



# AUDIT COMMITTEE

## AGENDA & REPORTS

for the meeting

Friday 22 February 2019  
at 8.30 am

in the Colonel Light Room.  
Adelaide Town Hall



<b>Membership:</b>	The Lord Mayor; 1 Council Member; 3 External Independent Members; 2 Proxy Council Members.
<b>Quorum:</b>	<b>3</b>
<b>Presiding Member</b>	Mr David Powell
<b>Deputy Presiding Member</b>	Mr Ross Haslam
<b>Members</b>	The Right Honourable the Lord Mayor [Sandy Verschoor] Councillor Martin Mr Sean Tu
<b>Proxy Members</b>	<i>Councillor Hyde [proxy for the Lord Mayor]</i> <i>Councillor Knoll [proxy for Councillor Martin].</i>

## 1. Confirmation of Minutes – 5/10/2018 & 26/10/2018

That the Minutes of the meeting of the Audit Committee held on 5 October 2018 and the Minutes of the Special meeting of the Audit Committee held on 26 October 2018, be taken as read and be confirmed as an accurate record of proceedings.

## 2. Acknowledgement of Country

'Council acknowledges that we are meeting on traditional Country of the Kurna people of the Adelaide Plains and pays respect to Elders past and present. We recognise and respect their cultural heritage, beliefs and relationship with the land. We acknowledge that they are of continuing importance to the Kurna people living today.

And we also extend that respect to other Aboriginal Language Groups and other First Nations who are present today.'

## 3. Presiding Member Reports

## 4. Reports

- 4.1. 2018/19 End of Year Financial Reporting Process & Proposed Timetable [2019/00266] [Page 3]
- 4.2. Accounting Standards Update [2019/00266] [Page 43]
- 4.3. 2019 Audit Committee Meeting Schedule and Work Plan [2014/05026] [Page 48]
- 4.4. Results of the LGA Risk Evaluation 2018 [2014/05026] [Page 52]
- 4.5. Internal Audit Progress Update [2018/02550] [Page 63]

## 5. Whistleblowing

## 6. Emerging Key Risks

**7. Other Business**

**8. Item Seeking Exclusion of the Public (If required)**

**8.1.** Exclusion of the Public to Consider [2017/00571] [Page 67]:

For the following items seeking consideration in confidence:

9.1 Update on Activities of the Strategic Risk and Internal Audit Group Meetings [s 90(3) (i)]

**9. Confidential Item (if any)**

**9.1.** Update on Activities of the Strategic Risk and Internal Audit Group Meetings [2012/00053] [Page 69]

**10. Closure**

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# 2018/19 End of Year Financial Reporting Process & Proposed Timetable

ITEM 4.1 22/02/2019  
Audit Committee

2019/00266  
Public

**Program Contact:**  
Tracie Dawber, AD Finance 8203  
7002

**Approving Officer:**  
Steve Mathewson, Director  
Services

## EXECUTIVE SUMMARY:

The *Local Government Act (SA) 1999* and the *Local Government (Financial Management) Regulations 2011* require an audit opinion to be expressed assuring that the Council financial statements are in accordance with Australian Accounting Standards. BDO has been engaged as the audit team for this requirement. This report seeks approval of the audit terms of engagement, provisional timetable and audit plan to ensure the end of year reporting process is completed in an effective and timely manner.

## RECOMMENDATION:

### THAT THE AUDIT COMMITTEE

1. Endorses the proposed 2018/19 End of Year Financial Reporting process and external audit timetable as contained in Attachment C to Item 4.1 on the Agenda for the meeting of the Audit Committee held on 22 February 2019.
2. Notes that the external audit plan as contained in Attachment C to Item 4.1 on the Agenda for the meeting of the Audit Committee held on 22 February 2019 is consistent with the scope of the External Audit engagement and relevant legislation and standards.
3. Notes the external auditor's independence declaration in relation to the audit engagement for the year ended 30 June 2019 as detailed in Attachment C to Item 4.1 on the Agenda for the meeting of the Audit Committee held on 22 February 2019.
4. Approves the External Audit terms of engagement as contained in Attachments A and B to Item 4.1 on the Agenda for the meeting of the Audit Committee held on 22 February 2019.

## IMPLICATIONS AND FINANCIALS:

City of Adelaide 2016-2020 Strategic Plan	Strategic Alignment - Corporate Activities Financial sustainability is critical to achieving our vision and Council will carefully manage its revenue, costs, debt and assets.
Policy	Not as a result of this report.
Consultation	Not as a result of this report.
Resource	Not as a result of this report.
Risk / Legal / Legislative	Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011
Opportunities	Not as a result of this report.
18/19 Budget Allocation	The Audit Fees of \$69,155 are fully budgeted for in General Operating Expenditure.
Proposed 19/20 Budget Allocation	Not as a result of this report.
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report.
18/19 Budget Reconsideration (if applicable)	Not as a result of this report.
Ongoing Costs (e.g. maintenance cost)	Not as a result of this report.
Other Funding Sources	Not as a result of this report.

## DISCUSSION

1. The objective and scope of the audit and the audit obligations are established by the Local Government Act and Regulations. Specifically, the conduct of the annual audit is set out in Section 129 of the *Local Government Act (SA) 1999* (“the Act”), while the *Local Government (Financial Management) Regulations 2011* (“the Regulations”) also refers to auditing standards and consideration of internal controls. Relevant extracts from the Act and the Regulations have been included [here](#). The Act also requires a separate report on particular matters arising from the audit report to be provided to the Audit Committee as well as the principal member of Council who must ensure that copies are provided to the other members of Council.
2. The Australian Auditing Standards recommend that to help avoid misunderstandings with respect to the annual audit engagement, the auditor sends an engagement letter documenting and confirming the auditor’s acceptance of the appointment, the objectives and scope of the audit, the extent of the auditor’s responsibilities to the entity and the form of any reports. The Letters of Engagement received from have been included as **Attachment A** and **Attachment B**.
3. Under the Regulations, the financial statements of the Council must include a certification of financial statements, in a form determined by the Minister, signed by the Chief Executive Officer and the principal member of the Council as set out in Part 4 (14) of the *Local Government (Financial Management) Regulations 2011*.
4. There is further requirement under the *Local Government Act (SA) 1999* Section 126 (4) for the Audit Committee to review the annual financial statements for the Corporation to ensure that they present fairly the state of affairs of the Council.
5. The Audit Committee terms of reference provide that the Audit Committee shall oversee the relationship with the External Auditor, including, but not limited to:
  - 5.1. Recommending the approval of the External Audit terms of engagement;
  - 5.2. Review and make recommendations to the Annual External Audit Plan;
  - 5.3. Meet with the External Auditor at least once a year, without management present; and
  - 5.4. Review the findings of the External Audit with the External Auditor.
6. A provisional timetable has been prepared (**Attachment C**) setting out the key dates to ensure that the end of year reporting process is completed in a timely and efficient manner.
7. BDO is scheduled to carry out their interim internal control testing during the period 20 to 24 May 2019 and financial statement testing during the period 11 to 14 June 2019.
8. The final audit concentrating of the Corporation’s Balance Sheet and Financial Statements will be carried out during the period 26 August to 6 September 2019.
9. The purpose of the External Audit is primarily to enable the External Auditor to express an opinion on the veracity of the Annual Financial Statements. It is standard practice of the External Auditor to plan and organise the external audit independently of management. A copy of BDO’s proposed external audit plan is included as **Attachment C**.
10. The terms of reference require that the Audit Committee meet the External Auditor at least once a year, without management being present, to discuss their merit and any issues arising from the External Audit. In line with the proposed audit timetable, it is considered that the meeting proposed for 4 October 2019 to receive the Auditor’s Report is an appropriate forum for this to occur.
11. As discussed above, the External Auditors are required to provide a report on particular matters arising from the audit including management’s comments on those issues, where applicable. This report will be provided to the Audit Committee for consideration. The Audit Committee’s Terms of Reference also require the Committee to review any Letter of Representation that the External Auditors may wish to be signed by the Chief Executive Officer, on Council’s behalf. Subject to any outstanding issues in relation to the Audit being resolved on a timely basis, it is proposed to sign the Annual Financial Statements together with the required Letter of Representation after the Audit Committee meeting on 4 October 2019.
12. The final report for presentation to Council of the Financial Statements is planned for the meeting of Council scheduled for 8 October 2019.

13. BDO has also provided a statement of auditor's independence to the Audit Committee in relation to the audit engagement for the year ended 30 June 2019. This has been included as Appendix 1 to **Attachment C**.
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## ATTACHMENTS

Attachment A – Letter of Engagement – Financial Statements

Attachment B – Letter of Engagement – Internal Controls

Attachment C – External Audit Plan and Independence Declaration

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- END OF REPORT -



Mr David Powell  
Presiding Member, Audit Committee  
City of Adelaide  
GPO Box 2252  
ADELAIDE SA 5000

31 January 2019

Dear Mr Powell

### **TERMS OF ENGAGEMENT - AUDIT**

The purpose of this letter is to set out the basis on which BDO Audit (SA) Pty Ltd (BDO) acts as auditors of City of Adelaide (the Council) and the respective areas of responsibility of the Council's officers and of BDO.

#### **Audit of the financial report**

##### **The objective and scope of the audit**

You have requested that we audit the financial report of City of Adelaide which comprises the statement of financial position as at 30 June 2019, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies, and the certification of the financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

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

##### **The responsibilities of the auditor**

We will conduct our audit in accordance with Australian Auditing Standards. Those standards require that we comply with ethical requirements. As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.





- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Council's officers.
- Conclude on the appropriateness of Council officers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

**The responsibilities of Council's officers and identification of the applicable financial reporting framework**

Our audit will be conducted on the basis that the Council's officers acknowledge and understand that they have responsibility:

- a) For the preparation and fair presentation of the financial report in accordance with the *Local Government Act 1999* and *Local Government (Financial Management) Regulations 2011* made under that Act and Australian Accounting Standards
- b) For such internal control as Council's officers determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error and
- c) To provide us with:
  - i. Access to all information of which Council's officers are aware that is relevant to the preparation of the financial report whether obtained from within or outside of the general and subsidiary ledgers, such as records, documentation and other matters including access to information relevant to disclosures;
  - ii. Additional information that we may request from Council's officers for the purpose of the audit; and
  - iii. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence;
- d) To inform us of any documents that you expect to issue that may comprise other information;
  - i. If the other information is provided prior to the auditor's report date; the financial report and any other information obtained prior to the date of the auditor's report will be consistent with one another, and the other information will not contain any material misstatements;
  - ii. If the other information is not provided prior to the auditor's report date; to provide and/or issue such other information that will enable us to complete our required procedures.



As part of our audit process, we will request from Council's officers and where appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

We look forward to full cooperation from your staff during our audit.

