



<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 – 22/2/2019

That the Minutes of the meeting of the City of Adelaide Audit Committee held on 22 February 2019, 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. Presentation

4.1. Value and Efficiency Update [Page 3]

## 5. Reports

5.1. Corporate Climate Change Risks [2016/03243] [Page 9]

5.2. Internal Audit Progress Update [2018/02550] [Page 15]

5.3. Audit Committee Terms of Reference [2014/05026] [Page 19]

5.4. 2019-20 Draft Integrated Business Plan [2018/03947] [Page 32]

## 6. Whistleblowing

**7. Emerging Key Risks**

**8. Other Business**

**9. Item Seeking Exclusion of the Public**

9.1. Exclusion of the Public to Consider [2017/00571] [Page 36]:

For the following item seeking consideration in confidence:

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

**10. Confidential Item**

10.1. Update on Activities of the Strategic Risk and Internal Audit Group Meetings [2012/00053] [Page 38]

**11. Closure**

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# Audit Committee

Value & Efficiency Update  
3 May 2019



# Audit Committee Update

- **Role of Audit Committee**
- **2018 Service Register Build**
  - What We Know
  - Next Steps
- **2018 Service Review Summary**
  - Estimated Operating Savings Identified
  - Key Learnings
- **Next Steps**
  - Consult and Agree Prioritised Reviews for 19/20 Financial Year
  - Consult and Agree Service Categories
  - Consult and Agree Core and Non-Core Service Definitions
  - Community Engagement



# Role of Audit Committee

## Audit Committee Terms of Reference

### Section 7.5

#### Value and Efficiency

The Audit Committee shall, when necessary, review Council's value management processes, program reviews and service reviews in the context of efficient and effective delivery of the Strategic Plan.

Review Type	Director	ELT	Audit Committee	Council
Service Review (Community Facing Service)	Endorse	Endorse	Note/ Review / Recommend	Approve
Service Review (Internal Facing Service)	Endorse	Approve	Note	Note
Activity Review (May need to go to Audit Committee or Council depending on activity)	Endorse	Approve	Note / Review / Recommend	Note
Continuous Improvement	Leaders to implement continuous improvement in accordance with their own delegations.			

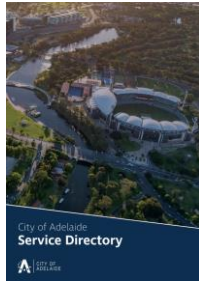
As per the audit committee terms of reference the committee shall “ when necessary review Council's value management processes, program reviews and service reviews in context of efficient and effective delivery of the strategic plan”.

Audit committee may also, if needed, consider risk and make recommendations if the situation requires it or when the risk profile changes.

# 2019 Service Register Build

NUMBER OF  
COA SERVICES  
**179**

(Not Including Subsidiaries)



## INFORMATION INCLUDED

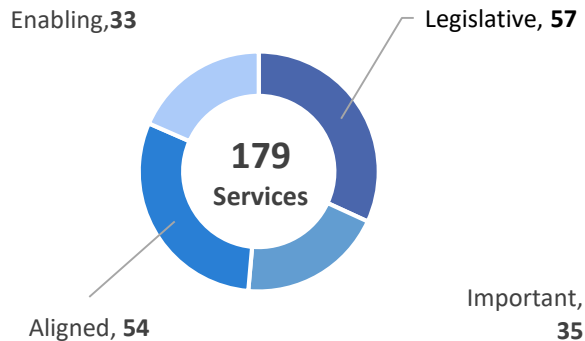
Community Outcome Statement

Activities Associated with the delivery of the service

Driver Behind the Provision of our Services

Operating Cost of delivering the service (not including project related costs)

## DRIVERS BEHIND OUR SERVICES



- **Legislated:** Expressly stated in legislation that local government must provide the service.
- **Important:** Implied in legislation that local government must provide the service AND Expressly stated in our Strategic Plan.
- **Aligned:** Expressly stated in our Strategic Plan but not stated or implied in legislation OR Clear and demonstrable community expectation that the service should be provided by Council OR The service breaks even or provides a positive return and has reasonable or clear community support.
- **Enabling:** The majority of items in this category relate to corporate and administrative services that support Council and the Organisation in delivering on it's plans, policies and objectives. No legislative requirement AND Not expressly stated in our long-term plans and strategies AND No clear and demonstrable community expectation that the service should be provided by Council.

## NEXT STEPS

- Agree Service Categories to group all 'like' services.
- Agree definition for core and non-core services and categorise all 179 services accordingly.
- Document the role of council per service.
- Report consistent information on all 179 services by category to our members at an agreed frequency.
- Prioritise services for review within the 19/20 Financial Year in agreement with ELT and Elected Members.

Audit Meeting - Agenda - 3 May 2019

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# 2018/19 Service Review Summary

## ESTIMATED OPERATING SAVINGS



ESTIMATED OPERATING SAVINGS IDENTIFIED

**\$2.3m**



REVIEWS CONTRIBUTING TO ESTIMATED OPERATING SAVINGS

- **Procurement Health Check** – Estimated \$1,945,327 (to be achieved through a reduction in off contract spend within tail spend)
- **Utilities Management** – Estimated \$300,000 (to be achieved through robust governance and data management)
- **Internal Printing** – Estimated \$36,844 (to be achieved by increasing the capability within the internal print function and reducing outsourced print requirements)



KEY LEARNINGS FROM REVIEWS COMPLETED TO DATE

- There is a need to continue to build information at a service level. (Documented processes, procedures, mapping service connections, recording the value that is exchanged, understand our data management requirements)
- Challenges in relation to availability and consistency of data at the service and activity levels.
- Need to develop framework to progress community engagement on key services.
- Further engagement with our elected members and our executive team is required to align our objectives and requirements for the upcoming financial year.

