions Master Sheet which is then annexed as a schedule to the monthly Investment Report presented at Ordinary Council Meetings. The Council reports its portfolio by Source of Funds across restricted and unrestricted funds based on this information contained in the Restrictions Master Sheet.

KPMG reviewed a sample of the monthly Investment Reports and found that while it may have been documented, many of the schedules from the Restrictions Master Sheet were either not attached or were out of date (some for several months) resulting in inaccurate Restricted and Unrestricted Fund balances being reported in the Investment Reports.

4.3 Accounting for the General Fund

Revenue recorded by the GF includes gate fees, selling resources (e.g. scrap metal and gas extraction) and the Council's business customer waste collection. Like with the DWF, the GF includes direct and apportioned expenses:

- Direct expenses for non-domestic waste collection costs such as public litter bins at beaches and parks.
- Apportioned expenses, include:
 - Processing and disposal of non-domestic waste (i.e. WMF expenses). This is apportioned using the Council's Apportionment Model reported below.
 - Tip rehabilitation costs related to non-domestic waste. Total costs are apportioned using the Tip Rehabilitation Model which splits the costs by WMF based on the usage of that site.

All revenue and expenses for the WMF are initially recorded to the GF where each WMF has a cost centre. Periodically, apportionment calculations are performed to determine the costs related to Domestic Waste and a fund adjustment is made to the GF and DWF through the Fund Accounting Process discussed below.

Fund Accounting Process

The Fund Accounting Process for the GF follows the same process reported above for the DWF (i.e. using the Restrictions Master Sheet). Unlike the DWF which has no internal restrictions, there are two waste related internal restrictions for the GF for the Remediation Reserve and the Facilities Reserve. As these reserves do not relate to Domestic Waste they fall outside the scope of this review. We note that the Domestic Waste portion of the remediation costs are separately allocated to the DWF, however the balance of these costs is not readily identifiable within the DWF balances.

KPMG compared the above accounting procedures to the guidance provided in the CRRR Manual and note that the approach appears consistent with the guidance.

4.4 Accounting for Capital Expenditure

The capital expenditure for waste is initially funded by the GF and later recouped from the DWF over the duration of the service delivery.

For example, the upfront costs of building a WMF are borne by the GF and as it is used, the costs attributable to Domestic Waste are recouped from the DWF. This is consistent with the guidance in the CRRR Manual which states *“capital costs represent the provision of service potential over a period of time, the cost that should be included in the DWM charge should only be that portion relevant to the current period.”*

The result is that the GF carries the burden of the capital expenditure relating to waste and a recovery of the costs by the GF is obtained from the DWF each year through the allocation of a depreciation and amortisation charge. Depreciation and amortisation charges are included in the WMF operating expenses apportioned to Woy Woy and Buttonderry.

KPMG note there does not appear to be an apportionment or allocation of costs to Woy Woy or Buttonderry associated with the costs of the purchase of the land. The guidance in the CRRR Manual provides that,

“In the case of acquiring land for a tip, the initial cost of the land is not to be fully charged to the current period DWM charge but rather apportioned equally over the periods in which the tip will provide service potential.”

KPMG understands from Council personnel that the land used for the current WMFs was acquired by the Council several decades ago, and the acquisition cost, if any, is not currently known.

4.5 Review of the Apportionment Model

The purpose of the Apportionment Model is to reasonably allocate the operating costs of the Council’s WMF which processes and disposes of both domestic and non-domestic waste.

The Council uses an Apportionment Model on an annual basis to split the operating costs of its WMF into three categories: Domestic; Annual Charge Business Customer; and General.

The Domestic category is for Domestic Waste while Annual Charge Business Customer and General make up non-domestic waste. The split between the two types of non-domestic waste (i.e. Annual Charge Business Customer and General) is required as the Council operates a separate waste management business for business customers. The associated revenues and costs are required to be separated for internal pricing and budgeting purposes.

The objective of the review of the Apportionment Model was to confirm the reasonableness of the calculations for FY2018, 2019 and 2020 affecting the interfund adjustment relating to WMF operating costs between the GF and the DWF.

The findings from the review procedures follows.

There are currently two active WMFs for which the Apportionment Model splits costs, being Woy Woy and Buttonderry (Kincumber is currently a sorting site only and all waste is ultimately transferred to Buttonderry or Woy Woy, so Kincumber tonnage is added to the Buttonderry or Woy Woy totals).