### **Other requirements**

Council's officers will inform us of any material event occurring between the date of our report and the date of issue of the financial report, which may affect the financial report.

### **Expected form and content of the auditor's report**

We have included an example audit report in Appendix 1 to this letter, which reflects the form and content of the auditor's report, in the circumstance where the auditor has concluded that an unmodified opinion is appropriate based on the audit evidence obtained, including the reporting on other information. The form and content of our report may vary from the example in light of our audit findings.

### **Fees**

Our audit fees will be confirmed through our annual audit plan and are consistent with our audit tender.

Our fees are based on our understanding of your current operations and the required scope of the engagement. If these alter, the estimated fee will need to be revised.

Our fees do not include any advice or assistance that may be given in respect of accounting issues. Whilst brief ad hoc advice provided in the course of our engagement is generally included in our proposed fee, formal advice, assistance with complex issues or meetings to discuss these issues which necessitate increased professional time will fall outside the scope of our proposed engagement fee. Fees for any assistance provided in this regard will be negotiated prior to the services being performed.

The fees assume that all engagement schedules and reports will be available upon commencement of the engagement and that the financial report will be prepared by your staff. If schedules and reports are not provided within the agreed timetable, additional costs may be incurred and charged to you.

Should these assumptions not remain valid, we will inform you prior to the occurrence of additional costs.

### **Other matters under the Local Government Act 1999**

#### **Independence**

We confirm that, to the best of our knowledge and belief, we currently meet the independence requirements of the *Local Government Act 1999* in relation to the audit of the financial report. In conducting our audit of the financial report, should we become aware that we have contravened the independence requirements of the *Local Government Act 1999*, we shall notify you on a timely basis. As part of our audit process, we shall also provide you with a written independence declaration as required by the *Local Government Act 1999*.

#### **Enquiries from oversight bodies**

The Council's officers shall notify BDO of any enquiries, such as financial reporting surveillance enquiries, from any oversight body that relate to the audit engagement as soon as practicable.



### **Presentation of the audited financial report on the internet**

If you intend to electronically present the audited financial report and auditor's report on your web site or any other digital media, the security and controls over information on the relevant web site shall be addressed by the entity to maintain the integrity of the data presented. The examination of the controls over the electronic presentation of audited financial information on the entity's web site is beyond the scope of the audit of the financial report. Responsibility for the electronic presentation of the financial report on the entity's web site is that of the governing body of the entity.

### **Terms of Trade**

The terms of this engagement are per the agreement to supply services under tender T2015/0104.

Yours faithfully

**BDO Audit (SA) Pty Ltd**

A handwritten signature in blue ink, appearing to read 'Andrew Tickle', is written over a horizontal line.

Andrew Tickle  
Director



## APPENDIX 1

### DRAFT INDEPENDENT AUDITOR'S REPORT TO THE PRINCIPAL MEMBER OF CITY OF ADELAIDE

#### Report on the Audit of the Financial Report

##### Opinion

We have audited the financial report of City of Adelaide (the Council) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the certification of the financial statements.

In our opinion the financial report of City of Adelaide, presents fairly, in all material respects, the Council's financial position as at 30 June 2019 and its financial performance for the year ended on that date in accordance with Australian Accounting Standards, the *Local Government Act 1999*, and the *Local Government (Financial Management) Regulations 2011*.

##### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Council in accordance with the *Local Government Act 1999* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Local Government Act 1999*, which has been given to the Council, would be in the same terms if given to the Council as at the time of this auditor's report.

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

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

Management is responsible for the other information. The other information obtained at the date of this auditor's report is Other Information.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report of the City of Adelaide, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Council's responsibility for the Financial Report**

The Council's officers are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* and for such internal control as the Council's officers determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Council's officers are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council's officers either intend to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the Financial Report**

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: [http://www.auasb.gov.au/auditors\\_files/ar3.pdf](http://www.auasb.gov.au/auditors_files/ar3.pdf).

This description forms part of our auditor's report.

**BDO Audit (SA) Pty Ltd**

Andrew Tickle

Director

Adelaide, XX October 2019



Mr David Powell  
Presiding Member, Audit Committee  
City of Adelaide  
GPO Box 2252  
ADELAIDE SA 5000

31 January 2019

Dear Mr Powell

## **ASSURANCE ENGAGEMENTS ON CONTROLS**

### **Design and Operating Effectiveness of Controls**

You have requested that we undertake a reasonable assurance engagement on the design of controls established by City of Adelaide in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, and the operating effectiveness of these controls throughout the period 1 July 2018 to 30 June 2019 in accordance with the requirements of the Local Government Act 1999. The control objectives to be addressed are specified by legislation, which are that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities are conducted properly and in accordance with law.

We are pleased to confirm our acceptance and our understanding of this reasonable assurance engagement by means of this letter. Our assurance engagement will be conducted with the objective of expressing an opinion on the suitability of the design of controls within City of Adelaide's systems to achieve the stated control objectives, and the operating effectiveness of those controls throughout the period.

### **Responsibilities of the assurance practitioner**

We will conduct our assurance engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls*. That standard requires that we comply with ethical requirements applicable to assurance engagements and plan and perform procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the control objectives, and the controls operated effectively throughout the period. An assurance engagement involves performing procedures to obtain evidence about the design, description and operating effectiveness of controls.

The procedures selected depend on the assurance practitioner's professional judgement, including the assessment of the risks of material deficiencies in the design or deviations in the operating effectiveness of the controls.



Because of the inherent limitations of an assurance engagement, together with the inherent limitations of any system of controls there is an unavoidable risk that some deficiencies in the design or deviations in the operating effectiveness of controls may not be detected, even though the engagement is properly planned and performed in accordance with Standards on Assurance Engagements.

#### **The responsibilities of management and identification of the applicable control framework**

Our assurance engagement will be conducted on the basis that management acknowledges and understands that they have responsibility:

- a) That throughout the period, in all material respects, and based on suitable criteria:
  - i. The controls within City of Adelaide's system were suitably designed to achieve the identified control objectives; and
  - ii. The controls operated effectively to achieve the control objectives;
- b) For the identification of suitable control objectives which are specified by law in relation to the system;
- c) For the identification of risks that threaten achievement of the control objectives identified;
- d) For design of the system, comprising controls which will mitigate those risks so that those risks will not prevent achievement of the identified control objectives and therefore that the control objectives will be achieved;
- e) For operation of the controls as designed throughout the period;
- f) To provide us with:
  - i. Access to all information of which those charged with governance and management are aware that is relevant to the description of the system and design and operation of the controls within that system;
  - ii. Additional information that we may request from those charged with governance and management for the purposes of this assurance engagement; and
  - iii. Unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence.

As part of our engagement, we will request from management written confirmation concerning representations made to us in connection with the engagement.

#### **Assurance Approach**

We will examine and evaluate the controls established by Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities.

Due to the complex nature of internal control, our assurance procedures will not encompass all individual controls at City of Adelaide, but will be restricted to an examination of those controls reported which achieve the control objectives specified by legislation.



### **Assurance Procedures**

Our assurance procedures will include:

- a) Obtaining an understanding of the control environment of City of Adelaide relevant to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities;
- b) Evaluating the design of specific controls by:
  - i. Assessing the risks that threaten achievement of the control objectives; and
  - ii. Evaluating whether the controls described are capable of addressing those risks and achieving the related control objectives;
- c) Making enquiries, inspecting documents, conducting walk throughs and re-performance of controls to ascertain whether the degree of compliance with controls is sufficient to achieve their control objectives throughout the period.

### **Assurance Report**

The format of the report will be in accordance with ASAE 3150 with respect to reasonable assurance engagements. An example of the proposed report is contained in the appendix to this letter.

Our opinion will be phrased in terms of the suitability of the design of controls to achieve the control objectives and the operating effectiveness of controls as designed.

### **Material Deficiencies in Design or Deviations in Operating Effectiveness of Controls**

We will issue an assurance report without modification, to provide a reasonable assurance conclusion on the controls relevant to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities where our procedures do not identify a material deficiency in the design of controls necessary to achieve the control objectives, or deviation in the operating effectiveness of controls as designed. For this purpose, a material deviation, misstatement or deficiency exists when:

- a) the controls as designed or the degree of compliance with them will not or may not achieve the control objectives in all material respects; and
- b) knowledge of that deficiency or deviation would be material to users of the assurance report.

If our assurance engagement identifies that there are material deficiencies in the design or deviations in the operating effectiveness of controls during the period covered by the report, such deficiencies or deviations will be disclosed in our report even if they were corrected prior to the end of the reporting period. However, our report will indicate that such deviations were corrected if that is the case. If any material deficiencies or deviations disclosed in our report have been corrected subsequent to this period (or are in the process of being corrected), we will refer to this in our report.





Although the primary purpose of our assurance engagement will be to enable us to issue the above described report, we may also provide you with a letter containing recommendations for strengthening controls if such matters are observed during the process of the assurance engagement. Although issues raised may not represent deficiencies in design or deviations in operating effectiveness of the controls which are material to our conclusion, our recommendations will address areas where we believe controls could be improved.

We look forward to full cooperation from your staff during our assurance engagement.

**Terms of Trade**

The terms of this engagement are per the agreement to supply services under tender T2015/0104.

Yours sincerely

**BDO Audit (SA) Pty Ltd**

A handwritten signature in blue ink, appearing to read 'Andrew Tickle', is written over a light blue horizontal line.

Andrew Tickle  
Director



## APPENDIX 1

### DRAFT INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF CITY OF ADELAIDE

#### Opinion

We have undertaken a reasonable assurance engagement on the design and the operating effectiveness of controls established by Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, throughout the period 1 July 2018 to 30 June 2019 relevant to ensuring such transactions have been conducted properly and in accordance with law.

In our opinion, in all material respects:

- (a) The controls established by Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities were suitably designed to ensure such transactions have been conducted properly and in accordance with law; and
- (b) The controls operated effectively as designed throughout the period from 1 July 2018 to 30 June 2019.

#### Basis for opinion

We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Auditing and Assurance Standards Board.

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

#### The Council's responsibilities for the internal controls

The Council is responsible for:

- a) The receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities;
- b) Identifying the control objectives
- c) Identifying the risks that threaten achievement of the control objectives
- d) Designing controls to mitigate those risks, so that those risks will not prevent achievement of the identified control objectives; and
- e) Operating effectively the controls as designed throughout the period.

#### Our independence and quality control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, and apply Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this assurance engagement.



### **Assurance practitioner's responsibilities**

Our responsibility is to express an opinion, in all material respects, on the suitability of the design to achieve the control objectives and the operating effectiveness of controls established by Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities. ASAE 3150 requires that we plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the control objectives and the controls operated effectively throughout the period.

