



AUDIT COMMITTEE

AGENDA & REPORTS

for the meeting

Friday 7 February 2020
at 8:30am

in the Colonel Light Room
Adelaide Town Hall



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

1. Confirmation of Minutes – 22/10/2019, 18/11/2019 & 25/11/2019

That the Minutes of the meeting of the City of Adelaide Audit Committee held on 22 October 2019 and the Minutes of the Special meetings of the City of Adelaide Audit Committee held on 18 November 2019 and 25 November 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 Kaurna 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 Kaurna 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. Presentations/Workshops

- 4.1. Presentation – Service Planning and Performance [2017/03236]
- 4.2. Presentation – 2020-21 Business Plan and Budget [2019/02431]
- 4.3. Workshop – Asset Accounting Policy [2020/00273] [Page 3]
- 4.4. Workshop – Long Term Financial Plan [2019/02431]

To be distributed separately

5. Reports

- 5.1. Audit Committee Terms of Reference [2019/02483] [Page 9]
- 5.2. 2020 Audit Committee Meeting Schedule and Work Plan [2019/02483] [Page 21]
- 5.3. 2019-20 Quarter 2 Finance Report [2018/03947] [Page 25]
- 5.4. 2019/20 End of Year Financial Reporting Process & Proposed Timetable [2020/12857] [Page 62]
- 5.5. Internal Audit Progress Update [2019/01064] [Page 97]

6. Emerging Key Risks

7. Other Business

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

- 8.1. Exclusion of the Public to Consider [2018/04291] [Page 101]

For the following items seeking consideration in confidence:

- 9.1 2019-20 Quarter 2 Commercial Operations Report [s 90(3) (b)]
- 9.2 Update on Activities of the Strategic Risk and Internal Audit Group Meetings [s 90(3) (i)]

9. Confidential Item (if any)

- 9.1. 2019-20 Quarter 2 Commercial Operations Report [2018/03947] [Page 104]
- 9.2. Update on Activities of the Strategic Risk and Internal Audit Group Meetings [2012/00053] [Page 119]

10. Closure

Asset Accounting Policy

Workshop Purpose:

Review of the draft Asset Accounting Policy

PROGRAM: FINANCE AND PROCUREMENT

AUTHOR: Liz Packer

Audit Committee Meeting - Agenda - 7 February 2020

Today's discussion

- Purpose
- Content
- Draft Guideline
- Review and provide feedback
- Next Steps

Purpose

- Formally document the City of Adelaide's Asset Accounting Policy
- This document will provide the approach to be followed by the City of Adelaide including;
 - treatment of capital expenditure, depreciation, revaluations, disposals and acquisitions
 - Compliance with Australian Accounting Standards and *Local Government Act 1999*
 - [Asset Accounting Policy](#) link

Content

The Asset Accounting Policy covers such items as:

- Asset classes
- Capital and non-Capital Expenditure
- Grouped, network and attractive assets
- Work In Progress
- Capitalisation Threshold – from \$5000 to \$10,000
- Revaluation program
- Depreciation, impairment and derecognition

Asset Accounting Guideline

- More detailed information on capturing, treatment, recognition and recording of expense and capital by asset class and components within,
- Will include more detailed definitions, examples, including graphics,
- Will require a much more detailed discussion and consideration,
- May result in changes to the draft asset accounting policy – these will need to be reviewed together once the guidelines are completed,
- Currently being drafted internally with assistance from Infrastructure before wider consultation and feedback – aiming to commence in mid-February.

Next Steps

- Incorporate feedback from today into the Draft Asset Accounting Policy
- Seek feedback on draft guidelines from multiple sources, including
 - Internal CoA
 - Other Local Government Councils
 - Other Capital City Councils
 - External consultant review
- Workshop draft guidelines due to Audit Committee in March.

REVIEW OF THE DRAFT ASSET ACCOUNTING POLICY

KEY QUESTIONS

CORPORATE

KEY QUESTION

What feedback do you have on the Draft Asset Accounting Policy

KEY QUESTION

Any other considerations as part of next steps?

Audit Committee Terms of Reference

ITEM 5.1 07/02/2020
Audit Committee

2019/02483

Public

Program Contact:

Rudi Deco, Manager Governance
8203 7442

Approving Officer:

Mark Goldstone, Chief Executive
Officer

EXECUTIVE SUMMARY

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

.....

RECOMMENDATION

THAT THE AUDIT COMMITTEE RECOMMENDS TO COUNCIL THAT COUNCIL:

1. Adopts the Terms of Reference as included in Attachment A to Item 5.1 on the Agenda for the meeting of the Audit Committee held on 7 February 2020.
-

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
19/20 Budget Allocation	Not as a result of this report
Proposed 20/21 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
19/20 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 Audit Committee plays 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. The Audit Committee also addresses 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 systems
 - 1.3. Management and Business Plans
 - 1.4. Value and Efficiency Management
 - 1.5. Internal Audit
 - 1.6. 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 statutory requirements, but also be tailored to meet the specific needs and circumstances of the Council.
6. As part of a review, the following changes to the Terms of Reference are suggested:
 - 6.1. The Audit Committee shall meet at least six (6) times per year
 - 6.2. The Audit Committee shall, when necessary, have visibility over the Council's Service Planning and Performance; originally named Business Process Improvement
 - 6.3. The Committee shall endorse the external audit timetable and external audit plan
 - 6.4. The Committee shall monitor the external auditor rotation of individual auditors that have played a significant role in the audit for five (5) successive financial years, as required by legislation

ATTACHMENTS

Attachment A – Audit Committee Terms of Reference

- END OF REPORT -

City of Adelaide

Audit Committee Terms of Reference 2020

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 **informed** decision making in relation to **discharging its legislative responsibilities and duties**.