The Apportionment Model calculates the cost per tonne of waste delivered to each WMF as the basis for apportioning costs.

The allocation for each WMF is simply calculated as:

$$(Domestic\ Waste\ tonnes / total\ tonnes\ processed\ at\ the\ WMF) \times WMF\ Operating\ Costs$$

The details of the tonnage and type of waste are collected from weighbridges at each WMF which record the tonnage, the source of the waste and invoices received from the collection subcontractor (i.e. Cleanaway). A summary of the tonnes of waste at Woy Woy and Buttonderry for FY2020 follows:

WMF Tonnage FY2020 Waste Type	Woy Woy		Buttonderry	
	Tonnes	Percentage	Tonnes	Percentage
Domestic	40,648	52.0%	53,241	38.2%
Annual Charge Business Customer	2,094	2.7%	2,364	1.7%
General Facility	35,427	45.3%	83,821	60.1%
Total	78,169	-	139,426	-

For FY2020, Domestic Waste is approximately 52% and 38% of total waste processed at Woy Woy and Buttonderry.

KPMG noted that the figures relied on for the subcontractor waste collections were based on a single monthly invoice (for the FY2020 calculation, this was based on the June 2020 invoice). If there was a significant variation in the collections by the subcontractor for this month compared to other months, it could affect the accuracy of the apportionment calculation. We understand, however, that volumes

are relatively consistent and any spike in collection volumes is unlikely to materially affect the calculation.

Additionally, for FY2020, there is a minor error with the percentage figures extracted from the Cleanaway invoice. The total percentage equals 100.01% which results in an over apportionment of 0.01%.

A separate profit and loss statement is prepared for each WMF which contains the site's total operating expenses. An adjustment is made to deduct from total operating expenses the direct costs already allocated to Domestic, Annual Charge Business Customer and General.

A summary of the total operating costs apportioned for FY2020 based on the original apportionment model were:

Expenses FY2020	Woy Woy	Buttonderry
Total Operating Expenses	10,515,927	21,517,584
Adjustments (direct costed)	(4,190,459)	(11,974,976)
Operating Expenses to be Apportioned	6,325,468	9,542,608

The total of the operating expenses to be apportioned at Woy Woy and Buttonderry in FY2020 was \$6.33 million and \$9.54 million.

Once the above information is known, the cost per tonne of waste processing can be calculated and the expenses apportioned.

A summary of the allocation of operating costs of the WMF for FY2020 follows⁴.

Category	Woy Woy	Buttonderry
Cost per Tonne	\$80.92	\$68.44
Domestic Waste Allocation	3,289,024	3,643,947
Annual Charge Business Customer Allocation	169,467	161,812
General Allocation	2,866,977	5,736,849
Total apportioned Expenses	6,325,468	9,542,608

We note the WMF operating expenses that have been apportioned include the following which have been posted to the cost centres for Buttonderry (52441) and Woy Woy (52442):

- Employee costs including salaries, wages and superannuation.
- Materials & Contracts such as contracts, consultants, chemicals, garbage collection, plant hire, paper supplies and fuel.
- Depreciation and Amortisation on plant & equipment, office equipment and buildings.
- Other Expenses such as software licences, telephone & communication and stationery.

⁴ Costs per tonne: Woy Woy (\$6,325,468 / 78,169 = \$80.92), Buttonderry (9,542,608 / 139,426=\$68.44)

- Internal Expenses such as fleet hire, council rates, electricity, cleaning and security.
- Overheads for corporate shared services.

KPMG identified the following errors in the calculation of apportioned expenses for FY2018, 2019 and 2020.

1. Kincumber expenses not included in apportionment calculation

While the tonnage for the Kincumber WMF was added to the total for Buttonderry, the Kincumber expenses were not added to the apportionment calculations for FY2018, 2019 and 2020. KPMG understands that Kincumber is a sorting site only (i.e. no landfill) and all domestic waste delivered to the site is ultimately transported to Buttonderry where it is disposed of. The waste team has advised that the costs for Kincumber which can be reasonably attributed to the DWF consist of waste transfer and loader plant hire costs as summarised below:

Kincumber Expenses	Waste Transfer	Loader Plant Hire	Total
FY2018	92,327	68,673	161,000
FY2019	96,869	69,809	166,678
FY2020	76,569	41,142	117,711
Total	265,765	179,624	445,389

Kincumber expenses of \$445,389 for FY2018, 2019 and 2020 should have been transferred from the GF to the DWF over the period.