An assurance engagement to report on the design and operating effectiveness of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the control objectives and the operating effectiveness of controls throughout the period. The procedures selected depend on our judgement, including the assessment of the risks that the controls are not suitably designed or the controls did not operate effectively. Our procedures included testing the operating effectiveness of those controls that we consider necessary to achieve the control objectives identified. An assurance engagement of this type also includes evaluating the suitability of the control objectives.

### **Limitations of controls**

Because of the inherent limitations of an assurance engagement, together with any internal control structure it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved and so fraud, error, or non-compliance with laws and regulations may occur and not be detected.

An assurance engagement on operating effectiveness of controls is not designed to detect all instances of controls operating ineffectively as it is not performed continuously throughout the period and the tests performed are on a sample basis. Any projection of the outcome of the evaluation of controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

**BDO Audit (SA) Pty Ltd**

Andrew Tickle  
Director

Adelaide, XX October 2019

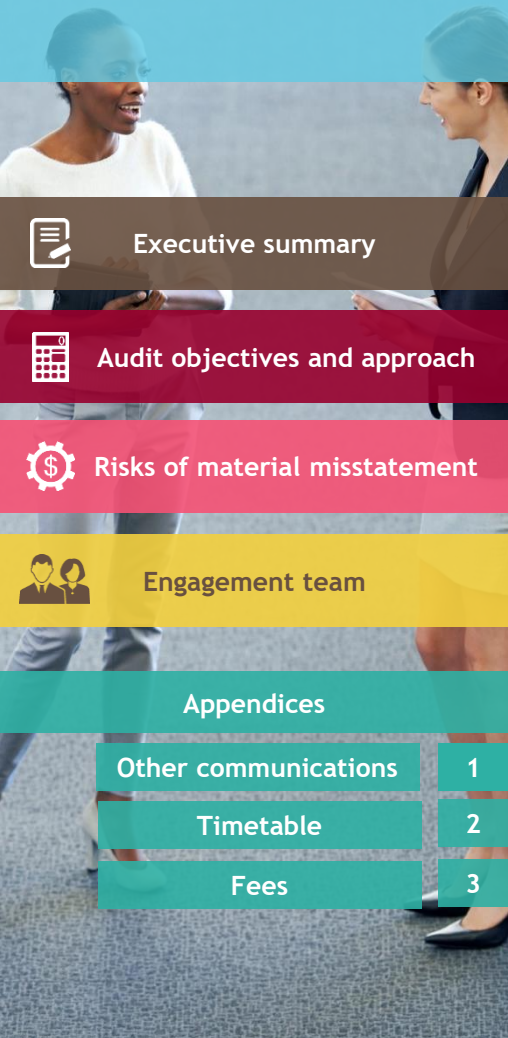
# CITY OF ADELAIDE

## Annual Audit Plan

Year ended 30 June 2019



# KEY CONTACTS



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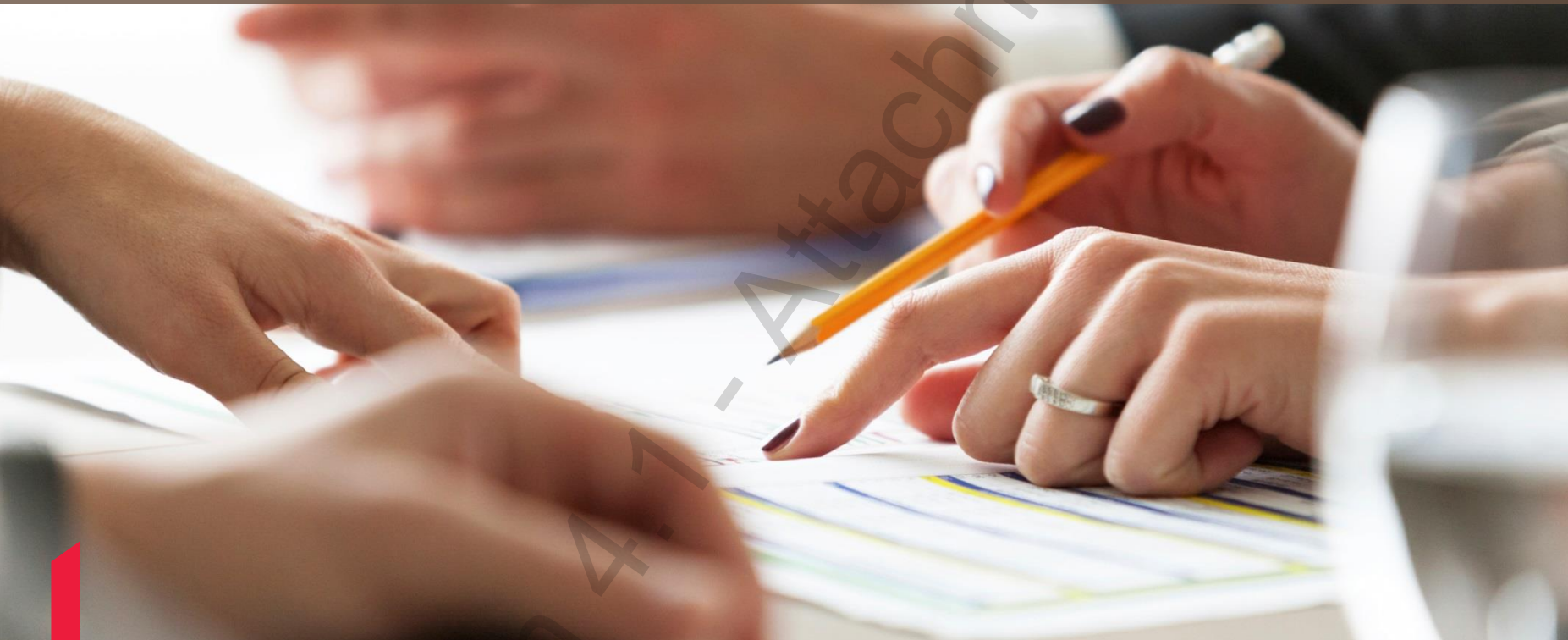


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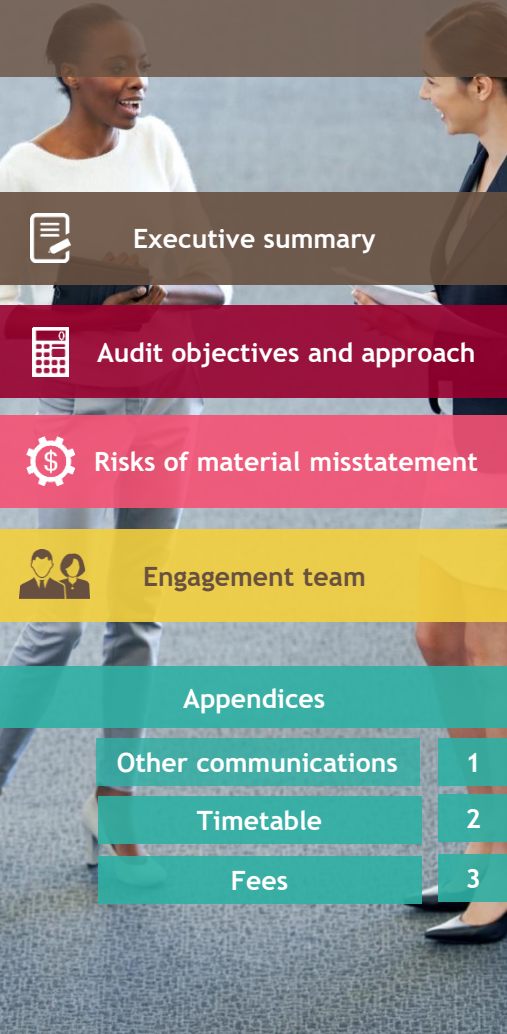
Item 4.1 - Attachment C



# EXECUTIVE SUMMARY



# EXECUTIVE SUMMARY



## Introduction

We have set out in this document the key considerations in relation to our audit of City of Adelaide (the 'Council' for the year ended 30 June 2019). This summary covers those matters we believe to be material in the context of our work.

## Scope of engagement

The scope of our work, as set out in our engagement letter issued on 31 January 2019, is to carry out

1. The audit of the financial report of the Council, which comprises the statement of financial position as at 30 June 2019, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the certification of financial statements.
2. The audit of the controls exercised by the Council in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Our engagement letter is effective for future years unless it is replaced, terminated amended or superseded. This audit plan supplements the engagement letter.

## Audit objectives and approach

The objectives of the audit and key information on our audit approach are set out in section 2.

## Risks of material misstatement

The risks of material misstatement identified in our planning are set out in section 3.

## Engagement team

The key members of the engagement team are detailed in section 4.

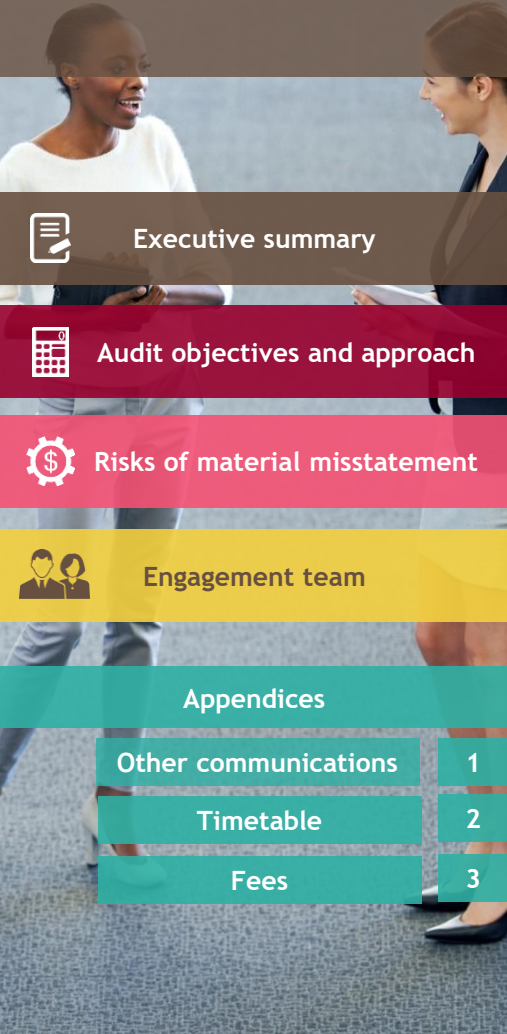
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# EXECUTIVE SUMMARY



- Independence
▶

We confirm that we have complied with the ethical requirements regarding our independence as your auditor. Please refer to Appendix 1 for more details.
- Timetable
▶

A timetable has been prepared in accordance with your reporting requirements. This timetable covers our on-site visits, key meeting dates and reporting deadlines. Please refer to Appendix 2 for details.
- Fees
▶

Our fees for the scope of work set out in the engagement letter are \$69,155. Please refer to Appendix 3 for details.