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 at least six (6) times per year**, as determined by the Committee.
- 4.2 A 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 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 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 Management Plans and Business Plans

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

7.4 Service Planning and Performance

The Audit Committee shall, when necessary, **have visibility over the Council's Service Directory, oversight of the prioritisation of services for review and visibility of the results of any Service Reviews (particularly when significant changes to service delivery are proposed to be made) in context of efficient and effective delivery of the Strategic Plan and Council's core services.**

7.5 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.

7.6 Internal Audit

- 7.6.1 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.
- 7.6.2 The Audit Committee shall receive 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.
- 7.6.3 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.
- 7.6.4 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.

7.7 External Audit:

- 7.7.1 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.
- 7.7.2 The Audit Committee shall oversee the relationship with the External Auditor, including, but not limited to:
- (a) **Endorsing the audit timetable and audit plan;**
 - (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 **individuals that have played a significant role in the audit for five (5) successive financial years;** and
 - (g) 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).
- 7.7.4 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.

- 7.7.5 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.
- 7.7.6 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.
- 7.7.7 The Audit Committee shall also review the effectiveness of the External Audit.
- 7.7.8 The Audit Committee shall review any representation letter(s) requested by the External Auditor before they are signed by management.
- 7.7.9 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 an induction program for new members and on an on-going basis for all members, where required.
- 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.

2020 Audit Committee Meeting Schedule and Work Plan

ITEM 5.2 07/02/2020
Audit Committee

2019/02483
Public

Program Contact:
Rudi Deco, Manager Governance
8203 7442

Approving Officer:
Mark Goldstone, Chief Executive
Officer

EXECUTIVE SUMMARY

The report proposes the Audit Committee meeting schedule and work plan for the 2020 calendar year.

RECOMMENDATION

THAT THE AUDIT COMMITTEE

1. Adopts the following 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 27 March 2020 (finance reports only)
 - 1.2. Friday 1 May 2020
 - 1.3. Friday 19 June 2020
 - 1.4. Friday 7 August 2020
 - 1.5. Friday 2 October 2020 (finance reports only)
 - 1.6. Friday 6 November 2020
 - 1.7. Friday 5 February 2021
 2. Approves the forward 2020 Work Plan as included in Attachment A to Item 5.2 on the Agenda for the Meeting of the Audit Committee held on 7 February 2020 to assist the Administration in bringing forward reports as appropriate.
-

IMPLICATIONS AND FINANCIALS

City of Adelaide 2016-2020 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 schedule of meetings needs to be developed and determined by the members at the first meeting of the Audit Committee in each calendar year.
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 2nd Friday of September.
Opportunities	Open, transparent and informed decision making.
19/20 Budget Allocation	Not as a result of this report
Proposed 20/21 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
19/20 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 19 November 2019, Council established the Audit Committee for the 2020 – 2023 term and endorsed the Audit Committee's Terms of Reference at its meeting on 14 May 2019.
2. The City of Adelaide Audit Committee meetings are to be held in the Colonel Light Room, Town Hall, Adelaide.
3. The Chief Executive Officer may vary the 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.
4. Special meetings of the Audit Committee can be called as and when required in accordance with the *Local Government (Procedures at Meetings) Regulations 2013*.
5. Taking into consideration the feedback received from Audit Committee Members, the Audit Committee will meet at least seven (7) times a calendar year.

Work Plan

6. To support Members of the Audit Committee, a forward Work Plan of reports aligned to the Terms of Reference has been developed (Attachment A).
7. The Work Plan identifies the areas of responsibility in context of the Terms of Reference and provides an indicative date of the presentation of reports to the Audit Committee.
8. 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 needs. Pending the review of Terms of Reference scheduled for the meeting of 7 February 2020, further amendments to the Work Plan may be required.

ATTACHMENTS

Attachment A - Forward Work Plan 2020

- END OF REPORT -

AUDIT COMMITTEE: 2020 WORK PLAN

CoA training and induction to be completed for all Audit Committee Members on the 22 Jan 2020