2. Direct Overheads for Waste not included in apportionment calculation

The Direct Overheads for Waste were not included in the apportionment calculations for FY2018, 2019 and 2020. The Direct Overheads for Waste include all overheads posted to the waste division cost centre (52400) such as waste division employee expenses, consultants, fuel, etc. These overheads are separate to the Corporate Overheads already included in the calculation.

The impact of this error for FY2018, 2019 and 2020, was that expenses of \$6,968,989⁵ were not included in the apportionment calculations, calculated as follows:

Direct Overheads - Waste	Woy Woy	Buttonderry	Total
FY2018 Direct Overheads	748,623	2,109,100	2,857,723
FY2018 DWF %	47%	34%	-
FY2018 DWF Apportionment	351,853	717,094	1,068,947
FY2019 Direct Overheads	534,489	1,564,781	2,099,270
FY2019 DWF %	56%	35%	-
FY2019 DWF Apportionment	299,314	547,673	846,987
FY2020 Direct Overheads	564,002	1,447,994	2,011,996
FY2020 DWF %	52%	38%	-
FY2020 DWF Apportionment	293,281	550,237	843,518
Total Direct Overheads	1,847,114	5,121,875	6,968,989
Total DWF Apportionment	944,448	1,815,004	2,759,452

Direct Overheads – Waste that total \$2,759,452 for FY2018, 2019 and 2020 should have been transferred from the GF to the DWF over the period.

⁵ Direct Overheads for Waste for FY2018, 2019 & 2020 (\$2,857,723 + \$2,099,270 + \$2,011,996 = \$6,968,989).

Upon review of the Direct Overheads - Waste, it was found that a miscalculation had occurred resulting in additional expenses for Internal Plant Hire being direct costed to the Woy Woy and Buttonderry WMF.

This resulted in additional expenses to be apportioned as follows:

Additional Internal Plant Hire	Woy Woy	Buttonderry	Total
FY2018 Internal Plant Hire	1,333,808	-	1,333,808
FY2018 DWF %	47%	-	-
FY2018 DWF Apportionment	626,890	-	626,890
FY2019 Internal Plant Hire	155,691	149	155,840
FY2019 DWF %	56%	35%	-
FY2019 DWF Apportionment	87,187	52	87,239
FY2020 Internal Plant Hire	-	2,857	2,857
FY2020 DWF %	-	38%	-
FY2020 DWF Apportionment	-	1,086	1,086
Total DWF Apportionment	714,077	1,138	715,215

An additional \$715,215 of Internal Plant Hire costs for FY2018, 2019 and 2020 should have been transferred from the GF to the DWF for the period.

The net impact of the errors relating to Direct Overheads for Waste was that expenses of \$3,474,667⁶ were under allocated to the DWF for the three years to June 2020.

This potential error appears to have been caused by a timing issue whereby the Apportionment Model was prepared before the calculation of Direct Overheads for Waste had been finalised each year. We understand that the Council is in the process of updating the apportionment calculations to include these overheads.

3. Use of Budget or Outdated Figures Instead of Actual Figures

KPMG note that some budget or outdated figures have been used in the apportionment calculation instead of actuals, including:

- a) Internal Expenses – Overheads for FY2019 and 2020.
- b) Depreciation and Amortisation for FY2018.
- c) Other outdated figures for Internal Expenses, Materials & Contracts and Employee Expenses in FY2018 and 2019.

⁶ Net expenses under allocated to the DWF due to the miscalculation and exclusion of Direct Overheads for Waste from the apportionment calculations was \$3,474,667 (\$2,759,452 + \$ 715,215 = \$3,474,667)

a) *Internal expenses – Overheads for FY2019 and 2020*

The calculation of the effect of using budget figures rather than actual figures for Internal Expenses - Overheads follows.