Result of understanding our business at a service level allows the organisation to be more effective and efficient in the delivery of its services to our community.



# Next Steps



- **Consult and agree priority reviews for 19/20 Financial Year**
  - Provide Executive Team and Elected Members with options for review based on initial outputs from our Service Assessment Model.
- **Consult and agree Service Categories and group 'like' services**
  - Report to ELT and Elected Members on service based information as per agreed frequency
- **Consult and agree definition for Core and Non-Core Services and categorise all services accordingly**
  - Incorporate the role of council within the classification information
  - Report to ELT and Elected Members on Core and Non-Core Services
- **Community Engagement on Service Reviews**
  - Consult and agree on approach
  - Commence engagement

# Corporate Climate Change Risks

**ITEM 5.1 03/05/2019**  
**Audit Committee**

2016/03243  
Public

**Program Contact:**  
Michelle English, AD  
Sustainability 8203 7687

**Approving Officer:**  
Ian Hill, Director Growth

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## EXECUTIVE SUMMARY:

In October 2018, an undertaking was provided to the Audit Committee that a report or presentation on the City of Adelaide's approach to climate change risk would be brought back to the Audit Committee.

This report focuses on corporate governance, financial and liability implications of climate change risk, including global and national trends, City of Adelaide's work to date and future planned work.

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## RECOMMENDATION:

### THAT THE AUDIT COMMITTEE

1. Notes the report.
-

## IMPLICATIONS AND FINANCIALS:

City of Adelaide 2016-2020 Strategic Plan	<b>Strategic Alignment – Green</b> The City of Adelaide 2016-2020 Strategic Plan includes an objective to be one of the world's first carbon neutral cities and an international leader in environmental change.
Policy	No impact on Council's policy as a result of this report.
Consultation	No consultation has been undertaken.
Resource	Not as a result of this report.
Risk / Legal / Legislative	Not as a result of this report. City of Adelaide has exposure to physical, transition and liability climate related risks. These include for example physical climate risks in its assets and services, transition risks in insurance and credit rating and liability risks through its decision making.
Opportunities	Potential to reduce insurance premiums and obtain a more favourable credit rating. Increasing the integration of sustainability principles into the procurement of goods and services provides the opportunity to support Council's strategic objectives associated with Carbon Neutral Adelaide.
18/19 Budget Allocation	Some initial expert advice may be undertaken in 2018/19 of up to \$15,000 from the Climate Change Action Initiatives Fund project to inform the first stage of the climate risk assessment.
Proposed 19/20 Budget Allocation	Funding for the climate risk assessment will be provided through the Climate Change Action Initiatives Fund.
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

## Background

1. In October 2018, an undertaking was provided to the Audit Committee that a report or presentation on the City of Adelaide's approach to climate change risk would be brought back to the Audit Committee.
2. The City of Adelaide has focused on community climate risk exposure and adaptation to date, through its participation in the Resilient East Project. No assessment has been undertaken on the City of Adelaide's corporate climate change risk exposure.
3. The potential impacts of climate change on organisations are not only physical, long term risks. Climate risk is manifesting in mainstream investment horizons with physical, economic transition and liability consequences.
4. Local government is exposed to climate risks associated with its decision-making (planning and approvals), its own assets and infrastructure (through both physical and transition risks), insurance and credit rating. Government is also exposed to additional liabilities and risk outside its control as an 'insurer of last resort' for the community. The Australian Prudential Regulation Authority in its Information Paper *Climate Change: Awareness to Action* (March 2019) sets out the different types of climate risks (see table 1 below).



Table 1

5. Information on how the City of Adelaide is managing climate risk is already being requested. The LGA Mutual Liability Scheme, which provides all Councils in South Australia with liability insurance and risk management services, asks all Councils annually for their climate change risk mitigation strategies. This information is used in discussions with the reinsurer to inform insurance requirements for the sector in general – which in turn impacts our insurance premiums.
6. The need for disclosure of corporate climate risk is increasing. The Financial Stability Board has established an industry-led Task Force on Climate-related Financial Disclosures (TCFD). In June 2017, the TCFD released recommendations on the disclosure of climate risk to provide investors, lenders, and insurance underwriters with information to appropriately assess and price climate-related risks and opportunities and ensure the efficient allocation of capital.
7. The City of Adelaide needs to understand its corporate exposure to the physical, economic transition and liability risks associated with climate change. This will assist with positioning our organisation, community and economy positively for the transition to a low carbon economy.
8. During 2019 the City of Adelaide will undertake an initial corporate climate risk assessment to identify CoA's exposure to physical, economic transition and liability risks associated with climate change.

## Climate Risks

9. The World Economic Forum's *The Global Risks Report 2019* identifies the Top 10 global risks in terms of Likelihood, and the Top 10 global risks in terms of Impact. 'Failure of climate-change mitigation and adaptation' is rated as the 2<sup>nd</sup> most likely global risk after 'Extreme weather events', and the 2<sup>nd</sup> highest risk in terms of impact after 'Weapons of mass destruction'.