Item 4.1 - Attachment C





# AUDIT OBJECTIVES AND APPROACH



# AUDIT OBJECTIVES AND APPROACH

## Audit objectives

The objective of the audit is to enable us to express an opinion as to whether:

- The financial report is prepared, in all material respects, in accordance with Australian Accounting Standards, the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011, and
- Controls exercised by the Council in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law based on criteria established in the Better Practice Model - Financial Internal Control for South Australian Councils issued by the Local Government Association of South Australia.

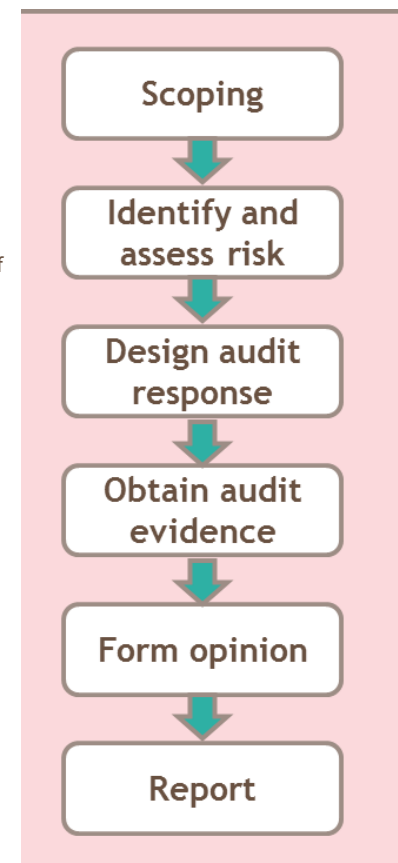
## Our approach

Our audit is performed in accordance with the BDO Audit Approach which consists of six phases and is documented using our global audit tool, APT.

The approach is centred around:

- Obtaining an understanding of the business being audited from an internal and external point of view
- Assessing the risk of material misstatements and the controls in place to address and prevent these risks
- Choosing appropriate procedures to obtain evidence, including the use of data analytics where appropriate
- Ensuring rigorous quality control over audit performance
- Providing constructive ideas for improving internal controls and business systems.

Other key aspects of the approach are set out on subsequent pages.



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# AUDIT OBJECTIVES AND APPROACH

## Audit quality and professional scepticism

To support and promote audit quality at BDO, we have developed an Audit Quality Framework (AQF) that sets out the key drivers of audit quality, including the specific attributes that are important for audit quality to be maintained and enhanced. Refer to our [Transparency report](#) for further information.

The AQF recognises that professional scepticism is essential to obtain audit evidence which is sufficient and appropriate to reduce the likelihood of a material misstatement to an acceptable level.

Professional scepticism is defined in the auditing standards as ‘an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence.’

The application of professional scepticism by all members of the engagement team is central to BDO’s Audit Approach.

## Going concern

As part of our audit we will review management’s assessment of the ability of City of Adelaide to continue as a going concern for the 12 months from the date of signing the financial report and therefore whether the going concern basis for the preparation of the financial report is appropriate.

As part of this process we require management to document their assessment of going concern (including cash flow projections for 12 months after the expected date of approval of the financial report), and we will be reviewing actual outcomes against previous estimates and representations made by management.



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## Materiality

Materiality means, in the context of an audit, if financial information is omitted, misstated or not disclosed it has the potential to (adversely) affect the decisions of users of the financial report. Materiality is used by auditors in making judgements on the amount of work to be performed, which balances require work and for evaluating the effect of misstatements. Materiality is initially calculated at the planning stage and re assessed prior to providing our opinion. Materiality is not only based on a numeric quantification but is assessed qualitatively for some balances and disclosures.

During the course of our audit we may identify misstatements and these will be reported to you at the conclusion of our work based on our assessment of materiality at that stage (this may have been updated from the materiality calculated at the planning stage). It should be noted that the auditing standards do not require us to communicate misstatements that are considered 'clearly trivial' and as such, if we identify such misstatements we will not communicate these to you. We expect 'clearly trivial' to be approximately \$180,000.

## Fraud

During the course of our audit we make enquiries of those charged with governance, management and others to identify any known instances of fraud. We also make enquiries to understand where you consider the risks are in relation to fraud and if you have any knowledge of actual or suspected fraud. This also includes considering the risk of management override of controls. It should be noted that our audit is not designed to detect fraud however, should instances of fraud come to our attention, we will report them to you.

# OUR APPROACH



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## Internal control

In accordance with the auditing standards, we obtain an understanding of the system of internal control relevant to the audit to assist us with our risk assessment procedures. Our understanding covers the five areas listed below:

- The overall control environment
- The entity's risk assessment process
- The information system, including the related business processes, relevant to financial reporting, and communication
- Control activities relevant to the audit
- Activities the entity uses to monitor internal control relevant to financial reporting.

We communicate to the Audit Committee in writing any significant deficiencies that come to our attention during the audit on a timely basis.

In addition we communicate with management the significant deficiencies being reported to those charged with governance and any other deficiencies identified that in our judgement are of sufficient importance to merit management's attention.

# AUDIT OBJECTIVES AND APPROACH



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## Laws and regulations

We make enquiries in relation to any non-compliance with laws and regulations impacting the period under audit. Should we become aware of any instances of non-compliance with laws and regulations which would materially impact on the financial position or performance of the entity, then we will report them to you on a timely basis to consider the impact on the financial report.

## Confirmations

In accordance with auditing standards we will be sending the following confirmation requests:

- Bank confirmations
- Confirmations of balances with the LGFA; and
- Solicitor's representation letter.



# RISKS OF MATERIAL MISSTATEMENT



# RISKS OF MATERIAL MISSTATEMENT

In line with our audit approach, and based on our understanding of City of Adelaide, we have identified and assessed the risks of material misstatement at both the engagement and assertion level.

Our audit procedures are focused on areas that are considered to represent risks of material misstatement to the financial report or in relation to controls. We have identified the following risk areas based on our historical knowledge of the Council, and will update these as part of our risk assessment procedures during the planning phase.

Further discussions will be held with management prior to the commencement of our audit to determine whether any additional risks exist in relation to the year ending 30 June 2019, and to determine which risks we will consider to be significant for the purpose of our audit.

## Risk description

Revaluation, depreciation, useful lives and residual values of Infrastructure, Land & Buildings
Accounting treatment for items captured within Capital Work In Progress
Accounting for newly identified infrastructure assets
Accounting treatment for grant funding
Management Override of Internal Controls - presumed risk under Australian Auditing Standards
Disclosure of the impact of new Accounting Standards AASB 15,16 and 1058.



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# RISKS OF MATERIAL MISSTATEMENT

## Our planned responses

Our response to the risks identified above will be to obtain an understanding of Council's controls that are relevant to those risks, including control activities, evaluate the design, implementation and operating effectiveness of these controls, and perform substantive procedures that are specifically responsive to the individual risks.

This may include where applicable:

- Reviewing the documentation provided to management including any supporting correspondences from relevant third parties, the Council's legal advisors and other consultants to confirm our understanding of the specific circumstances for each item.
- Holding discussions with key Council staff members involved in managing the risk and those responsible for recording the impact in the financial report and review responses from legal representation letters sent to legal representatives.
- Working with Council staff to assist in the interpretation and application of the financial reporting framework applying to Council.
- Additional detailed testing of transactions or balances.
- Ensuring that mitigating controls are appropriately designed and implemented, and are operating effectively throughout the period.



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# ENGAGEMENT TEAM



# ENGAGEMENT TEAM

The following staff members have been assigned to your engagement team. Any changes to key members of the engagement team will be communicated to you on a timely basis.

Role	Name	Telephone	Email address
Engagement partner	Andrew Tickle	+61 8 7324 6082	andrew.tickle@bdo.com.au
Engagement manager	Linh Dao	+61 8 7324 6147	linh.dao@bdo.com.au
Senior in charge	Doan Hoang	+61 8 7421 1453	doan.hoang@bdo.com.au

## Rotation requirements

The year ended 30 June 2019 is the first year of extension to our 3 year contract as auditor of the Council. We look forward to working with Council and its staff this year. Should Council want to consider extending our arrangement beyond this, we would be pleased to discuss further with the Audit Committee.



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### Ethics and independence

In conducting our audit, we are required to comply with the independence requirements of the *Local Government Act 1999*, the *Local Government (Financial Management) Regulations 2011* made under that Act and s290 of APES 110 *Code of Ethics for Professional Accountants*..

We obtain independence declarations from all staff engaged in the audit. We also have policies and procedures in place to identify any threats to our independence, and to appropriately deal with and if relevant mitigate those risks.

Should any independence matters be raised, we will bring them to your immediate attention.

For the comfort of those charged with governance, we note that the following processes assist in maintaining our independence:

- Restrictions on BDO employees having financial interests in audit clients
- No other work is permitted to be undertaken by any BDO division or office without the express approval of the engagement director/partner
- Services including valuation and similar services are specifically prohibited to be provided by any other BDO office to you

BDO has not provided any other services during the year to the Council.

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## Communications with those charged with governance

City of Adelaide has an Audit committee. It is usual practice for the auditor to liaise with the Audit Committee. All our reporting will be to the Lord Mayor.

To enhance our communication and to reduce any potential expectation gaps with clients, BDO has adopted a structured reporting system. We will communicate with Audit committee and management via:

- This audit plan
- An interim management letter
- An audit completion report at the conclusion of the audit

Communications will include the following matters:

- Our response to identified risks of material misstatement
- Expected modifications to the audit report
- Corrected and uncorrected misstatements
- Significant deficiencies in internal control and any other deficiencies identified that in our judgement are of sufficient importance to merit management's attention
- Views about the qualitative aspects of the entity's accounting practices and financial reporting including the application of Accounting Standards by management
- Changes in significant accounting policies
- Material uncertainties relating to the entity's ability to continue as a going concern
- Any matters of governance interest identified, including any specifically required by Auditing Standards
- New developments

# APPENDIX 1

## Communications with those charged with governance (continued)

Communications will include the following matters:

- Our response to identified risks of material misstatement
- Expected modifications to the audit report
- Corrected and uncorrected misstatements
- Significant deficiencies in internal control and any other deficiencies identified that in our judgement are of sufficient importance to merit management's attention
- Views about the qualitative aspects of the entity's accounting practices and financial reporting including the application of Accounting Standards by management
- Changes in significant accounting policies
- Material uncertainties relating to the entity's ability to continue as a going concern
- Any matters of governance interest identified, including any specifically required by Auditing Standards
- New developments.



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# APPENDIX 2

## Timetable

We have set out below the timing of significant milestones to include on-site visits, key meeting dates and reporting deadlines with respect to the completion of the audit.