Terms of Reference	Report	Frequency	Timing <i>*March & October meeting is for finance reporting only</i>							Legislative Ref (LG Act 1999 / LG (Financial Management) Regulations 2011)	Responsible Officer
			7-Feb-20	27-March-20	1-May-20	19-Jun-20	7-Aug-20	2-Oct-20	6-Nov-20		
Financial Reporting	Quarterly Finance Reports	Quarterly								Requested by Audit Committee	Tracie Dawber
	Review of the Long Term Financial Plan	Before and after consultation								LG Act s.126(4)(ab)	Tracie Dawber
	Update on the Business Plan & Budget process	Before and after consultation								LG Act s.126(4)(ab)	Tracie Dawber
	Review of the draft 2020/21 Budget	Annually								LG Act s.126(4)(ab)	Tracie Dawber
	Consideration of financial indicators and ratios	Annually								LG Act s.126(4)(ab)	Tracie Dawber
	CEO Sustainability Report	Annually								LG Act s.126(4)(ab)	Tracie Dawber
	Consideration of the Asset Accounting Policy	Annually								-	Tracie Dawber
	Consideration of the Fixed Asset Accounting Guidelines	Annually								-	Tracie Dawber
Internal Control & Risk Management	• Results of the LGA Risk Management Review	Biennially (due in 2021)								-	Rudi Deco/ Alan Beaton
	• Emergency Management Framework	Biennially (due in 2020)								-	Rudi Deco
	• Activity of Strategic Risk & Internal Audit Group	All meetings								-	Rudi Deco
Review of Council Decision	• Section 270 Internal Review of Council Decisions Policy & Procedure	Biennially (due in 2021)								LG Act s.270	Rudi Deco
Internal Audit	• Strategic Internal Audit Plan	Annually								LG Act s.126(4)(c)	Rudi Deco
	• Confidential Meeting with Internal Auditors	Annually								LG Act s.126(4)(b)	Rudi Deco
	• Internal Audit Progress Report	All meetings								LG Act s.126(4)(c)	Rudi Deco
External Audit	• End of Financial Year Audit Approach & Reporting Timetable	Annually								-	Tracie Dawber
	• External Audit Interim Management Letter	Annually								-	Tracie Dawber
	• Audited Financial Statements	Annually								LG Act s.126(4)(a)	Tracie Dawber
	• Report on Financial Results	Annually								LG Act s.126(4)(ab)	Tracie Dawber
	• Confidential Meeting with External Auditors	Annually								LG Act s.126(4)(b)	Tracie Dawber
	• Matters arising from the External Audit	Annually								LG Act s.126(4)(b)	Tracie Dawber
Other Business	• 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								Terms of Reference	Rudi Deco
	• Review of the Terms of Reference	Annually								Terms of Reference	Rudi Deco
Service Planning & Performance	• Update on Service Planning & Performance	All meetings								Requested by Audit Committee	Vanessa Godden
Subsidiary update	• Adelaide Central Market Authority (ACMA) • Rundle Mall Management Authority (RMMA)	On request			RMMA	ACMA				Requested by Audit Committee	Ian Hill
• Other reports and presentations to be scheduled throughout the year on request of the Audit Committee		Total	10	3	7	4	8	4	5		

2019-20 Quarter 2 Finance Report

ITEM 5.3 07/02/2020

Audit Committee

2018/03947
Public

Program Contact:

Tracie Dawber, AD Finance &
Procurement 8203 7002

Approving Officer:

Clare Mockler, Deputy CEO &
Director Culture

EXECUTIVE SUMMARY:

The 2019-20 Quarter 2 Finance Report summarises:

- The year to date financial performance for the quarter ended 31 December 2019
- Proposed adjustments to the 2019-20 Budget to fund emerging priorities and adjust income and expenditure in line with the 2019-20 Quarter 2 Revised Forecast.

The financial result for the first quarter is a net funding deficit of (\$4.4m) including subsidiaries, which is \$13.9m favourable to budget. This is primarily due to the timing variations in the delivery of projects \$4.2m, timing and net favourable variances in operational income and expenditure \$3.5m, timing of commercial opportunities \$3.1m, infrastructure delivery \$1.8m and subsidiaries \$1.2m mainly capital expenditure timing.

The proposed net adjustments for Quarter 2 are (\$18.5m) including subsidiaries. This includes an adjustment on the timing of property activities (\$25.0m) and additional requests of (\$2.7m), offset by savings of \$3.9m and carry forwards of \$5.4m. These adjustments would increase the net funding deficit for 2019-20 to (\$34.2m), and the forecasted borrowings at 30 June 2020 to (\$81.6m). This level of borrowing is within our current Prudential Borrowing Limits.

The Long Term Financial Plan has been updated to incorporate recent Council decisions regarding strategic property activities. This forecasts Council's current Prudential Borrowing Limits will be exceeded in the second half of the 2020-21 financial year. Council's forecast borrowings are presently subject to Council's Strategic Property Review. Remedial action will be considered and implemented as part of the 2020-21 Business Plan and Budget process.

RECOMMENDATION:

THAT THE AUDIT COMMITTEE

1. Notes the 2019-20 Quarter 2 Finance Report (the report), including the proposed 2019-20 Quarter 2 Revised Forecast and updated Long Term Financial Plan, and that Council will review and consider the report on 11 February 2020.
2. Endorses the 2019-20 Quarter 2 Finance Report and proposed revised forecast as summarised in Schedule 3 and detailed in Schedules 9-15 and 17-18 in Attachment A to Item 5.3 on the Agenda for the meeting of the Audit Committee held on 7 February 2020.
3. Notes that Council's current Prudential Borrowing Limits are forecast to be exceeded in the second half of the 2020-21 financial year, and that remedial action will be considered and implemented as part of the 2020-21 Business Plan and Budget process and Strategic Property Review.