Internal Expense - Overheads	Woy Woy	Buttonderry	Total
FY2019 Budget figure used	1,400,046	2,355,139	3,755,185
FY2019 Actual figure used	1,001,290	2,604,863	3,606,153
Difference	(398,756)	249,724	(149,032)
FY2019 DWF %	56%	35%	-
FY2019 DWF Apportionment	(223,303)	87,403	(135,900)
FY2020 Budget figure used	1,572,198	3,549,916	5,122,114
FY2020 Actual figure used	1,206,728	2,938,530	4,145,258
Difference	(365,470)	(611,386)	(976,856)
FY2020 DWF %	52%	38%	-
FY2020 DWF Apportionment	(190,044)	(232,327)	(422,371)
DWF Apportionment	(413,348)	(144,923)	(558,271)

From this analysis, the use of budget figures results in an over allocation of overhead expenses of \$558,271 (\$135,900 for FY2019 and \$422,371 for FY2020) to the DWF.

b) *Depreciation and amortisation for FY2018*

The calculation of the effect of using budget figures rather than actual figures for depreciation and amortisation follows.

Depreciation and Amortisation	Woy Woy	Buttonderry	Total
FY2018 Budget figures used	328,813	1,187,820	1,516,633
FY2018 Actual expense	1,183,895	2,305,622	3,489,517
Difference	855,082	1,117,802	1,972,884
FY2018 DWF %	47%	34%	-
DWF Apportionment	401,889	380,053	781,941

From this analysis, the use of budget figures rather than actual figures results in an under allocation of \$781,941 of depreciation and amortisation expenses to the DWF for FY2018.

c) *Other outdated figures*

The difference between the other outdated figures used and the actual expenses follow:

Other Outdated Figures FY2018 & 2019	Woy Woy	Buttonderry	Total
FY2018 Employee Costs Difference	(12,392)	150,401	138,009
FY2018 Internal Expenses Difference	6,560	(662,536)	(655,976)
FY2018 Materials & Contract Difference	5,831	11,068	16,899
FY2018 DWF %	47%	34%	-
FY2018 DWF Adjustment	-	(170,363)	(170,363)
FY2019 Employee Costs Difference	150	(11,347)	(11,197)
FY2019 Materials & Contract Difference	8,906	11,347	20,253
FY2019 DWF %	56%	35%	-
FY2019 DWF Adjustment	5,071	-	5,071
DWF Apportionment	5,071	(170,363)	(165,292)

The use of other outdated figures used in FY2018 and 2019 result in an over allocation of expenses to the DWF of \$165,292.

Summary of the use of budget or outdated figures in the Apportionment Model

The total impact of using the outdated or budget figures instead of actual figures was that the Apportionment Model under allocated \$58,378⁷ of expenses to the DWF.

The reason for the use of the budget figures appears to have been a timing issue whereby the Apportionment Model was prepared before the actual figures had been finalised. We understand from discussions with the Council's finance team that the Council is in the process of updating the calculations for actuals across all expense categories.

KPMG compared the FY2020 apportionment calculation to the calculations for FY2018 and 2019 and note that the approaches to the apportionment of costs were consistent. We note that while the FY2019 and 2020 models contain a detailed breakdown of waste, a more simplified breakdown was provided for FY2018.

4.6 General Fund Sample Testing

Introduction

KPMG performed a review of waste expenses recorded in the GF and DWF for the months of July 2017 and June 2020.

The objective of this review was to identify whether waste expenses within the GF and DWF had been recorded appropriately (having regard to the requirements under the Act) and whether the approach between the two review periods was consistent.

Summary of approach

Our approach to complete the sample testing is summarised below and broadly involved the following processes:

- i. Account selection
- ii. Transaction sampling
- iii. Analysis of Domestic Waste allocation.

Account Selection

We selected key accounts in the General Fund⁸ based on:

- whether it was an expense account (account numbers beginning with number '8'). We excluded revenue accounts as revenue related to Domestic Waste is posted directly to the DWF.

⁷ Total impact of using budget figures was an under allocation to the DWF of \$58,378 (\$781,941 - \$558,271 - \$165,292 = \$58,378)

⁸ KPMG43 'General Fund' worksheet

- the size of the account balance for the months ended 31 July 2017 and 30 June 2020 (expense accounts with small balances were excluded from the sample analysis).

Transaction sampling

We sampled transactions from the General Ledger⁹ relating to each expense account, noting:

- invoice/vendor information
- cost centres (cost centres 52441, 52442 and 52443 that relate to tip facilities)
- item description
- amount.