10. Global insurance giant, the Swiss Re Group has reported that global insured losses from natural (USD146 billion) and man-made (USD9 billion) catastrophes in 2018 were the fourth highest on record, with extreme weather being the dominant factor.<sup>1</sup>
11. At the Sustainable Insurance Forum (SIF) in London during February, Geoff Summerhayes (Executive Board Member of the Australian Prudential Regulation Authority and Chairman of the UN Sustainable Insurance Forum) stated that: "The idea that taking action to address climate change is a luxury or a financial burden is redundant. To the contrary, it's a financial necessity... Companies - and countries - that fail to mitigate against climate-related risks and seize emerging opportunities are going to be left behind."

### Global Trends – Assessing Climate Risk

12. In April 2015, the G20 Finance Minister and Central Bank Governors requested that the Financial Stability Board (FSB) review how the financial sector accounts for climate related issues. The FSB established an industry led Task Force on Climate Related Financial Disclosures (TCFD), chaired by Michael Bloomberg.
13. Thirty-two global experts participated in the TCFD representing business and financial sectors (e.g. Moodys, Deloitte, KPMG, JP Morgan Chase & Co, Barclays, Swiss Re, S&P Global Ratings, BlackRock, PwC, BHP Billiton, Industrial and Commercial Bank of China).
14. The TCFD categorised climate related risks into two major categories, risks related to the transition to a lower-carbon economy (e.g. policy and legal risk, technology, market and reputation risks) and risks related to the physical impacts of climate change (e.g. acute and chronic). It also identified that there are several areas of climate related opportunities, including resource efficiency, energy source, products and services, markets and resilience.
15. On 15 June 2017, the TCFD released recommendations on the disclosure of climate risk to provide investors, lenders, and insurance underwriters with information to appropriately assess and price climate-related risks and opportunities and ensure the efficient allocation of capital.

### Recent National Trends - Climate Risk

16. In Australia, an opinion prepared in 2016 by leading barrister Noel Hutley found that "company directors who fail to properly consider and disclose foreseeable climate-related risks to their business could be held personally liable for breaching their statutory duty of due care and diligence under the Corporations Act."
17. Australia's regulators showed how seriously they take climate change risk when in 2018 the Council of Financial Regulators formed a climate change working group which includes representatives from APRA, ASIC, the Reserve Bank of Australia and Treasury. In November, the RBA joined the Network of Central Banks and Supervisors for Greening the Financial System, which starts from the premise that climate-related risks are a source of financial risk.
18. The need for greater disclosure of climate change risks by financial institutions was emphasised by Geoff Summerhayes during his SIF presentation:
 

"The SIF believes that climate risk – and society's responses to it – are driving substantial changes to the global economy. The weight of money, through consumer demand, investor decisions and regulatory responses, is pushing the transition to a low carbon economy relentlessly forward. This shift has consequences for us all, but to make good decisions, governments, regulators, businesses and investors need access to timely, reliable and sufficiently granular information."
19. On 12 March 2019, the Deputy Governor of the Reserve Bank of Australia, Guy Debelle, gave a speech 'Climate change and the economy', warning of the potential for climate change to cause a shock to the Australian economy if key transitions are disorderly or abrupt.
20. On 20 March 2019, APRA released an information paper following the survey of 38 large banks, insurers and superannuation trustees last year to assess their views and practices regarding climate-related financial risks. The survey found a substantial majority of regulated entities were taking steps to increase their understanding of the threat, including all of the banks, general insurers and superannuation trustees surveyed.
21. **Other key findings were:**
  - 21.1 A third of respondents believed climate change was a material financial risk to their businesses now and a further half thought it would be in future;
  - 21.2 A majority of banks considered climate-related financial risks as part of their risk management frameworks; and

<sup>1</sup> [https://www.swissre.com/media/newsreleases/nr\\_20181218\\_sigma\\_estimates\\_for\\_2018.html](https://www.swissre.com/media/newsreleases/nr_20181218_sigma_estimates_for_2018.html)

- 21.3 Reputational damage, flooding, regulatory changes and cyclones were nominated as the top climate-related financial risks.
- 21.4 Respondents also described the strategic opportunities they had identified from the transition to a low carbon economy, including developing innovative products and services, and meeting the growing demand for green investment opportunities.

### City of Adelaide Climate Change Risk

22. In 2007, John Ross, Chairman of the Local Government Association Mutual Liability Scheme stated “In accepting that climate change is a reality, we also accept that, in future, the resilience of Australian communities will be further challenged by shifting rainfall patterns, extreme weather events and changing climatic zones. Against this backdrop, climate adaptation will continue to gather momentum as a priority for all levels of government in Australia - none more so than Local Government, which works most closely with the local communities it leads and serves”.
23. The City of Adelaide has considered the risk implications of climate change on the community since 2009, when it participated in the LGA Mutual Liability Scheme’s Local Government Climate Change Adaptation Program. This work informed the development of the City of Adelaide’s Climate Change Adaptation Action Plan 2011-2013 and the updated Climate Change Adaptation Action Plan 2013-15.
24. The City of Adelaide has focused predominantly on community climate risk exposure and adaptation, through its participation in the Resilient East Project, a collaboration with seven other eastern Adelaide metropolitan Councils.
25. This collaboration resulted in the development of the Resilient East Integrated Vulnerability Assessment Report and Regional Climate Change Adaptation Plan.
26. Eastern Adelaide is projected to experience more frequent, long-running and intense heatwaves, less rain overall but more intense storms and flooding, and more frequent and extreme fire danger days. Table 2 (below) highlights climate change projections for the eastern suburbs of Adelaide for days over 40 degrees.