IMPLICATIONS AND FINANCIALS:

City of Adelaide 2016-2020 Strategic Plan	Strategic Alignment - Corporate Activities The deliverables and objectives set out in the Quarter 2 Revised Forecast (QF2) document are directly aligned to the delivery of year 4 of the 2016-2020 City of Adelaide Strategic Plan.
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	The quarterly review meets Council's obligations under the <i>Local Government Act 1999</i> and <i>Local Government (Financial Management) Regulations 2011</i> . Schedule 6 provides the revised Prudential Borrowing Ratios based on the proposed Quarter 2 Revised Forecast adjustments. These indicate that our current Prudential Borrowing Limits will be exceeded in the second half of the 2020-21 Financial Year. Council's forecast borrowings are presently subject to Council's Strategic Property Review. Remedial action will be considered and implemented as part of the 2020-21 Business Plan and Budget process.
Opportunities	Not as a result of this report
19/20 Budget Allocation	Adjustments to the 2019-20 Budget are detailed throughout the Report and Attachment A .
Proposed 20/21 Budget Allocation	Proposed carry forwards from 2019-20 of \$5.4m into 2020-21 as summarised in Schedule 3 and detailed in Schedules 11 and 14 in Attachment A .
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
19/20 Budget Reconsideration (if applicable)	Yes. Proposed adjustments to the budget arising from the Quarter 2 revised forecast for Operating and Capital Projects, the Infrastructure Program, Major Projects (City Transformation Investments) and Commercial Opportunities are summarised in Schedule 3 and detailed in Schedules 9-15 and subsidiaries summarised in Schedule 17 and detailed in Schedule 18 in Attachment A . The net funding surplus for 2019-20 is forecast to increase from (\$15.8m) to (\$34.2m).
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

DISCUSSION

1. **Attachment A** provides a summary of the financial performance for the quarter ended 31 December 2019 and proposes adjustments to the 2019-20 Budget arising from the Quarter 2 Revised Forecast (QF2).
2. Schedule 1 compares the year to date financial performance to 31 December 2019 and shows a net funding deficit of (\$4.4m) inclusive of subsidiaries which is \$13.9m favourable to the year to date budget. The favourable variance is primarily due to:
 - 2.1. Timing variations in the delivery of projects for City of Adelaide \$4.2m.
 - 2.2. Favourable variances in rate income, resource costs, contractual expenditure and interest expense within General Operations \$3.1m.
 - 2.3. Favourable variances in Business Operations of \$0.4m including Property and the Aquatic Centre.
3. Schedule 2 provides the Treasury Report for the first quarter and shows borrowings as at 31 December 2019 of \$46.8m which is within our Prudential Borrowing Limits.
4. Schedule 3 provides a summary of all proposed adjustments to income and expenditure arising from emerging priorities, additional costs, savings, transfers between categories and carry forwards recommended by the Administration. The proposed net adjustments for QF2 are (\$18.5m), increasing the forecast funding deficit for 2019-20 from (\$15.8m) to (\$34.2m).
5. General Operations are forecast to be \$0.4m favourable to budget due to an increase in rates income \$2.0m, interest savings \$0.9m and refund of public lighting maintenance \$0.2m, offset by forecast reduction in expiations (\$0.7m), transfers (\$1.8m) and other smaller requests at detailed totalling (\$0.3m).
 - 5.1. The increase in rates revenue is due to an increase in revenue from new additions following an error in the application of a rebate during the budget process, and a reduction in forecast objections.
 - 5.2. The reduction to the interest expense is primarily due to the reduction in interest rates and significantly lower borrowings at 1 July 2019 due to carry forwards at preliminary end of year.

Refer to Schedule 9 for a list of proposed adjustments.
6. Business Operations are forecast to be (\$0.6m) unfavourable to budget. These include a forecast reduction in Gawler Place income (\$0.7m) partly offset by transfers \$0.1m. Refer to Schedule 10 for a list of proposed adjustments.
7. Projects are forecast to be \$0.4m favourable to budget including savings \$0.2m, transfers \$0.4m and carry forwards \$0.2m, offset by additional requests (\$0.3m). Refer to Schedule 11 for a list of proposed adjustments.
8. The Infrastructure Program is forecast to be (\$0.1m) unfavourable to budget due to savings \$0.2m offset by additional requests (\$0.2m) and transfers (\$0.1m). Refer to Schedule 12 for a summary of the Infrastructure Program and Schedule 13 for a detailed list of proposed adjustments.
9. Major Projects (City Transformation Investments) are forecast to be \$5.2m favourable to budget due to carry forwards. Refer to Schedule 14 for a list of proposed adjustments.
10. Commercial Opportunities are forecast to be (\$23.7m) unfavourable to budget due adjustment to the timings of proceeds from commercial property activities. Refer to schedule 15 for a list of proposed adjustments.
11. Subsidiaries are forecast to be \$0.1m favourable to budget due to a net improvement in the operating position for the Adelaide Central Market Authority (ACMA) \$0.1m. Refer to Schedule 17 for a summary of the subsidiaries, and Schedule 18 for a list of proposed adjustments for ACMA.
12. The forecast borrowings at the end of the financial year are (\$81.6m), which is an (\$18.5m) increase compared the QF1 forecast (\$63.1m).
13. Schedule 4 provides the revised Long Term Financial Plan with the proposed borrowings and baseline changes into 2019-20 and beyond based on the proposed Quarter 2 Revised Forecast adjustments.
14. Schedule 5 provides the revised Key Financial Indicators and Ratios based on the proposed Quarter 2 Revised Forecast adjustments.
15. Schedule 6 provides the revised Prudential Borrowing Ratios based on the proposed Quarter 2 Revised Forecast adjustments. These indicate that Council's current Prudential Borrowing Limits will be exceeded in the second half of the 2020-21 financial year. Council's forecast borrowings are presently subject to Council's Strategic Property Review. Remedial action will be considered and implemented as part of the 2020-21 Business Plan and Budget process.