Analysis of Domestic Waste allocation

Our review of each transaction sampled involved an assessment of whether:

- the transaction/expense account includes items related to Domestic Waste; or
- amounts related to remediation projects for inactive sites; or
- for June 2020, whether the transaction could be traced back to the supporting information provided by the Council.

For instances where transactions included amounts which should have been allocated to the DWF, we reviewed whether the amount was appropriately allocated.

Summary of findings

The table below summarises the number of general ledger transactions and the methods used by the Council to allocate funds to Domestic Waste:

Domestic Waste Allocation	July 2017	June 2020	Total
Direct cost allocation (at invoice level) to GF and DWF	1	5	6
Costs allocated between GF and DWF using the Apportionment Model	5	8	13
Direct Overhead expenses allocated between GF and DWF through the Apportionment Model	8	5	13
Costs for an Inactive site (tip rehabilitation)	-	3	3
Annual Charge Business Customer or General Waste costs only	2	4	6
Total transactions sampled	16	25	41

KPMG reviewed 41 transactions relating to 19 expense types.

KPMG identified one transaction relating to Direct Overheads for Waste and two related transactions that total \$2,370,626 which had not been appropriately apportioned to the DWF (i.e. the costs were

⁹ KPMG43, KPMG44 and KPMG47

retained in the GF). Further details of this issue are reported above in the findings for the Apportionment Model.

The remaining transactions sampled were correctly allocated to the DWF through Direct Cost Allocation (whereby invoiced amounts are can be directly posted the GF and DWF) and through the Apportionment Model.

Additionally, there is a process to apportion tip rehabilitation costs for inactive sites from the GF to the DWF. Like the Apportionment Model, the calculation is based on the tonnage of waste received at each site, or if the tonnage figures are not available due to the age of the site, an estimation of the percentage of Domestic Waste disposed at the site. This approach is not an unreasonable basis for allocation. We note the estimated Domestic Waste percentages used are significantly higher for inactive sites (approximately 80%) compared to the active the sites (between 38 and 52%).

Comparison of July 2017 to June 2020

We have not identified any discrepancies in the approach used to allocate Domestic Waste costs in our samples between July 2017 and June 2020.

We note however, a number of large reversals in July 2017 in the Contractors – Labour Hire account (account number 821006), in the amounts of:

- a) \$2,004,188,677
- b) \$476,830,549.

We understand that these reversals relate to the processing and removal of green waste from the Woy Woy tip facility. Further, we are instructed by Council that these reversals relate to the correction of data entry errors that occurred in the first month that a new accounting system was implemented.

4.7 Findings

This section provides a summary of the findings in relation to the targeted review of Domestic Waste.

Financial information

In relation to the review of the financial information pertaining to the DWF, our findings are as follows.

- The DWF increased from \$42.2 million to \$90.44 million in the three years to 30 June 2020. KPMG note the Council's waste division personnel attribute this to increasing costs related to environmental legislation (e.g. remediation), new Council objectives (e.g. Food and Garden Organics collection service) and the volatility of waste commodity markets.
- KPMG has not been provided with details of what comprises the carried forward surplus at 30 June 2020. For example, the Council is unable to show how much of the \$90.4 million held as at 30 June 2020, is set aside for different categories of costs. However, we understand that the Council estimates Future Tip Remediation to cost approximately \$37.7 million.
- The revenues for Domestic Waste are recorded in the DWF once per year (and updated throughout the year for changes) and expenses only periodically. This creates inaccurate balances being reported to Council throughout the year, such as in the Investment Reports.

Review of the accounting for DWF

Our findings in relation to the review of the accounting for the DWF follows.