Milestone	Responsibility	Date
Audit Committee meeting and submission of Annual audit plan	BDO & the Council	January & February 2019
Interim audit visit - Internal controls	BDO & the Council	20 <sup>th</sup> May to 24 <sup>th</sup> May 2019
Interim audit visit - financial statements	BDO & the Council	11 <sup>th</sup> June to 14 <sup>th</sup> June 2019
Management letter for interim visit	BDO & the Council	By 12 <sup>th</sup> July 2019
Final audit visit commences	BDO & the Council	26 <sup>th</sup> August to 6 <sup>th</sup> September 2019
Closing meeting with auditors	BDO & the Council	6 <sup>th</sup> September 2019
Unaudited financial statements to Executive Leader Group	The Council	11 <sup>th</sup> September 2019
Financial statements to Executive Leader Group	The Council	18 <sup>th</sup> September 2019



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## APPENDIX 2

### Timetable (continued)

Milestone	Responsibility	Date
Submission of Audit Completion Report	BDO	21 <sup>st</sup> September 2019
Financial statements presented to Audit Committee	BDO & the Council	4 <sup>th</sup> October 2019
Chief Executive Officer and Principal Member of the Council to approve and sign off Regulation 14 Certification of Financial Statements, Certificate of Auditor Independence and management representation letter	The Council	4 <sup>th</sup> October 2019
Issue Independent Auditor's Reports and Statement by Auditor in relation to Independence	BDO	4 <sup>th</sup> October 2019
Financial statements presented to Council	The Council	8 <sup>th</sup> October 2019

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# APPENDIX 3

## Fees

The estimated fee for all services provided for the year ending 30 June 2019 is \$69,155. All amounts are exclusive of GST.

Items	Fee (\$)
Financial statement audit	\$30,255
Internal financial control audit	\$28,050
Minor audits (assuming ten minor audits at \$1,085 per audit)	\$10,850
<b>Total</b>	<b>\$69,155</b>

### Assistance required

In order to keep our time and costs to a minimum, we appreciate your assistance with the following:

- Management providing all deliverables in line with the agreed timetable
- Assistance from your staff with supporting documentation and explanations during the audit process
- Disclosure by your staff of all information relevant to the engagement in a timely manner.



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We have prepared this report solely for the use of City of Adelaide. As you know, this report forms part of a continuing dialogue between the company and us and, therefore, it is not intended to include every matter, whether large or small, that has come to our attention. For this reason we believe that it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy of this report without prior consent, we would not accept any responsibility for any reliance they may place on it.

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# Accounting Standards Update

**ITEM 4.2 22/02/2019**  
**Audit Committee**

2019/00266  
Public

**Program Contact:**  
Tracie Dawber, AD Finance 8203  
7002

**Approving Officer:**  
Steve Mathewson, Director  
Services

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## EXECUTIVE SUMMARY:

This report has been prepared to update Audit Committee on the progress in assessing the potential impact of upcoming changes to the Australian Accounting Standards that may impact Council's future reporting.

Further updates will be provided at the 3<sup>rd</sup> May Audit Committee meeting detailing the results of the assessment undertaken.

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## RECOMMENDATION:

### THAT THE AUDIT COMMITTEE

1. Receives and notes the proposed methodology outlined in Item 4.2 on the Agenda for the meeting of the Audit Committee held on 22 February 2019.
-

## IMPLICATIONS AND FINANCIALS:

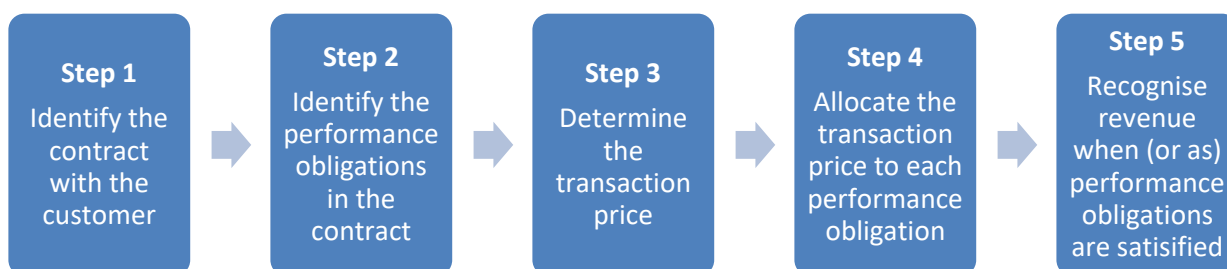
City of Adelaide 2016-2020 Strategic Plan	Strategic Alignment - Corporate Activities Financial sustainability is critical to achieving our vision and Council will carefully manage its revenue, costs, debt and assets.
Policy	Not as a result of this report.
Consultation	Not as a result of this report.
Resource	Not as a result of this report.
Risk / Legal / Legislative	Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011
Opportunities	Not as a result of this report.
18/19 Budget Allocation	Not as a result of this report.
Proposed 19/20 Budget Allocation	Not as a result of this report.
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report.
18/19 Budget Reconsideration (if applicable)	Not as a result of this report.
Ongoing Costs (e.g. maintenance cost)	Not as a result of this report.
Other Funding Sources	Not as a result of this report.

## DISCUSSION

1. As from 1 July 2019, Council is required to comply with the following Australian Accounting Standards (AASB):

1.1. AASB 15 Revenue from Contracts with Customers

- i) Currently, revenue transactions are often separated into components that are accounted for under different revenue standards and interpretations. This is no longer the case as AASB 15 provides a single framework for revenue recognition using a five-step model.



1.2. AASB 16 Leases

- j) Replacing the current standard AASB 117 Leases, the objective of AASB 16 is to improve transparency on financial leverage and capital employed by bringing all lease assets and liabilities onto the balance sheet.

1.3. AASB 1058 Income of Not-for-Profit Entities

- k) AASB 1058 replaces most of the NFP income recognition requirements in AASB 1004 Contributions (AASB 1004). The main impacts of AASB 1058 are:
- The timing of income recognition will depend on whether there is any performance obligation or other liability. This will result in better matching of income and related expenses.
  - NFP lessees will now recognise peppercorn leases as right-of-use assets at fair value.
  - All NFP entities can elect to recognise volunteer services if they can be reliably measured.

2. Council is required to report on 2018/19 comparatives regarding any change in accounting policy applied from 1 July 2019.
3. An assessment on Council's existing accounting policies has not been completed to determine what impact (if any) there will be on existing accounting policies as disclosed in Note 1 of Council's annual Financial Statements.
4. In assessing whether AASB 15 will have an impact on the Council's current accounting policies, the proposed approach is to identify circumstances where the Council has:
- 4.1. An agreement in place with external parties that creates an enforceable right and/or obligation on the Council; and
- 4.2. The Council has promised to transfer a good and/or service that is deemed to be sufficiently specific.
5. A review of all Note 2 income transaction classes will be conducted to determine whether any accounting policies need to be amended to comply with the requirements per AASB 15.

6. AASB 16 provides guidance on how to assess whether a contract held by the Council may have a lease that will need to account for in accordance with the new standard. For a contract to contain a lease under AASB 16, the standard requires that the customer (i.e. the Council) can satisfy both of the following:
  - 6.1. The right to obtain substantially all the economic benefit from the use of the asset; and,
  - 6.2. The right to direct the use of the asset.
7. Where a lease is identified to exist, a lessee is required to recognise the lease on the Balance Sheet through the following accounting entries:
  - 7.1. A 'right of use' asset considers the following initial cost components:
    - Initial measurement of lease liability
    - Lease payments less any lease incentives received before commencement date
    - Initial direct costs
    - Estimate of costs to be incurred by dismantling/ removing
  - 7.2. A lease liability
    - Present value of lease payments that are not paid at them commencement date
8. A review of Council's lease register and information currently reported in the Annual Financial Statements will be undertaken to determine the changes required to the reporting and disclosure of leases to comply with the new requirements under AASB 16.
9. In considering the potential impact of changes to AASB 1058, the following areas will be considered further as part of the assessment to be undertaken:
  - 9.1. Grants;
  - 9.2. Assets received below fair value;
  - 9.3. Volunteer services; and,
  - 9.4. Leases entered into that are below market rates.
10. As a general overview of AASB 1058, the standard follows the following general principles:
  - 10.1. Where grants are received to buy or construct a non-financial asset that require the unspent funds of the grant to be returned to the funding body, the unspent funds will likely result in a liability being recognised in the Balance Sheet. Grants received that have specific performance obligations (i.e. an agreement that is enforceable and there are services to be provided which are specific in nature), AASB 15 is the prevailing standard that applies in determining the correct accounting treatment. The change in accounting treatment would initially record a liability and then subsequently revenue as and when an obligation(s) has been satisfied.
  - 10.2. Ensuring assets which are acquired at significantly below their fair value (this includes peppercorn leases) to now be initially recorded at their fair value.
  - 10.3. Council may need to recognise the cost/value of volunteer services if the value can be reliably measured and the Council would have incurred the cost (i.e. engaged an external party) to deliver the services that the volunteer services relate to.
  - 10.4. Leases which are entered into below market value (i.e. a peppercorn lease), the right-of-use asset will be measured at its assessed fair value.
11. Once an assessment is completed, the results are to be consulted and agreed with Council's external auditor BDO to ensure they will be satisfied with any proposed changes in accounting policies.
12. A report is to be prepared and presented at the next Audit Committee meeting outlining the results of the completed assessments for Audit Committee Member's consideration and endorsement.
13. Council's Administration are to review and update all Accounting Policies impacted by the changes in AASBs once assessment has been completed.

## ATTACHMENTS

Nil

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- END OF REPORT -



# 2019 Audit Committee Meeting Schedule and Work Plan

**ITEM 4.3** 22/02/2019  
**Audit Committee**

**Program Contact:**

Jacki Done, AD People &  
Governance 8203 7256

2014/05026

Public

**Approving Officer:**

Steve Mathewson, Director  
Services

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## EXECUTIVE SUMMARY:

The report sets out the Audit Committee quarterly meetings and work plan for the 2019 calendar year.