16. Schedule 7 provides the 2019-20 Efficiency Report to 31 December 2019. Efficiencies realised to date \$0.89m with a further \$0.3m identified, representing 35% of the target.
17. Schedule 8 provides the revised Uniform Presentation of Finances and Budgeted Financial Statements based on the proposed Quarter 2 Revised Forecast adjustments. The forecast financial accounting operating deficit for the 2019-20 financial years is (\$18.9m).
18. Schedule 16 provides a summary of the Capital Program performance for 2019-20 where 41% of the budget has been spent or committed, with 24% of projects delivered, and a further 43% in the construction / delivery phase.

ATTACHMENTS

Attachment A – 2019-20 Quarter 2 Revised Forecast

- END OF REPORT -

2019-20 Quarter 2 Revised Forecast

Attachment A

Item 5.3 - Attachment A



Contents

Financial Performance	Schedule 1: 2019-20 Financial Performance to 31 December 2019 Schedule 2: 2019-20 Treasury Report to 31 December 2019
Revised Forecast	Schedule 3: Proposed 2019-20 Quarter 2 Revised Forecast Schedule 4: Quarter 2 Revised Long-Term Financial Plan Schedule 5: Quarter 2 Revised Key Financial Indicators and Ratios Schedule 6: Quarter 2 Revised Prudential Borrowing Ratios Schedule 7: 2019-20 Efficiency Report to 31 December 2019
Budgeted Financial Statements	Schedule 8: Quarter 2 Budgeted Financial Statements
Operations	Schedule 9: Proposed amendments to General Operations Schedule 10: Proposed amendments to Business Operations
Projects	Schedule 11: Proposed amendments to Operating Projects
Infrastructure Program	Schedule 12: Infrastructure Program & Renewals Summary Schedule 13: Proposed amendments to the Infrastructure Program
Major Projects & Commercial Opportunities	Schedule 14: Proposed amendments to Major Projects Schedule 15: Commercial Opportunities
Capital Report	Schedule 16: Quarter 2 Capital Program Report
Subsidiaries	Schedule 17: Subsidiaries Summary Schedule 18: Proposed amendments to Adelaide Central Market Authority

Schedule 1: 2019-20 Financial Performance to 31 December 2019

Financial Performance

Revised Forecast

Budgeted Financial Statements

General & Business Operations

Projects

Infrastructure Program

Major Projects & Commercial Opportunities

Capital Report

Subsidiaries

This schedule compares the 2019-20 YTD actual performance compared to the Quarter 1 Revised Forecast.

\$'m	Year to Date			Full Year 2019-20 Budget (August)
	Actual	2019-20 Budget (August)	Variance	
General Operations	18.2	15.3	3.1	36.5
Business Operations	13.2	12.8	0.4	26.0
Funding available for Projects	31.4	28.1	3.5	62.5
Projects	(8.4)	(11.2)	2.9	(23.1)
Infrastructure Program & Renewals	(13.9)	(15.7)	1.8	(47.6)
Projects & Infrastructure Program	(22.3)	(26.9)	4.7	(70.6)
Underlying Surplus/(Deficit)	9.1	1.2	8.2	(8.1)
Major Projects	(7.2)	(8.6)	1.3	(19.4)
Commercial Opportunities	(5.3)	(8.6)	3.1	16.7
City of Adelaide Surplus/(Deficit)	(3.4)	(16.0)	12.7	(10.8)
Subsidiaries	(1.0)	(2.2)	1.2	(4.9)
Net Surplus/(Deficit)	(4.4)	(18.2)	13.9	(15.7)
Total Cash/(Borrowings) at Year End *				(63.1)

* An adjustment has been made to the opening borrowing position of (\$0.4m) due to the timing of cash receipts and payments.

The year to date net funding deficit is **(\$4.4m)** which is **\$13.9m favourable to budget**. Key variances include:

- **General Operations \$3.1m favourable** primarily due rate income \$1.6m, resource costs \$0.7m, contractors \$0.3m and interest expense \$0.6m.
- **Business Operations \$0.4m favourable** primarily due to favourable variances Property \$0.3m, Aquatic Centre \$0.2m, Golf Course \$0.1m and UPark \$0.1m, partially offset by the business operations target (\$0.5m). Refer to the 2019-20 Quarter 2 Commercial Operations Report.
- **Projects \$2.9m favourable** due to timing variances on the delivery of projects including Asset Management System \$0.7m, this project is on schedule for delivery.
- **Infrastructure Program \$1.8m favourable** due timing variances in the delivery of projects including Streets \$0.7m, Park Lands \$0.4m, Transport \$0.3m and Water Infrastructure \$0.3m.
- **Major Projects \$1.3m favourable** due to timing variances in the delivery of projects including the Gawler Place Development \$1.1m (in part Public Art delivery), the Smart Parking projects \$0.3m and Bikeways \$0.2m.
- **Commercial Opportunities \$3.1m favourable** primarily due timing of project expenditure related to Ten Gigabit Adelaide and Gawler Place UPark.
- **Subsidiaries \$1.2m favourable** due to timing in Adelaide Central Market Authority (ACMA) capital projects \$1.0m.