- At the time of the Council’s amalgamation, there was a recalculation to standardise the different rates being charged to residents for waste services. KPMG understands that this did not involve a review of the underlying costs or “reasonable costs” to the Council for providing waste services. The Council instead relied on the reasonableness of the cost calculations of the former councils as long-term contractual agreements were being renegotiated. KPMG understands the Council is currently performing a rates assessment which involves a review of its current waste management costs in compliance with the CRRR Manual guidance that DWM “... *income from charges must be calculated not to exceed the “reasonable cost” to the council providing those services...*”
- Direct costs are posted to the DWF while indirect costs are initially posted to the GF, before a manual adjusting entry moves them to the DWF. If this manual adjustment does not occur or is incorrectly calculated, the cost will remain in the GF.
- The accounts receivable balance for the DWF is temporarily posted to the GF, while the revenue is posted to the DWF. The Council manually posts a fund adjustment at the end of the financial year to move the balance from the GF to the DWF. The result is that the accounts receivable balance is not recognised in the DWF which temporarily inflates the Councils calculation of the DWF balance. We understand that the Council has partially updated its automatic postings in November 2020, however the issue has not been completely resolved and remains for the accounting system used by the former Gosford City LGA (Authority).

Recommendation: KPMG recommends the Council reviews the automatic postings for the relevant accounts receivable to the DWF in the accounting system used by the former Gosford City LGA (Authority).

- Although the process for updating the fund balance was performed monthly by the finance department, the Restrictions Master Sheet was completed for the waste restrictions annually. The effect of this is that throughout the year the DWF balance was not accurate. KPMG understands that the waste restrictions are now completed on a monthly basis.

KPMG was advised that the total balance of the DWF is externally restricted for the sole use of Domestic Waste Management. Our review identified balances for unrestricted cash in each year of the review in the range of \$4 million to \$8 million which are caused by timing differences between the General Accounting and Fund Accounting processes.

- While it may have been documented in the Investment Reports, the schedule from the Restrictions Master Sheet was either not attached or was out of date (some for several months) for many of the Investment Reports reviewed. The effect of this is that inaccurate Restricted and Unrestricted Fund balances have been reported in most Investment Reports.

Recommendation: The Council adopt policies and procedures to ensure a finalised schedule from the Restrictions Master Sheet is included in the Investment Report.

Accounting for Capital Expenditure

Our findings in relation to the review of Capital Expenditure follows.

- Capital expenditure for waste is initially funded by the GF and later recouped from the DWF over the duration of the service delivery. The result is that the GF incurs the capital expenditure and recovers a portion of the costs from DWF through the allocation of a depreciation and amortization charge. This approach is consistent with the guidance in the CRRR Manual. We note there is no allocation of costs attributable to the land.

Review of the Apportionment Model

Our findings in relation to the review of the Apportionment Model for the DWF follows.

- Historically, the apportionment calculation has been performed on an annual basis, meaning fund adjustments could also only be processed on an annual basis. KPMG understands the Council has recently started performing the apportionment calculation on a monthly basis.
- The Kincumber WMF expenses were not included in the apportionment calculations for FY2018, 2019 and 2020. KPMG understands that Kincumber is a sorting site only (i.e. no landfill) and all domestic waste delivered to the site is ultimately transported to Buttonderry and Woy Woy where it is disposed of. The costs which can be reasonably attributed to the DWF consist of waste transfer and loader plant hire costs are \$445,389.

Recommendation: We recommend the Council considers processing the above fund adjustment from the DWF to the GF to transfer the value of the Kincumber expenses for FY2018, 2019 and 2020. Additionally, we recommend the Council update the relevant policies and/or procedures for the apportionment calculation to ensure that Kincumber expenses are considered in future calculations.

- The Direct Overheads for Waste were not included in the apportionment calculations for FY2018, 2019 and 2020. The impact of this error is that expenses of \$6,968,989 were not included in the apportionment calculations, resulting in an additional adjustment required from the GF to the DWF of \$2,759,452. Upon review of Direct Overheads for Waste, a miscalculation was identified resulting in an additional \$715,215 of Internal Plant Hire costs for FY2018, 2019 and 2020 which should have been transferred from the GF to the DWF.

Recommendation: We recommend the Council considers processing the above fund adjustments from the GF to the DWF relating to Direct Overheads for Waste. Additionally, we recommend the Council update the relevant policies and/or procedures for the apportionment calculation to include these expenses for future calculations.

- The apportionment calculation used outdated or budget figures instead of actual expenses for various expense categories for FY2018, 2019 and 2020. The net result of these errors was that the Apportionment Model under allocated \$58,378 of expenses to the DWF.

Recommendation: We recommend the Council considers processing the above fund adjustment from the GF to the DWF to transfer the value of the under apportioned expenses. Additionally, we recommend the Council update the relevant policies and/or procedures for the apportionment calculation to ensure that if budget figures are used or adjustments made to expenses, the calculations are updated once actuals are available.