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## RECOMMENDATION:

THAT AUDIT COMMITTEE:

1. Adopts the following quarterly meeting schedule for the City of Adelaide Audit Committee to be held in the Colonel Light Room, Town Hall, Adelaide at 8.30am on:
    - 1.1. Friday 3 May 2019
    - 1.2. Friday 26 July 2019
    - 1.3. Friday 4 October 2019
    - 1.4. Friday 18 October 2019 (special) and
    - 1.5. Friday 21 February 2020
  2. Approves the forward work plan for the 2019 calendar year, contained in Attachment A to Item 4.3 on the Agenda for the meeting of the Audit Committee held on 22 February 2019, to assist the preparation of reports as appropriate.
-

## IMPLICATIONS AND FINANCIALS:

Strategic Plan	This report supports Council's financial sustainability and assists Council manage its revenue, costs, debt and assets.
Policy	Pursuant to the Audit Committee Terms of Reference, the quarterly schedule of meetings needs to be developed and agreed by the members at the first meeting of the Audit Committee.
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	Proposed reporting times are in line with legislative requirements. The prescribed day when financial statements must be presented to the External Auditors for auditing is the 2 <sup>nd</sup> Friday of September.
Opportunities	Open, transparent and informed decision making.
18/19 Budget Allocation	Not as a result of this report
Proposed 19/20 Budget Allocation	Not as a result of this report
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
18/19 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

## DISCUSSION

### Meeting Schedule

1. At its meeting on Tuesday 9 December 2014, Council established the Audit Committee for the 2014-2018 Council term and approved the updated Audit Committee's Terms of Reference at its meeting on Tuesday 24 April 2018.
2. At its meeting on Tuesday 11 December 2018, Council noted the continued operation of the Audit Committee for the 2018-2022 Council term and delegated authority to:
  - 2.1. The City of Adelaide Audit Committee to determine a schedule of quarterly meetings to be held in the Colonel Light Room, Town Hall, Adelaide and
  - 2.2. The Chief Executive Officer to vary the quarterly meeting schedule (including the commencement time, meeting place, date or cancellation of committee meeting) after liaison with the City of Adelaide Audit Committee Presiding Member.
3. Special meetings of the Audit Committee can be called as and when required in accordance with the *Local Government (Procedures at Meetings) Regulations 2013*.
4. A Special meeting has been scheduled for Friday 18 October 2019 to provide the Audit Committee members time to focus on end of year financial statements.

### Work Plan

5. To provide information and transparency to the members of the Audit Committee, a forward work plan of reports aligned to the Terms of Reference has been developed (**Attachment A**).
6. The Work Plan identifies the area of responsibility from the Terms of Reference and provides an indicative date of the presentation of reports to the Audit Committee.
7. The Work Plan is flexible and provides the opportunity for additional reports to be presented at the request of the Audit Committee or to meet operational issues and initiatives. Pending the review of the Terms of Reference in April 2019, further amendments to the Work Plan may be required.

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## ATTACHMENTS

### Attachment A – Audit Committee Forward Work Plan

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- END OF REPORT -

## AUDIT COMMITTEE: 2019 WORK PLAN

Terms of Reference	Report	Frequency	Timing				Legislative Requirement	Legislative Ref (LG Act 1999 / LG (Financial Management) Regulations 2011)	Responsible Officer
			Feb 2019	May 2019	July 2019	Oct 2019			
<b>Financial Reporting</b>	• Review of Business Plan & Budget and Strategic Management Plan including LTFP	Annually					Annual	s.126(4)(ab)	Tracie Dawber
<b>Internal Control &amp; Risk Management</b>	• Results of the LGA Risk Management Review	Biennially					-	-	Rudi Deco
	• Emergency Management Framework	Biennially					-	-	Alan Beaton
	• Activity of Strategic Risk & Internal Audit Group	Quarterly					-	-	Rudi Deco
<b>Whistle Blowing &amp; Review of Council Decision</b>	• Whistle Blowers Policy & Operating Guidelines	Biennially					Council	-	Rudi Deco
	• Section 270 Internal Review of Council Decisions Policy & Procedure	Biennially					Council	-	Rudi Deco
<b>Internal Audit</b>	• Strategic Internal Audit Plan	Annually					-	s.126(4)(c)	Rudi Deco
	• Confidential Meeting with Internal Auditors	Annually					-	s.126(4)(b)	Rudi Deco
	• Internal Audit Progress Report	Quarterly					-	s.126(4)(c)	Rudi Deco
<b>External Audit</b>	• End of Financial Year Audit Approach & Reporting Timetable	Annually					-	-	Tracie Dawber
	• External Audit Interim Management Letter	Annually					-	-	Tracie Dawber
	• Annual Financial Statements (Special Meeting)	Annually					-	s.126(4)(a)	Tracie Dawber
	• Report on Financial Results (Special Meeting)	Annually					Council	Reg 10	Tracie Dawber
	• Confidential Meeting with External Auditors (Special Meeting)	Annually					-	s.126(4)(b)	Tracie Dawber
	• Matters arising from the External Audit (Special Meeting)	Annually					-	s.126(5a)(b)	Tracie Dawber
<b>Other Business</b>	• Annual Report from the Presiding Member	Annually					Terms of Reference	-	Rudi Deco
	• Audit Committee Self-Assessment Results	Annually					Terms of Reference	-	Rudi Deco
	• Audit Committee Meeting Schedule and Work Plan	Annually					-	-	Rudi Deco
	• Review of the Terms of Reference	Annually					Terms of Reference	s.41(b)	Rudi Deco
	• Value and Efficiency	6 Monthly					-	-	Matthew Hulmes

# Results of the LGA Risk Evaluation 2018

**ITEM 4.4** 22/02/2019  
**Audit Committee**

2014/05026  
Public

PROGRAM CONTACT:  
Jacki Done, AD People &  
Governance 8203 7256

APPROVING OFFICER:  
Steve Mathewson, Director  
Services

## EXECUTIVE SUMMARY:

The report sets out the results from the Local Government Association Mutual Liability Scheme (LGAMLS) and the Local Government Workers Compensation Scheme (LGAWCS) biennial risk evaluation review.

The aim of the risk evaluation process is to review Council's risk management systems against both Local Government Industry recommended sector baselines and other external requirements.

The work health safety (WHS) evaluation process measures compliance with the mandatory Return to Work SA Performance Standards for Self-Insurer requirements and the *Work Health Safety Act 2012* and *Work Health Safety Regulations*.

The objective of both evaluations is to assist Council to recognise and share Local Government risk and safety management excellence and identify where opportunities for system improvements exist.

It has been noted that Council has made good progress in developing its risk and safety management systems and integrating risk management into practice. The opportunities for improvement are highlighted in the report.

## RECOMMENDATION:

### THAT AUDIT COMMITTEE:

1. Receives and notes the report.

## IMPLICATIONS AND FINANCIALS:

Strategic Plan	Not as a result of this report
Policy	Not as a result of this report
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	Participation in the risk evaluation is part of Council's membership obligations to the LGAMLS and LGAWCS.
Opportunities	To benchmark CoA practices against the sector.
18/19 Budget Allocation	Not as a result of this report
Proposed 19/20 Budget Allocation	Not as a result of this report
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
18/19 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

## DISCUSSION

1. The City of Adelaide (CoA) obtains Workers Compensation cover through the LGAWCS and Public Liability and Professional Indemnity insurance cover through the LGAMLS.
2. The LGAWCS and LGAMLS [Risk Evaluation Review](#) (the Review) is an important biennial appraisal of the CoA and forms a risk management component to the Performance Bonus System. The Review gives CoA the opportunity to be rewarded (via a 'discount') by a certain percentage of the gross contribution.
3. The aim of the risk evaluation process is to review Council's risk management systems against both Local Government Industry recommended sector baselines and other external requirements. The work health safety (WHS) component is an audit against the *Work Health Safety Act* and Return to Work SA Performance Standards for Self-Insurer.
4. The objectives of the Review are to:
  - 4.1. Recognise and share Local Government risk management excellence
  - 4.2. Identify opportunities for system improvements and
  - 4.3. Implement the identified opportunities via an action plan.
5. Leading up to the risk evaluation, we were asked to complete a questionnaire. In preparation of completing this questionnaire, we collected information from various areas of Council and compiled the evidence for the Scheme's evaluation.

### Risk Management Component

6. The risk management component of the Review included three (3) mandatory sections and five (5) elective sections, of which two were required to be chosen. The below illustrates the sections that were reviewed
  - 6.1. Risk Management Systems (mandatory)
  - 6.2. Roads and Footpaths (mandatory)
  - 6.3. Planning and Development Administration (mandatory)
  - 6.4. Volunteers (elective) and
  - 6.5. Procurement, Contract and Tenders (elective)

### Results

Risk Management Systems	Baseline Met or Not Met	CoA Comments
Has Council endorsed a Risk Management System?	Sector baseline met	This is achieved through the Strategic Risk and Internal Audit Group (SRIA) and implemented through the Risk Management Framework.
Has Council implemented a Risk Management System?	Sector baseline met	This is achieved through SRIA and employee awareness via training or utilisation of our intranet site, Oscar.
What does Council's Risk Management System consist of?	Sector baseline met (opportunity for improvement)	This is documented in the Risk Management Operating Guideline, as well as the SRIA Terms of Reference and Audit Committee Terms of Reference.  Opportunity for Improvement:

		<ul style="list-style-type: none"> <li>• Risk table should be aligned with the table included in the WHS risk assessments</li> </ul>
Does Council Have a Risk Register?	Sector baseline not yet met	<p>CoA did not agree with the assessment outcome of this question. The Review focused on a select checklist of evidence required. CoA's risk management is based on a mature and embedded risk culture and a positive risk escalation process with continuous executive and Audit Committee oversight. Items not considered by the Review:</p> <ul style="list-style-type: none"> <li>• Strategic Risk &amp; Opportunity Register</li> <li>• 3 registers (watch list, high risk/significant projects list, strategic issues list) discussed at SRIA monthly, and Audit Committee quarterly</li> <li>• Operational risk awareness and training provided for all people leaders</li> <li>• Risk culture – understanding of the 'waterline principle' and risk escalation process, evidenced through its regular use and SRIA reporting</li> </ul> <p>CoA have agreed to further discuss the evidence required for this question and to be a part of the committee who develops the Review every year.</p>
Has training been identified and provided to all persons with responsibilities and accountabilities for risk management?	Sector baseline not yet met	<p>As above, CoA did not agree with the assessment outcome of this question. The Review focused on a select checklist of evidence required. Items that were not considered:</p> <ul style="list-style-type: none"> <li>• One-on-one training is provided to all people leaders.</li> <li>• Employee awareness training is provided every 6 months via the Talent and Organisational Development Team.</li> <li>• Risk management awareness information and training opportunities are available on Council's intranet.</li> </ul>