Schedule 2: 2019-20 Treasury Report to 31 December 2019

Financial Performance

Revised Forecast

Budgeted Financial Statements

General & Business Operations

Projects

Infrastructure Program

Major Projects & Commercial Opportunities

Capital Report

Subsidiaries

Borrowing Facility

Borrowings Facility	Available	Interest Type	Borrowing(s) Amount as at 31 December 2019	Change since previous report	Maturity Date	CAD Interest Rate
LGFA CAD 554	\$30m	Variable	\$30.0m	-	16/12/2023	2.00%
LGFA CAD 555	\$70m	Variable	\$16.8m	\$6.8m	15/06/2033	2.00%

- Note CAD facilities are flexible and allows Council to convert all or part of it into a fixed rate interest only loan for a maximum of 5 years.
- Rate decreased by 0.25% from 2.50% to 2.25% on the 3 July 2019

Prudential Borrowing Limits

Prudential Limit Ratio	Comments	Limits	Forecast 30 June 2020
Debt Service Coverage Ratio	The number of times Council's annual 'Amount Available for Projects' can service annual principle and interest commitments.	Min 5 times	8.1 times
Leverage Test	Total borrowings expressed as a multiple of the annual 'Amount Available for Projects'.	Max 1.5 years	1.3 years
Asset Test	The percentage of total borrowings to Council's saleable property assets.	Max 25%	22.7%

Interest Income/(Expenditure)

\$'000	Quarter 2 1 July to 31 December 2019		Year to Date		Annual	Administration Comments
	Actual	Budget	Actual	Budget	Budget	
Revenue	\$5	\$6	\$12	\$12	\$25	Interest revenue consists of interest earned on operating monies held in the NAB operating account.
Expense	(\$285)	(\$621)	(\$593)	(\$1,243)	(\$2,468)**	Interest expense consist of LGFA CAD facility.

** Interest expense budget reduced by \$895k as part of the Quarter 2 Revised forecast due to lower interest rates (budget based on 2.75%), reduced opening borrowings (\$41m compared to \$65m) due to carry forwards, and the timing of the delivery of major projects in 2019-20.

Schedule 3: Proposed 2019-20 Quarter 2 Revised Forecast

This schedule compares the Quarter 1 Revised Forecast to the Quarter 2 Revised Forecast.

\$'m	2019-20 Budget (Quarter 1)	Proposed 2019-20 Quarter 2 Budget	Variance to Budget
General Operations	36.5	36.9	0.4
Business Operations	26.0	25.4	(0.6)
Funding available for Projects	62.5	62.3	(0.2)
Projects	(23.1)	(22.7)	0.4
Infrastructure Program & Renewals	(47.6)	(47.7)	(0.1)
Projects and Infrastructure Program	(70.6)	(70.4)	0.3
Underlying Surplus/(Deficit)	(8.1)	(8.0)	0.1
Major Projects	(19.4)	(14.3)	5.2
Commercial Opportunities	16.7	(7.0)	(23.7)
City of Adelaide Surplus/(Deficit)	(10.8)	(29.3)	(18.5)
Total Subsidiaries	(4.9)	(4.9)	-
Net Surplus/(Deficit)	(15.7)	(34.2)	(18.5)
Total Cash/(Borrowings) at Year End	(63.1)	(81.6)	(18.5)

The proposed net adjustments increase the forecast funding deficit by **(\$18.5m)** from **(\$15.8m)** to **(\$34.2m)**.

- **General Operations \$0.4m** due to increase in rates income \$2.0m, reduction in interest expense \$0.9m and refund of public lighting maintenance \$0.2m offset by forecast reduction in expiations (\$0.7m), transfers (\$1.8m) and other smaller requests totalling (\$0.3m). *Refer to Schedule 9.*
- **Business Operations (\$0.6m)** primarily due to a forecast reduction in Gawler Place income (\$0.8m), partly offset by transfers \$0.1m *Refer to Schedule 10.*
- **Projects \$0.4** including additional requests (\$0.3m) savings \$0.2m, transfers \$0.4m and carry forwards \$0.2m. *Refer to Schedule 11 for a detailed breakdown.*
- **Infrastructure Program (\$0.1m)** including savings \$0.2m offset by additional requests (\$0.2m) and transfer from Operating Projects (\$0.1m). *Refer to Schedules 12 and 13 for a detailed breakdown.*
- **Major Projects \$5.2m** due to net carry forwards for East-West Bikeway \$2.7m and Market to Riverbank \$2.5m. *Refer to Schedule 14 for a detailed breakdown.*
- **Commercial Opportunities (\$23.7m)** due to timing of property investments and the transfers of interest expense to General Operations. *Refer to Schedule 15 for a detailed breakdown.*

The forecast borrowings at 30 June 2020 have increased from **(\$63.1m)** to **(\$81.6m)**, an unfavourable adjustment of **(\$18.5m)** noting an adjustment to the opening borrowing position of **(\$0.4m)** due to the timing of cash receipts and payments.

Schedule 4: Quarter 2 Revised Long-Term Financial Plan

This schedule provides the Long Term Financial Plan updated for the Cumulative Borrowing Position into 2020-21 and beyond.