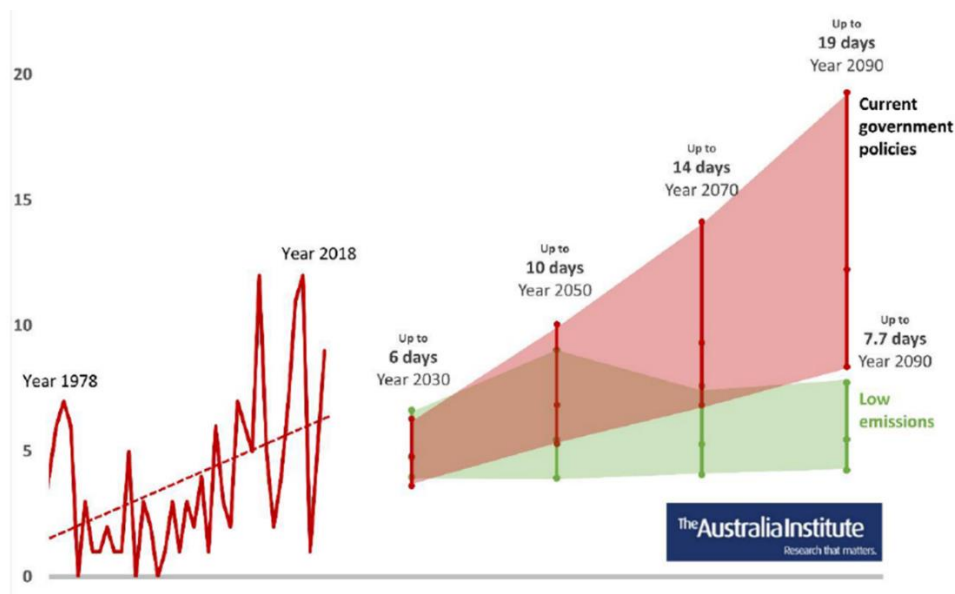


Table 2

27. The potential impacts of climate change on organisations are not only physical long-term risks. Climate risk is manifesting in mainstream investment horizons with physical, economic transition and liability consequences.
28. Local government is exposed to climate risks associated with its decision-making (planning and approvals), its own assets and infrastructure (through both physical and transition risks), insurance and credit rating.
29. Government is also exposed to additional liabilities and risk outside its control as an ‘insurer of last resort’ for the community.
30. Information on how the City of Adelaide is managing climate risk is already being requested. The LGA Mutual Liability Scheme, which provides all Councils in South Australia with liability insurance and risk management services, asks all Councils annually for their climate change risk mitigation strategies. This information is used in discussions with the reinsurer to inform insurance requirements for the sector in general, which in turn impacts our insurance premiums.

31. On 5 June 2018, Sarah Barker, Special Counsel Minter Ellison presented to Elected Members and Administration on the corporate governance, financial and liability implications of climate change risk.

#### **City of Adelaide Climate Change Risk Planned Work**

32. The City of Adelaide needs to understand its corporate exposure to the physical, economic transition and liability risks associated with climate change. This will assist with positioning our organisation, community and economy positively for the transition to a low carbon economy.
33. During 2019, the City of Adelaide will commence a corporate climate risk assessment that will identify CoA's exposure to physical, economic transition and liability risks associated with climate change. The work will utilise the emissions scenarios and climate projections used as part of the Resilient East Climate Change Adaptation Plan and build on existing climate adaptation collaborations across Metropolitan Adelaide.
34. The approach will consider emerging frameworks for climate risk assessment, such as the TCFD recommendations and '*Climate Compass: A climate risk management framework for Commonwealth agencies*', with an initial focus on how climate risk is incorporated into governance within the organisation.
35. The work will be undertaken in a staged manner, covering the following key aspects:
  - 35.1. Identification of climate risks;
  - 35.2. Analysis of climate risks;
  - 35.3. Risk management for climate risks (including prioritisation of risks);
  - 35.4. Disclosure of climate risks.

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## ATTACHMENTS

Nil

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- END OF REPORT -

# Internal Audit Progress Update

**ITEM 5.2 03/05/2019  
Audit Committee**

2018/02550  
Public

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

**Approving Officer:**  
Clare Mockler, Director  
Community

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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:

City of Adelaide 2016-2020 Strategic Plan	Strategic Alignment - Corporate Activities 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	Not 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 at [Link 1](#).
3. A summary of internal audits (IA), strategic reviews (SR) and internal investigations (II) for the period February 2019 to April 2019 is provided below:

Completed projects:	Confidential Orders Review (IA) Records Management (SR) Credit Card Compliance (IA)
Continuing projects:	Legislative Compliance (SR) Customer Focus (IA)
Projects commenced:	Environmental Health Management PCI Compliance