		<ul style="list-style-type: none"> <li>Risk Management Awareness information is sent through CoA Daily 4 times a year.</li> </ul>
Which risks has Council identified via the risk management process as the top three risks, in order of priority?	Sector baseline met	Risk and Opportunity Register – The Review wanted evidence of how Strategic Risks are prioritised or ranked. CoA explained that the identified strategic risks are not prioritised as they are all considered to be equally important (therefore classified as strategic).
<b>Roads and Footpaths</b>	<b>Baseline Met or Not Met</b>	<b>CoA Comments</b>
Does Council have systems in place to authorise or permit 3 <sup>rd</sup> party alternations to a public road (non-business purposes)?	Sector baseline met	Permits are issued under Section 221 of the <i>Local Government Act 1999</i> . The criteria for use of the permit is contained in the City Works Guideline. Information, Guidelines and forms are available on the CoA website.
Does the authorisation process or permit consider structures and installations for their safety and suitability?	Sector baseline met	The City Works Guideline (which is publicly available), sets out the Protection of the Public Around Work Areas.
Does the authorisation or permit include an indemnity from the applicant to the Council?	Sector baseline met	An indemnity clause is incorporated in the permit conditions. <i>“The Permit Holder indemnifies and released CoA from all liability arising ...”</i>
Does Council have an asset management plan that covers the management and maintenance of roads and footpaths?	Sector baseline met (opportunities for improvement)	CoA has Council endorsed Asset Management Plans (October 2016) which govern capital and maintenance investments.  Opportunities for improvement: <ul style="list-style-type: none"> <li>Update asset management plans when new data is available and when risks/priorities change</li> <li>Streamline asset management software</li> <li>Formalise a risk register/issue log</li> <li>Develop asset management measurement and reporting mechanisms</li> </ul>
Does Council have an inspection and maintenance regime (or schedule) to inspect roads and footpaths?	Sector baseline met	Public Realm carry out street maintenance inspections on a regular basis according to the priority, based on hierarchy and usage.
How does Council prioritise roads during scheduling of maintenance/repair?	Sector baseline not yet met	Reported faults and issues are logged into an internal system (RAMMS). The works are assigned by the inspector to the relevant coordinator who then assigns the works in accordance with priority with

		<p>safety considerations being the overriding driver.</p> <p>There is currently no formal measurement, reporting or analysis of maintenance.</p>
How does Council prioritise footpaths during scheduling of maintenance/repair?	Sector baseline not yet met	<p>Reported faults and issued are logged into an internal system (RAMMS). The works are assigned by the inspector to the relevant coordinator who then assigns the works in accordance with priority with safety the overriding driver.</p> <p>There is currently no formal measurement, reporting or analysis of maintenance.</p>
<b>Planning and Development Administration</b>	<b>Baseline Met or Not Met</b>	<b>CoA Comments</b>
Does Council have systems in place to guide Planning and Development activities?	Sector baseline met	The process has been documented for internal employees and accessible to the public (ie application process with a clear process for assessment and response including dispute resolution).
Are building surveyors, inspectors, planners, planning officers or planning staff, who are employed or engaged by Council accredited to provide planning advice and access new development applications?	Sector baseline met	Only accredited employees are appointed to the relevant roles. Relevant qualifications are sought and filed on employee personnel files.
Does Council have a process in place to manage written complaints related to development applications and completed projects?	Sector baseline met	A complaints process has been documented including escalation/appeal process and this is accessible to the public.
<b>Volunteers</b>	<b>Baseline Met or Not Met</b>	<b>CoA Comments</b>
Does Council have systems in place for the management of volunteers?	Sector baseline met	Council holds a Volunteer policy and procedure setting out roles and responsibilities for each party.
Do these systems include central coordination to ensure consistent management of Volunteers across all areas of Council?	Sector baseline met	All records are filed. There is a WHS training requirement matrix for all volunteers and role statements established.
Does Council identify training needs and provide training to volunteers?	Sector baseline met	Training records are required and filed. These will include risk management and WHS policies and procedures, such as emergency/first aid, incident reporting, code of conduct etc.
Are volunteer activities or program subject to existing risk management structures (approved activities with appropriate supervision)?	Sector baseline met	The role statements define the volunteer activities/program which include risk assessments, safe work arrangements,

		hazard register and appropriate supervision of those activities.
<b>Procurement, Contracts and Tenders</b>	<b>Baseline Met or Not Met</b>	<b>CoA Comments</b>
Are policies, practices and procedures prepared and adopted for Contracts and Tenders?	Sector baseline met	Policies and Operating Guidelines are in place and are available to employees.
Are these systems in place to identify risks as part of the procurement/purchasing process?	Sector baseline met	The risk component of procurement is established in the Procurement Plan Template as well as the Tiering Tool.

7. In evaluating the information, reference was made to sector baselines being a minimum standard expected to be in place. It is noted that the baselines are not all legislative requirements, but a set of requirements developed by the LGAMLS. The Review only focused on the criteria that are set by LGAMLS and failed to incorporate an assessment of the importance of a mature risk management culture which CoA has successfully implemented. Whilst CoA was disappointed with this approach, CoA has offered to support the LGAMLS in the further development of the assessment criteria for future reviews.

### Work Health Safety Components

8. Work Health and Safety Systems are evaluated against selected elements from ReturnToWork SA's Performance Standards for Self-Insurers (PSSI). These Standards are designed to provide organisations with the opportunity to demonstrate the presence of effective business management systems. The model consists of 5 inter-related standards, 23 elements and 55 sub elements.
- 8.1. Standard 1- Commitment and Policy
- 8.2. Standard 3 - Implementation
- 8.3. Standard 4 - Measurement & Evaluation
- 8.4. Standard 5 - Management systems review and improvement

<b>Safety Management Systems</b>		
<b>Commitment and Policy</b>	<b>Conformance/ Observation/ Non- conformance</b>	<b>CoA Comments</b>
Supporting policies and procedures are in place?	Conformance	Council have supporting policies, procedures and operational guidelines in place that support its WHS Management System and Policy statement.
<b>Implementation</b>	<b>Conformance/ Observation/ Non- conformance</b>	<b>CoA Comments</b>
A relevant Training program is in place and being implemented (relating to the TNA and subsequent plan and effective delivery thereof)	Conformance	Council was able to demonstrate a relevant training program that consists of the identification of training needs, development and approval of training plans, training delivery, and verification of competency and review in place.
Accountability mechanisms are being used where relevant	Conformance	Council has the system in place to define and communicate responsibilities to all workers including volunteers and application of systems to ensure that where

		responsibilities are not being met there are mechanisms to hold those personnel to account.
The organisation must ensure contingency plans are periodically tested and/or evaluated to ensure an adequate response, if required.	Non-Conformance due to timing	Council was unable to demonstrate conformance with this sub-element as the systems in place for Workplace Emergency Management were in a period of review and not currently in place.
Hazard management systems including identification, evaluation and control are in place.	Non-Conformance	Hazard Management Systems at Council are a continued work in progress, whilst not yet achieving conformance, it is acknowledged that there has been a significant amount of work and continuous improvement activities undertaken.
Control measures are based on the hierarchy of control process	Observation	There may be an opportunity to revisit the risk assessment templates and provide coaching / training to employees to ensure that the requirements of this sub element are met.
Program(s) are in place to ensure an appropriate WHS consideration is given at the time of purchase, hire or lease of plant, equipment and substances.	Observation	There may be a gap in application and training of key personnel who are responsible for the acquisition and assessing of tenders and "quote" submissions.
Contractor and volunteer management systems are in place to meet the organisations duty of care to all persons.	Non-Conformance due to timing	Council was unable to demonstrate conformance with this sub-element as the systems in place for contractor management were in a period of review and not in place.
That the implementation of relevant inspection and testing procedures are conducted by the relevant, competent person(s).	Non-Conformance	Council has many inspection and testing processes across all teams. During the evaluation it was unclear if these were being conducted by the relevant, competent persons.
<b>Measurement and Evaluation</b>	<b>Conformance/ Observation/ Non-conformance</b>	<b>CoA Comments</b>
The organisation must ensure planned objectives, targets and performance indicators for key elements of program(s) are maintained and monitored and reported.	Conformance	Council demonstrated conformance with this sub-element, the WHS Management System ensures that there are programs in place that outline objectives, targets and the performance indicators.
<b>Management systems review and improvement</b>	<b>Conformance/ Observation/ Non-conformance</b>	<b>CoA Comments</b>
The organisation must ensure the system is reviewed and revised, if required, in line with current legislation, the workplace and work practices.	Conformance	Council's WHS Management System has evolved over time. It was evidenced that the CoA is reviewing its systems and processes to ensure that when the workplace, environment or practices change the system is reviewed and revised.

## Injury Management Components

9. The ReturnToWork SA's Injury Management Standards provide a framework from which a self-insured employer's exercise of its delegated powers and discretions can be evaluated. The Code of Conduct for Self-Insured Employers states the performance of the employer or self-insured employer will be measured against the Code and Injury Management Standards. This year the evaluation scope has been limited to only those IM sub-elements that sit under the revised Code of Conduct for Self-Insured Employers Version 12 relevant to LGAWCS Members.
- 9.1. Standard 1.2 Resources
- 9.2. Standard 1.6 Information provided to employees
- 9.3. Standard 2.8 Early intervention, recovery and RTW
- 9.4. Standard 4- Measurement, monitoring review

<b>Injury Management Systems</b>		
<b>Resources sub element</b>	<b>Conformance/ Observation/ Non- conformance</b>	<b>CoA Comments</b>
Documented job descriptions for all injury management personnel and where relevant management, supervisors and employees.	Conformance	There are documented job descriptions for all injury management personnel and leaders.
Ensuring injury management personnel are competent to administer their role in a reasonable manner.	Conformance	Council's two appointed Internal Rehabilitation Coordinators and leaders have completed the required LGAWCS training.
Ensuring the allocation of resources is appropriate for the organisations type, volume and complexity of the case load.	Conformance	Council has enough resources to manage the case load numbers. It is noted, that if required, the Council can also call upon an external consultant if required.
Suitability of facilities and accommodation to ensure restricted access to information, including maintaining confidentiality during interaction with injured workers and service providers	Conformance	Confidential meeting areas and storage of files is considered adequate and appropriate.
A Scheme Member is required to appoint a return to work coordinator and ensure the person appointed to this role has successfully completed	Conformance	Council has appointed two Internal Rehabilitation Coordinators who have undertaken the appropriate LGAWCS training.