The Long Term Financial Plan forecasts Council's current Prudential Borrowing Limits will be exceeded in the second half of the 2020-21 financial year. Council's forecast borrowings are presently subject to Council's Strategic Property Review. Remedial action will be considered and implemented as part of the 2020-21 Business Plan and Budget process.

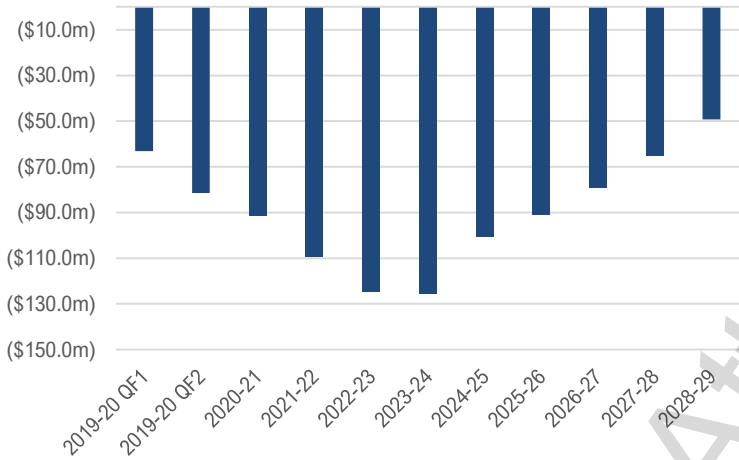
\$'m	2019-20 Budget (Quarter 1)	2019-20 Quarter 2 Forecast	2020-21 Plan	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan
General Operations											
General Rates	108.6	110.7	114.1	117.7	121.5	125.5	131.2	136.1	140.6	145.3	150.1
Revenue	34.9	34.1	34.9	35.7	36.6	37.4	38.3	39.1	40.0	41.0	41.9
Expenditure	(107.0)	(108.0)	(111.6)	(113.6)	(116.7)	(119.8)	(122.7)	(124.6)	(127.2)	(129.8)	(132.3)
General Operations Surplus	36.5	36.8	37.5	39.8	41.4	43.1	46.7	50.5	53.4	56.5	59.7
Business Operations											
Revenue	47.1	46.3	45.9	46.0	46.9	47.9	55.8	57.1	58.5	59.9	61.4
Expenditure	(21.0)	(20.9)	(21.4)	(21.5)	(21.9)	(22.8)	(25.0)	(25.2)	(25.8)	(26.4)	(27.0)
Business Operations Surplus	26.0	25.4	24.5	24.5	25.0	25.1	30.8	32.0	32.7	33.5	34.4
Amount available for Projects	62.5	62.2	61.9	64.3	66.4	68.2	77.5	82.5	86.2	90.0	94.0
Projects (inc. Grants & Sponsorships)	(23.1)	(22.7)	(21.1)	(21.5)	(21.9)	(22.5)	(23.0)	(23.5)	(24.0)	(24.6)	(25.2)
Capital Works Program											
Infrastructure Program	(37.8)	(38.0)	(35.7)	(34.2)	(35.1)	(36.0)	(36.9)	(37.8)	(38.8)	(39.8)	(40.8)
Other Asset Renewals	(2.5)	(2.5)	(3.1)	(3.2)	(3.2)	(3.3)	(3.4)	(3.5)	(3.6)	(3.6)	(3.7)
Capital Works Program Management	(7.3)	(7.3)	(7.5)	(7.6)	(7.8)	(8.0)	(8.2)	(8.4)	(8.6)	(8.8)	(9.0)
Infrastructure Program and Renewals	(47.6)	(47.7)	(46.3)	(45.0)	(46.1)	(47.3)	(48.5)	(49.7)	(50.9)	(52.2)	(53.5)
Underlying Current Year Funding Surplus/(Deficit)	(8.1)	(8.1)	(5.5)	(2.2)	(1.7)	(1.5)	6.0	9.3	11.2	13.2	15.4
Major Projects	(19.4)	(14.3)	(2.1)	(4.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial Opportunities	16.7	(6.9)	0.1	(8.7)	(12.4)	0.5	19.1	0.6	0.6	0.6	0.6
Annual Funding Surplus/(Deficit) excl. Subsidiaries	(10.8)	(29.3)	(7.5)	(14.8)	(14.1)	(1.0)	25.1	9.9	11.8	13.8	16.0
Subsidiaries	(4.9)	(4.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Annual Funding Surplus/(Deficit) incl. Subsidiaries	(15.7)	(34.2)	(7.5)	(14.8)	(14.1)	(1.0)	25.1	9.9	11.8	13.8	16.0
Adjustment for timing of cash receipts and payments			(2.4)	(3.0)							
Cumulative Funding Surplus/(Deficit) at End of Year incl. Subsidiaries	(63.1)	(81.6)	(91.4)	(109.3)	(123.4)	(124.4)	(99.3)	(89.4)	(77.6)	(63.7)	(47.7)

* An adjustment has been made to the opening borrowing position of (\$0.4m) due to the timing of cash receipts and payments.