- KPMG noted that the figures relied on for the subcontractor waste collections were based on a single monthly invoice. If there was a significant variation in the collections for this month, then the apportionment percentage may not reflect the correct allocation on an annual basis. We understand, however, that volumes are relatively consistent and any spike in collection volumes is unlikely to materially affect the calculation.
- For FY2020, there was a minor error with the percentage figures extracted from the subcontractor's invoice. The total percentage totalled 100.01% which results in an over apportionment of 0.01%.
- Our review of the apportionment calculations was limited to FY2018, 2019 and 2020. KPMG has not reviewed earlier calculations and as such, cannot comment if these errors affect earlier calculations.

Recommendation: We recommend the Council review earlier apportionment calculations to ensure these errors have not occurred in earlier calculations.

Findings from Sample Review

Our findings in relation to the sample review conducted for July 2017 and June 2020 follows.

- KPMG reviewed 41 transactions relating to 19 expense types.
- KPMG identified one transaction relating to Direct Overheads for Waste and two related transactions totaling \$2,370,626 which had not been appropriately apportioned to the DWF.
- The remaining transactions sampled were reasonably allocated to the DWF through Direct Cost Allocation (whereby invoiced amounts are can be directly posted the GF and DWF), through the Apportionment Model and tip remediation process.

Summary of identified adjustments to the DWF

A summary of the identified adjustments to the DWF from the findings of the review procedures follows:

Item	General Fund	Domestic Waste Fund
Kincumber expenses for FY2018, 2019 and 2020	445,389	(445,389)
Direct Overheads for Waste FY2018, 2019 & 2020	2,759,452	(2,759,452)
Internal Plant Hire for FY2018, 2019 & 2020	715,215	(715,215)
Budget Instead of Actual Figures - Depreciation and Amortisation for FY2018	781,941	(781,941)
Budget Instead of Actual Figures – Internal Overheads FY2019 & 2020	(558,271)	558,271
Other Outdated Figures FY2018 & 2019	(165,292)	165,292
Total	3,978,434	(3,978,434)

KPMG calculated that approximately \$4.0 million of costs should be transferred from the GF to the DWF.

KPMG recommends the Council considers processing the above adjustments and updating the relevant policies and/or procedures for the apportionment calculation to ensure these errors are not repeated for future calculations. Additionally, we note that our review did not include apportionment calculations performed prior to FY2018.

5. Other matters

5.1 Review of financial statements

KPMG was asked to perform a review of the financial statements following a comment from an ARIC Audit team member that the statements were not reflective of what was disclosed in the notes.

KPMG reviewed the draft General Purpose Financial Statements and discussed the issue with the Council's finance team. We understand that the General Purpose Financial Statements present the results for the Council's entire waste business, while the Special Purpose Financial Statements present the results for the Annual Charge Business Customer cost centre only.

KPMG was instructed that this query has been resolved internally within the Council and as such, no further review has been performed. Further, we note the FY2020 financial statements have not yet been finalised.

6. Warranties and disclaimers

We have prepared this report for the purpose set out in the Introduction section of this report, and it is not to be used for any other purpose without our prior written consent.

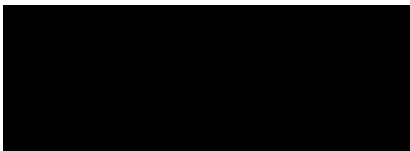
Accordingly, KPMG accepts no responsibility in any way whatsoever for the use of this report for any purpose other than that for which it has been prepared.

The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance have been expressed.

This report is marked privileged and confidential, and must not be shown, copied, provided, disseminated, given to or relied on by any other person or entity without our express written consent which may be withheld in our absolute discretion.

We have considered and relied upon information, which we believe to be reliable, complete and not misleading. Nothing in this letter should be taken to imply that we have verified any information supplied to us, or have in any way carried out an audit of any information supplied to us other than as expressly stated in this report. The statements and findings included in this report are given in good faith, and in the belief that such statements and findings are not false or misleading.

The findings provided in this report are based solely on the information provided to us during the course of our work to date.



Luke Howman-Giles
Authorised Representative
KPMG Forensic Pty Limited
Date: 22 February 2021



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