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 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 22 February 2019, fifteen (15) internal audit recommendations have been completed and fifty-nine (59) recommendations are in progress [Link 2](#) as summarised in the table below:

Risk	Definition	Overdue	In-Progress	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	7	<b>7</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.	3	17	<b>20</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	1	22	<b>23</b>
	<b>Total</b>	0	46	<b>4</b>
N/A	Improvement Opportunity	0	21	<b>21</b>

7. Since the last Internal Audit Progress Update reported to the Audit Committee at its meeting on 22 February 2019, two (2) internal investigation recommendations have been completed and thirteen (13) are in progress [Link 3](#), as summarised in the table below:

Risk	Definition	Overdue	In-Progress	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	3	<b>3</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	3	<b>3</b>
N/A	Improvement Opportunities	3	10	<b>13</b>

## ATTACHMENTS

Nil

- END OF REPORT -

# Audit Committee Terms of Reference

**ITEM 5.3 03/05/2019**  
**Audit Committee**

2014/05026  
Public

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

**Approving Officer:**  
Clare Mockler, Director  
Community

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## EXECUTIVE SUMMARY:

This report relates to the role of the Audit Committee and the Terms of Reference under which it can act.

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## RECOMMENDATION:

That Audit Committee recommends to Council that Council:

1. Adopts the Terms of Reference as included in Attachment A to Item 5.3 on the Agenda for the meeting of the Audit Committee held on 3 May 2019.
- .....

## IMPLICATIONS AND FINANCIALS:

City of Adelaide 2016-2020 Strategic Plan	Strategic Alignment - Corporate Activities The role of the City of Adelaide is diverse and complex. Our core role is to deliver services to the community as a leader, service provider, regulator, 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	Not as a result of this report
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 (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

## DISCUSSION

1. Audit Committee play a critical role in the financial reporting framework of the Council by overseeing and monitoring the participation of management and external auditors in the financial reporting process. They also address issues such as the approach being taken by the Council and management to address risk, corporate and financial governance responsibilities and legal compliance in the area of:
  - 1.1. Financial reporting
  - 1.2. Internal controls and risk management system
  - 1.3. Whistle blowing
  - 1.4. Management and Business Plans
  - 1.5. Value and Efficiency Management
  - 1.6. Internal Audit
  - 1.7. External Audit
2. Audit Committees provide an important independent role between Council and its management and between Council and its community. Audit Committees have no authority to act independently of Council and can only act in areas covered by its Terms of Reference.
3. It is expected that the preparation and disclosure of an Audit Committee's Terms of Reference will help stakeholders, which include Council members, management and the community at large, assess the role and responsibilities of the Audit Committee and help Committee members focus on their responsibilities.
4. The Terms of Reference are also intended to assist the Audit Committee and management in evaluating the completeness of their mandates in relation to their specific responsibilities.
5. An Audit Committee's Terms of Reference should not only meet the minimum requirements of the Act, but the tailored to meet the specific needs and circumstances of the Council.
6. At it's meeting on 26 February 2019, Council endorsed the Audit Committee's Meeting Schedule for the 2019-20 term.
7. After a review was completed, no changes to the Terms of Reference have been suggested.

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## ATTACHMENTS

### **Attachment A – Audit Committee Terms of Reference**

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- END OF REPORT -

## City of Adelaide

### Audit Committee Terms of Reference 2019

The Audit Committee is a formally appointed committee of the City of Adelaide (CoA), pursuant to Section 126 of the *Local Government Act 1999* ("the Act").

The Audit Committee does not have executive powers or authority to implement actions in areas which management has responsibility and does not have any delegated financial responsibility. The Audit Committee does not have any management functions and is, therefore, independent from management.

The Committee's role is to report to Council and provide appropriate advice and recommendations on matters relevant to its Terms of Reference in order to facilitate decision making by the Committee and Council in relation to the discharge of its responsibilities.

#### 1. MEMBERSHIP

- 1.1 Members of the Audit Committee are appointed by Council. The Committee shall consist of five (5) members:
- The Lord Mayor;
  - One (1) Councillor; and
  - Three (3) external Independent Members.
- 1.2 Independent Members of the Audit Committee shall have senior business or financial management / reporting knowledge and expertise, and be conversant with the financial, risk management and governance issues, and have extensive accounting, auditing or legal skills, and other reporting requirements of Local Government.
- 1.3 Only members of the Audit Committee are entitled to vote in Committee meetings. Unless otherwise required by the Act not to vote, each member must vote on every matter that is before the Committee for decision.



- 1.4 Proxy members may be appointed to the Audit Committee by the Council. When all members of the Audit Committee are present, proxy members attend in an observer capacity only. A proxy member will have a vote when a member of the Audit Committee is not present.
- 1.5 The Chief Executive Officer, Directors and other CoA employees may attend any meeting as observers or be responsible for preparing papers for the Audit Committee.
- 1.6 In accordance with the principles of open, transparent and informed decision making, Audit Committee Meetings must be conducted in a place open to the public, at a venue to be determined by the Chief Executive Officer.
- 1.7 The agenda and minutes of Audit Committee meetings, subject to any items that are discussed in confidence under Section 90 of the Act and subsequently retained as confidential under Section 91 of the Act, are also required to be made available to the public.
- 1.8 The Council's Internal and External Auditors may be invited to attend meetings of the Audit Committee.
- 1.9 The Presiding Member of the Audit Committee shall be an Independent Member appointed by Council to the position of Presiding Member.
- 1.10 Appointments of external independent members to the Audit Committee shall be for a term of four years with the term of office commencing after the first year of the Council term. Appointments of Council Members shall be for a term of two years. Appointees may be reappointed by Council.