Information provided to employees sub element	Conformance/ Observation/ Non-conformance	CoA Comments
How to report a work-related injury	Conformance	Council's documented RTW procedure outlines the process for workers to report a work-related injury. This information is available upon induction and located on Council's MySafety intranet page.
The process for lodging a claim for compensation	Conformance	Council's documented RTW procedure outlines the process for workers to lodge a claim for compensation. This information is available upon induction and located on Council's MySafety intranet page.
Early intervention, recovery and RTW sub element	Conformance/ Observation/ Non-conformance	CoA Comments
Where a worker has not returned to pre-injury employment within 6 months from date of first incapacity and is not working to their full capacity, new or other employment options are considered for the worker by the Scheme Member in conjunction with the LGAWCS.	Conformance	Council has a documented process in place for instances where a worker has not returned to pre-injury employment within 6 months from the date of first being incapacitated.
Where a Scheme Member does not provide suitable employment to a former work injured employee the Scheme Member notifies and consults with the LGAWCS.	Conformance	Council has a process documented in the Administration Manual and the Return to Work Procedure.
Measurement monitoring and review sub element	Conformance/ Observation/ Non-conformance	CoA Comments
Processes are in place that monitor, measure and review the effective implementation of the injury management system and where relevant, strategies to improve performance of the injury management system are identified.	Conformance	Council has processes in place to monitor, measure and review the effective implementation of the CoA Injury Management System.
The Service Standards set out in Schedule 5, Part 2 of the Return to Work Act 2014 are in place.	Conformance	The LGAWCS services standards have been integrated into Council's existing procedure documentation and protocols

## Summary

10. The LGRS evaluator concluded that Council has robust systems in place to manage Planning and Development, Volunteers and Procurement which address the risks associated with those activities. Risk management systems continue to evolve, with a new Risk Management Operating Guideline which was being approved and implemented at the time of the evaluation.
  11. The LGRS evaluator stated that the CoA should be congratulated on the progress made across the evaluated Work Health and Safety and Injury Management sub-elements. Some key areas of success identified were the continuous improvement activities in the injury management and early intervention strategies employed by the internal rehabilitation team, and the continuous improvement strategies implemented by the MySafety team in engaging with all workers in training systems, planning and program development and review.
  12. Overall both the risk and safety teams are happy with the results of the Review and will work with the LGAWCS and LGAMLS to improve both the Review process, and CoA improvement actions for the 2020 Review.
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## ATTACHMENTS

Nil

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- END OF REPORT -

# Internal Audit Progress Update

**ITEM 4.5** 22/02/2019  
**Audit Committee**

2018/02550  
Public

**Program Contact:**  
Jacki Done, AD People &  
Governance 8203 7256

**Approving Officer:**  
Steve Mathewson, Director  
Services

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## EXECUTIVE SUMMARY:

To provide the Audit Committee with a progress update on Internal Audit findings and recommendations.

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## RECOMMENDATION:

### THAT THE AUDIT COMMITTEE:

1. Receives and notes the report.
- .....



## IMPLICATIONS AND FINANCIALS:

Strategic Plan	The role of the City of Adelaide is diverse and complex. Our core role is to deliver service to the community as a leader, service provider, advocate, facilitator and owner of assets.
Policy	Not as a result of this report
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	Note as a result of this report
Opportunities	Not as a result of this report
18/19 Budget Allocation	\$180,000
Proposed 19/20 Budget Allocation	To be reviewed
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
18/19 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

## DISCUSSION

1. The role of Internal Audit is to assist Council and the Chief Executive Officer in meeting their assurance obligations relating to corporate governance, the system of internal controls and identifying areas for more efficient processes.
2. Pursuant to the Audit Committee's Terms of Reference, approved by Council on 24 April 2018, the Audit Committee shall receive reports on all Internal Audit projects and shall review and monitor management's responsiveness to the findings and recommendations of the Internal Auditor (KPMG). At the request of the Audit Committee, full copies of all completed audit reports are included – view [here](#).
3. A summary of internal audits (IA), strategic reviews (SR) and internal investigations (II) for the period October 2018 to January 2019 is provided below:

Completed projects:	Rates Revenue Assurance (IA)
Continuing projects:	Legislative Compliance (SR)
Projects commenced:	Confidential Orders Review (IA) Records Management (SR) Credit Card Compliance (IA) Customer Focus (IA)

4. Scope and recommendations arising from Internal Audit and Strategic Reviews are reported to the Executive Strategic Risk and Internal Audit Group. Associate Directors are involved (as appropriate) in the reviews and draft the management response on recommendations and agreed actions and hold responsibility for completion of the actions.
5. Recommendations, agreed actions, responsibilities and timeframes for implementation are recorded centrally in Council's process mapping software system, Promapp. The implementation status of recommendations is tracked and reported to the Audit Committee.
6. Since the last Internal Audit Progress Update reported to the Audit Committee at its meeting on 26 October 2018, thirty-one (31) recommendations have been completed and fifty-seven (57) recommendations including improvement opportunities are in progress – view [here](#).
7. Internal Audit recommendations that are overdue (O) or in-progress (IP) as at 31 January 2019 have the following risk ratings:

Risk	Definition	O	IP	Total
High	Issue represents a control weakness which could have or is having major adverse effect on the ability to achieve project objectives. Requires a detailed plan of action to be put in place within 60 days with an expected resolution date and a substantial improvement within 3-6 months.	0	6	<b>6</b>
Moderate	Issue represents a control weakness which could have or is having a moderate effect on the ability to achieve process objectives.  Requires a detailed plan of action to be put in place within 90 days with an expected resolution date and a substantial improvement within 6-9 months.	0	13	<b>13</b>

Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve project objectives.  Timeframe for action is subject to competing priorities and cost/benefit analysis, e.g. 9-12 months.	0	18	<b>18</b>
	<b>Total</b>	0	37	<b>37</b>
N/A	Improvement Opportunity	0	20	<b>20</b>

8. In addition, Council resolved for an internal investigation to be conducted on Adelaide CBD Helipad Post-Project Review. Since the last Internal Audit Progress Update reported to the Audit Committee at its meeting on 26 October 2018, one (1) recommendation has been completed and eighteen (18) recommendations including improvement opportunities are in progress - view [here](#), and summarised in the table below:

Risk	Definition	O	IP	Total
High	Issue represents a control weakness which could have or is having major adverse effect on the ability to achieve project objectives. Requires a detailed plan of action to be put in place within 60 days with an expected resolution date and a substantial improvement within 3-6 months.	0	0	<b>0</b>
Moderate	Issue represents a control weakness which could have or is having a moderate effect on the ability to achieve process objectives.  Requires a detailed plan of action to be put in place within 90 days with an expected resolution date and a substantial improvement within 6-9 months.	0	4	<b>4</b>
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve project objectives.  Timeframe for action is subject to competing priorities and cost/benefit analysis, e.g. 9-12 months.	0	0	<b>0</b>
	<b>Total</b>	0	4	<b>4</b>
N/A	Improvement Opportunities	0	14	<b>14</b>

## ATTACHMENTS

Nil

- END OF REPORT -

## Exclusion of the Public

**ITEM 8.1** 22/02/2019  
**Audit Committee**

**Program Contact:**  
Jacki Done, AD People &  
Governance 8203 7256

2018/04291  
Public

**Approving Officer:**  
Mark Goldstone, Chief  
Executive Officer

## EXECUTIVE SUMMARY:

It is the recommendation of the Chief Executive Officer that the public be excluded from this Committee meeting for the consideration of information and matters contained in the Agenda.

For the following Item:

- 9.1** Update on Activities of the Strategic Risk and Internal Audit Group Meetings [s 90(3) (i)]

The Order to Exclude for Item 9.1:

1. Identifies the information and matters (grounds) from s 90(3) of the *Local Government Act 1999 (SA)* utilised to request consideration in confidence;
2. Identifies the basis – how the information falls within the grounds identified and why it is necessary and appropriate to act in a meeting closed to the public; and
3. In addition identifies for the following grounds – s 90(3) (b), (d) or (j) - how information open to the public would be contrary to the public interest.

## ORDER TO EXCLUDE FOR ITEM 9.1:

### THAT THE COMMITTEE:

1. Having taken into account the relevant consideration contained in s 90(3) (i) and s 90(2) & (7) of the *Local Government Act 1999 (SA)*, this meeting of the Audit Committee dated 22/2/2019 resolves that it is necessary and appropriate to act in a meeting closed to the public for the consideration of Item 9.1 Update on Activities of the Strategic Risk and Internal Audit Group Meetings] listed on the Agenda.

### Grounds and Basis

Section 90 (3) (i) of the *Local Government Act 1999* [litigation]:

Information relating to actual litigation, or litigation that the council or council committee believes on reasonable grounds will take place, involving the council or an employee of the council.

The Item is of a confidential nature because the report includes information disclosure of which could reasonably be expected to prejudice the outcome of Council's actual litigation.

2. Pursuant to s 90(2) of the *Local Government Act 1999 (SA)* this meeting of The Committee dated 22/2/2019 orders that the public (with the exception of members of Corporation staff and any person permitted to remain) be excluded from this meeting to enable this meeting to receive, discuss or consider in confidence Item 9.1 Update on Activities of the Strategic Risk and Internal Audit Group Meetings] listed in the Agenda, on the grounds that such item of business, contains information and matters of a kind referred to in s 90(3) (i) of the Act.

## DISCUSSION

1. s 90(1) of the *Local Government Act 1999 (SA)*, directs that a meeting of a Council Committee must be conducted in a place open to the public.
2. s 90(2) of the *Local Government Act 1999 (SA)*, states that a Council Committee may order that the public be excluded from attendance at a meeting if the Council Committee considers it to be necessary and appropriate to act in a meeting closed to the public to receive, discuss or consider in confidence any information or matter listed in s 90(3).
3. s 90(3) prescribes the information and matters that a Council may order that the public be excluded from.
4. s 90(4) of the *Local Government Act 1999 (SA)*, advises that in considering whether an order should be made under s 90(2), it is irrelevant that discussion of a matter in public may:
  - 4.1 cause embarrassment to the council or council committee concerned, or to members or employees of the council; or
  - 4.2 cause a loss of confidence in the council or council committee.’
  - 4.3 involve discussion of a matter that is controversial within the council area; or
  - 4.4 make the council susceptible to adverse criticism.
5. s 90(7) of the *Local Government Act 1999 (SA)* requires that an order to exclude the public:
  - 5.1 Identify the information and matters (grounds) from s 90(3) of the *Local Government Act 1999 (SA)* utilised to request consideration in confidence;
  - 5.2 Identify the basis – how the information falls within the grounds identified and why it is necessary and appropriate to act in a meeting closed to the public; and
  - 5.3 In addition identify for the following grounds – s 90(3) (b), (d) or (j) - how information open to the public would be contrary to the public interest.
6. s 87(10) of the *Local Government Act 1999 (SA)* has been utilised to identify in the Agenda and on the Report for the meeting, that the following matter is submitted seeking consideration in confidence.
  - 6.1 Information contained in Item 9.1 – Update on Activities of the Strategic Risk and Internal Audit Group Meetings:
    - 6.1.1 Is not subject to an Existing Confidentiality Order.
    - 6.1.2 The grounds utilised to request consideration in confidence is s 90(3) (i)
 

Section 90 (3) (i) of the Local Government Act 1999 [litigation]:

Information relating to actual litigation, or litigation that the council or council committee believes on reasonable grounds will take place, involving the council or an employee of the council.

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## ATTACHMENTS

Nil

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- END OF REPORT -

# Confidential Item 9.1

Update on Activities of the Strategic Risk and Internal Audit Group Meetings

Section 90 (3) (i) of the *Local Government Act 1999 (SA)*

Pages 69 to 72

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