- 1.11 Sitting fees will be reviewed and set by Council for every new term of Audit Committee. Professional fees will also be paid for the advice and attendance of the Internal and External Auditors at the Audit Committee. There are no associated sitting fees for the Lord Mayor or Councillor appointed to the Audit Committee.

## **2. SECRETARIAL RESOURCES**

- 2.1 The Chief Executive Officer shall provide sufficient administrative resources to the Audit Committee to enable it to adequately carry out its functions.

## **3. QUORUM**

- 3.1 The quorum necessary for the transaction of business shall be three (3) members of the Audit Committee. A duly convened meeting of the Audit Committee at which quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Audit Committee.

## **4. FREQUENCY OF MEETINGS**

- 4.1 The Committee shall meet quarterly as a minimum, as determined by the Committee.
- 4.2 A quarterly schedule of meetings will be developed and agreed by the members at the first meeting of the Audit Committee.
- 4.3 The Chief Executive Officer is delegated the authority to vary the quarterly meeting schedule after liaison with the Audit Committee Presiding Member.
- 4.4 The Chief Executive Officer is delegated to not call a meeting of the Audit Committee within the quarterly meeting schedule should the Committee have no matters for consideration.
- 4.5 A Special Meeting of the Audit Committee may be called in accordance with the Act.

## **5. NOTICE OF MEETINGS**

- 5.1 Notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Audit Committee and observers, no later than three (3) ordinary days before the date of the meeting. Supporting papers shall be sent to the Audit Committee Members (and to other attendees as appropriate) at the same time.

## **6. MINUTES OF MEETINGS**

- 6.1 The Chief Executive Officer shall ensure that the proceedings and resolutions of all meetings of the Audit Committee, including the recording of the names of those present and in attendance are minuted and that the minutes otherwise comply with the requirements of the *Local Government (Procedures at Meetings) Regulations 2013*.
- 6.2 Minutes of the Audit Committee shall be circulated within five (5) ordinary days after a meeting to all members of the Audit Committee and to all members of Council and will (as appropriate) be available to the public.

## **7. ROLES OF THE AUDIT COMMITTEE**

### **7.1 Financial Reporting**

The Audit Committee shall monitor the integrity of the financial statements of the Council, including its annual report, reviewing significant financial reporting issues and judgements which they contain.

The Audit Committee shall review and challenge where necessary:

- (a) The consistency of, and any changes to, accounting policies both on a year on year basis;
- (b) The methods used to account for significant or unusual transactions where different approaches are possible;

- (c) Whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- (d) The clarity of disclosure in the Council's financial reports and the context in which statements are made; and
- (e) All material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to audit and risk management).

## **7.2 Internal Control & Risk Management Systems**

The Audit Committee shall:

- (a) Keep under review the effectiveness of the Council's internal controls and risk management systems.
- (b) Review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management.
- (c) Receive reports on the activities of the Chief Executive Officer's Strategic Risk and Internal Audit Group.

## **7.3 Whistle Blowing**

The Audit Committee shall review the Council's arrangements for its employees to raise concerns, in confidence, about possible misstatements in financial reporting and other matters.

The Audit Committee shall ensure these arrangements allow independent investigations of such matters and appropriate follow-up action.

#### **7.4 Management Plans and Business Plans**

The Audit Committee will review and provide advice on the Council's Strategic Management Plans, Annual Business Plan, Long Term Financial Plan and Asset Management Plans.

#### **7.5 Value and Efficiency**

The Audit Committee shall, when necessary, review Council's value management processes, program reviews and service reviews in the context of efficient and effective delivery of the Strategic Plan.

#### **7.6 Other Investigations**

The Audit Committee shall, when necessary, propose and review the exercise of Council's powers under Section 130A of the Local Government Act 1999, in relation to the conduct of Economy Audits that would not otherwise be addressed or included as part of an annual External Audit.

#### **7.7 Internal Audit**

7.7.1 The Audit Committee shall monitor and review the effectiveness of the Council's Internal Audit function in the context of the Council's overall risk management system. The Audit Committee shall consider and make recommendations on the program of the Internal Audit function and the adequacy of resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.

7.7.2 The Audit Committee shall receive Executive Summary Reports and Full Reports on all Internal Audit projects. The Audit Committee shall review and monitor management's responsiveness to the findings and recommendation of the Internal Auditor.

- 7.7.3 The Audit Committee shall meet with the Internal Audit Partner at least once a year, without management being present, to discuss any issues arising from the Internal Audits carried out during the year. In addition, the Internal Audit Partner shall be given the right of direct access to the Lord Mayor and the Presiding Member of the Audit Committee.
- 7.7.4 The Audit Committee shall monitor and review the selection process for the Internal Auditor. Appointment of Internal Auditor is the responsibility of management in accordance with Council's procurement framework. If the Internal Auditor resigns, the Audit Committee shall investigate the issues leading to the resignation and decide whether any action is required.

## **7.8 External Audit:**

- 7.8.1 The Audit Committee shall monitor and review a guideline on the supply of non-audit services by the External Auditor, taking into account any relevant ethical guidance on the matter.
- 7.8.2 The Audit Committee shall consider and make recommendations to the Council, in relation to the appointment, reappointment, and removal of the Council's External Auditor. The Committee shall oversee the selection process for new External Auditor and if the External Auditor resigns, the Audit Committee shall investigate the issues leading to the resignation and decide whether any action is required.
- 7.8.3 The Audit Committee shall oversee the relationship with the External Auditor, including, but not limited to:
- (a) Recommending the approval of the external auditor's remuneration, whether fees for audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted;

- (b) Recommending the approval of the external auditor's terms of engagement, including any engagement letter issued at the commencement of each audit and the scope of the audit;
- (c) Assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the auditor, including the provision of any non-audit services;
- (d) Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Council (other than in the ordinary course of business);
- (e) monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
- (f) Assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process (which shall include a report from the external auditor on the audit committee's own internal quality procedures).

7.8.4 The Audit Committee shall meet as needed with the External Auditor. The Audit Committee shall 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.

7.8.5 The Audit Committee shall review and make recommendations to the Annual External Audit Plan and ensure that it is consistent with the scope of the External Audit engagement and relevant legislation and standards.

7.8.6 The Audit Committee shall review the findings of the External Audit with the External Auditor. This shall include, but not be limited to, the following:

- (a) A discussion of any major issues which arose during the audit;
- (b) Any accounting and audit judgements; and
- (c) Levels of errors identified during the audit.

7.8.7 The Audit Committee shall also review the effectiveness of the External Audit.

7.8.8 The Audit Committee shall review any representation letter(s) requested by the External Auditor before they are signed by management.

7.8.9 The Audit Committee shall review the Report to the Chief Executive Officer and management's response to the External Auditor's findings and recommendations.

## **8. REPORTING RESPONSIBILITIES**

8.1 The Audit Committee shall report to the Council after every meeting to identify and present advice and recommendations. The Presiding Member shall attend these meetings and talk on these matters, as and when required.

8.2 The Chief Executive Officer will identify matters, further to those matters covered elsewhere in these Terms of Reference, to be reported to the Audit Committee in detail where those matters are considered to be of material effect, have a material impact on the operation of Council as an elected body (e.g. impact on policies relating to Elected Members), or have significant impact on Council's operations.

8.2 The Audit Committee Presiding Member shall report annually to Council summarising the activities of the Committee during the previous financial year.

## 9. OTHER MATTERS

The Audit Committee shall:

- 9.1 Have access, at the Council's expense, to legal advice or other professional advice on any matter within its Terms of Reference.
- 9.2 Be provided with appropriate and timely training, both in the form of an induction program for new members and on an on-going basis for all members.
- 9.3 Give due consideration to laws and regulations of the *Local Government Act 1999*.
- 9.4 Oversee any investigation of activities which are within its Terms of Reference.
- 9.5 Oversee action to follow-up on matters raised by the External Auditor.
- 9.6 At least once a year, review its own performance, membership, and Terms of Reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.



# 2019-20 Draft Integrated Business Plan

ITEM 5.4 03/05/2019  
Audit Committee

2018/03947  
Public

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

**Approving Officer:**  
Clare Mockler, Director  
Community

## EXECUTIVE SUMMARY:

The draft 2019-20 Integrated Business Plan ([Link 1](#)) (incorporating the 2019-20 Budget and revised Long Term Financial Plan) has been prepared in preparation for Public Consultation commencing 8 May 2019. The purpose of this report is to provide Audit Committee with a summary of the process to date and to seek input on the key assumptions and considerations for the Long Term Financial Plan.

The draft budget has been formed through a rigorous review undertaken by Administration and discussions with the Council Members at Committee Workshops on 4 February 2019, 7 March 2019, 18 March 2019, 23 March 2019 and 10 April 2019 ([Link 2](#)).

\$4.6m of efficiencies were identified during the 2019-20 budget cycle in addition to \$2.4m implemented within the 2018-19 financial year. This has created capacity to absorb significant cost pressures and respond to emerging priorities while freezing the rate in the dollar. A strong commercial approach with stretch targets has been applied in the development of the budget for business operations. This approach will deliver supplementary revenue streams from existing assets whilst addressing key business risks.

An underlying balanced funding position for 2019-20 has been achieved where Projects and the Infrastructure Program have been funded by the surpluses from General and Business Operations.

The draft Budget includes a forecast funding surplus of \$10.7m and a cumulative funding position at end of year which is within Council's current Prudential Borrowing Limits.

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## RECOMMENDATION:

That Audit Committee:

1. Receives and notes the report.

## IMPLICATIONS AND FINANCIALS:

City of Adelaide 2016-2020 Strategic Plan	The deliverables and objectives set out in the draft 2019-20 Integrated Business Plan document are directly aligned to the delivery of year 4 of the 2016-2020 City of Adelaide Strategic Plan.
Policy	The draft 2019-20 Integrated Business Plan has been prepared in accordance with Council's current Long-Term Financial Plan assumptions and endorsed Financial Policies. The approved public consultation will be undertaken in accordance with Council's Public Communication and Consultation Policy.
Consultation	A public consultation process on the draft 2019-20 Integrated Business Plan will commence on Wednesday 8 May 2019 and conclude on Wednesday 29 May 2019.
Resource	The draft 2019-20 Integrated Business Plan identifies how Council's resources will be allocated in meeting the 2019-20 Strategic Plan deliverables and objectives.
Risk / Legal / Legislative	Council's draft 2019-20 Integrated Business Plan is developed in accordance with section 123 of the Local Government Act 1999 (the Act), and sections 6 and 7 of the Local Government (Financial Management) Regulations 2011.
Opportunities	Public consultation is a key part of the Integrated Business Plan providing the community with an opportunity to provide feedback on the draft Integrated Business Plan. Community members can provide feedback on issues that affect them with the commitment of Council to provide pathways for their input.
18/19 Budget Allocation	Not as a result of this report.
Proposed 19/20 Budget Allocation	The draft 2019-20 Integrated Business Plan provides the proposed budget for the 2019-20 financial year.
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 draft 2019-20 Integrated Business Plan has been developed in accordance with section 123 of the *Local Government Act 1999* (the Act), and sections 6 and 7 of the *Local Government (Financial Management) Regulations 2011* including:
  - 1.1 *Council must have, for each financial year:*
    - 1.1.1 *an annual business plan; and*
    - 1.1.2 *a budget.*
  - 1.2 *Council's annual business plan must:*
    - 1.2.1 *include a summary of Council's long term objectives (as per the City of Adelaide 2016-20 Strategic Plan)*
    - 1.2.2 *include an outline of:*
      - 1.2.2.1 *Council's objectives for the financial year (i.e. Annual Objectives that are scheduled for delivery in year 4 of the 2016-20 Strategic Plan);*
      - 1.2.2.2 *the activities that Council intends to undertake to achieve those objectives (i.e. Council Services and Projects);*
    - 1.2.3 *set out a summary of Council's proposed operating expenditure, capital expenditure and source of revenue;*
    - 1.2.4 *set out the rates structure and policies for the financial year;*
    - 1.2.5 *assess the impact of the rates structure and policies on the community; and*
    - 1.2.6 *take into account Council's long term financial plan and the management and development of infrastructure and major assets.*
2. The Long Term Financial Plan and Uniform Presentation of Finances in the Integrated Business Plan have intentionally been left blank and will be updated with the 2018-19 Quarter 3 Revised Forecast upon approval by Council on 30 April 2019, with the updated Long Term Financial Plan included in the draft Integrated Business Plan for public consultation.
3. The draft 2019-20 Budget and Long Term Financial Plan is based on the discussions and feedback from Committee Workshops on 4 February 2019, 7 March 2019, 18 March 2019, 23 March 2019 and 10 April 2019.
4. The draft budget includes
  - 4.1 a balanced underlying funding position for 2019-20 where Projects and the Infrastructure Program and Renewals have been funded by the surpluses from General and Business Operations
  - 4.2 a funding surplus including subsidiaries of \$10.7m for the 2019-20 financial year
  - 4.3 a cumulative funding position at 30 June 2020 which is within Council's current Prudential Borrowing Limits.

This reflects a rigorous process of review and challenge to every aspect of our projected revenue and expenditure.
5. The projected general rates revenue reflects a fixed rate in the dollar with an assumption of a 5.4% increase from a combination of re-valuation uplift and new development growth.
6. The operating surplus from General Operations is forecast to increase by \$3.5m compared to the 2018-19 Adopted Budget. Inflationary pressures and new initiatives have been offset by savings and efficiencies identified during the 2019-20 budget cycle exceeding \$4.6m in addition to \$2.4m implemented within the 2018-19 financial year.
7. A strong commercial approach has been applied in the development of budget for the commercial businesses. This approach, inclusive of a stretch target, will deliver supplementary revenue streams from existing assets, whilst addressing key business risks. Business Operations surplus is forecast to increase by \$0.5m compared to 2018-19 Adopted Budget.
8. The increase in operational surpluses has provided greater capacity to fund projects, including cultural and economic initiatives, and the Infrastructure Program & Renewals. Projects have increased by \$3.0m compared to the 2018-19 Adopted Budget while the Infrastructure Program and Renewals have increased by \$0.5m.

9. In accordance with section 123(3)(b) of the Act, we are required to follow the relevant steps in its public consultation policy to facilitate community feedback on the draft Integrated Business Plan.
  10. Public Consultation on the draft 2019-20 Integrated Business Plan commences Wednesday 8 May 2019 and concludes on Wednesday 29 May 2019 and includes:
    - 10.1 A Business Plan and Budget Forum on the evening of Monday 13 May with a presentation of the 2019-20 Integrated Business Plan and an opportunity for members of the community to ask questions of the Plan and meet with Council Members and staff.
    - 10.2 A Public Meeting on the evening on Tuesday 28 May to provide members of the community an opportunity to present their submissions to Council.
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## ATTACHMENTS

Nil

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- END OF REPORT -

## Exclusion of the Public

**ITEM 9.1** 03/05/2019  
**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:

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

The Order to Exclude for Item 10.1:

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 10.1:

### 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 3/5/2019 resolves that it is necessary and appropriate to act in a meeting closed to the public for the consideration of Item 10.1 [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 3/5/2019 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 10.1 [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 10.1 – 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 -

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# Confidential Item 10.1

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

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

Pages 38 to 41

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