Schedule 5: Quarter 2 Revised Key Financial Indicators and Ratios

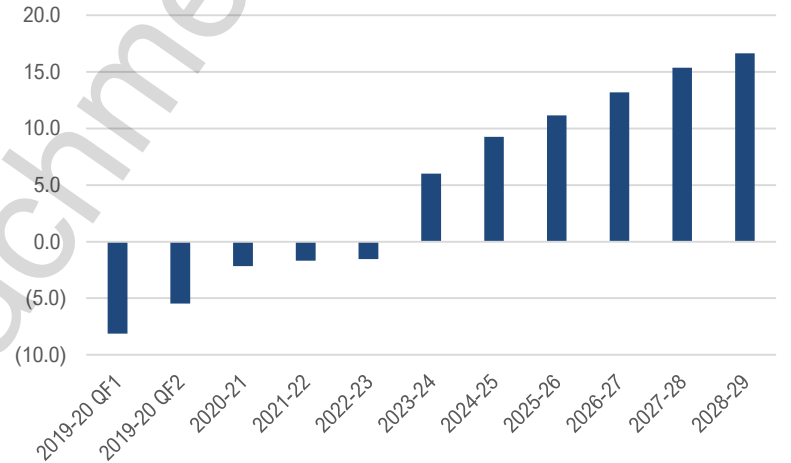
- Financial Performance
- Revised Forecast**
- Budgeted Financial Statements
- General & Business Operations
- Projects
- Infrastructure Program
- Major Projects & Commercial Opportunities
- Capital Report
- Subsidiaries

Borrowings

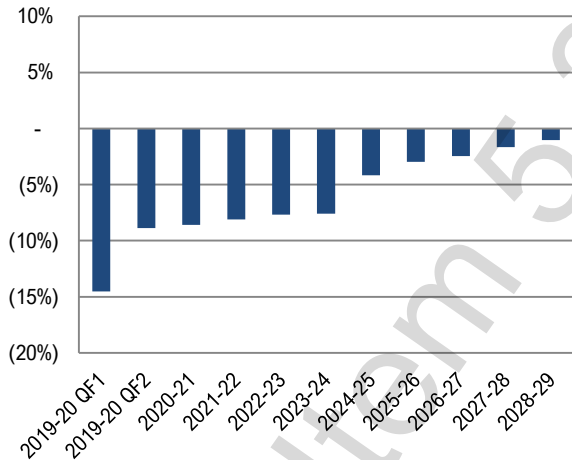


Underlying Operating Surplus/(Deficit)

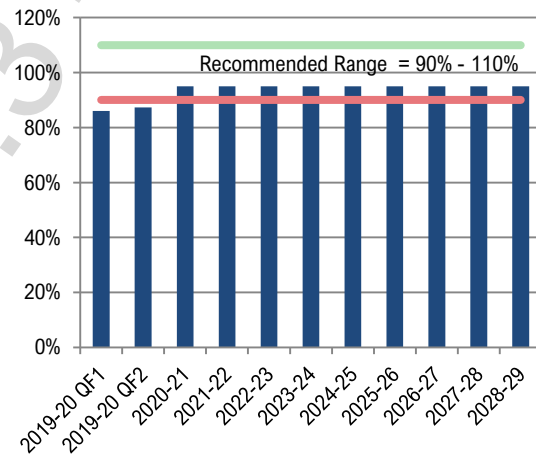
Operational surplus less annual funding allocation for projects and infrastructure



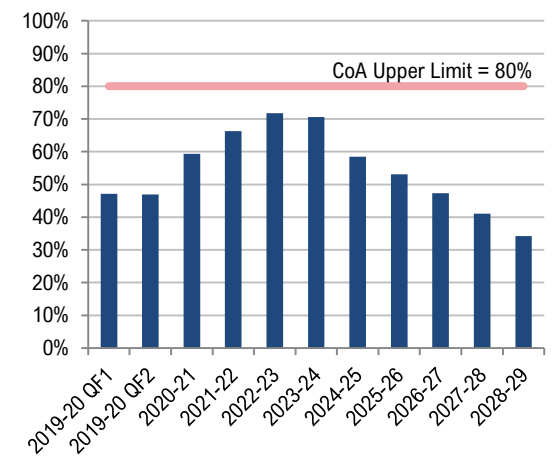
Operating Surplus Ratio



Asset Sustainability Ratio



Net Financial Liabilities Ratio



Schedule 6: Quarter 2 Revised Prudential Borrowing Ratios

Financial Performance

Revised Forecast

Budgeted Financial Statements

General & Business Operations

Projects

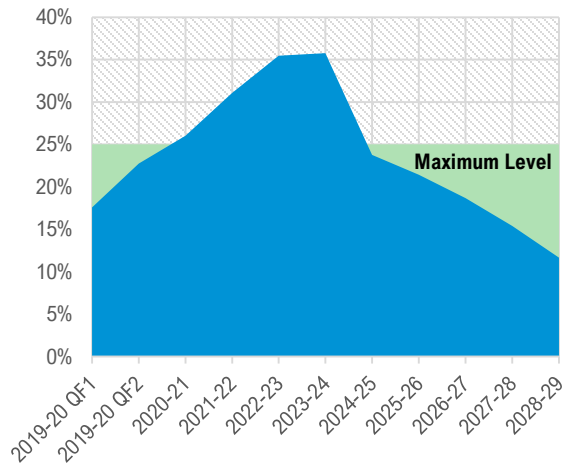
Infrastructure Program

Major Projects & Commercial Opportunities

Capital Report

Subsidiaries

Asset Test Ratio



The percentage of total borrowings to Council's saleable property assets.

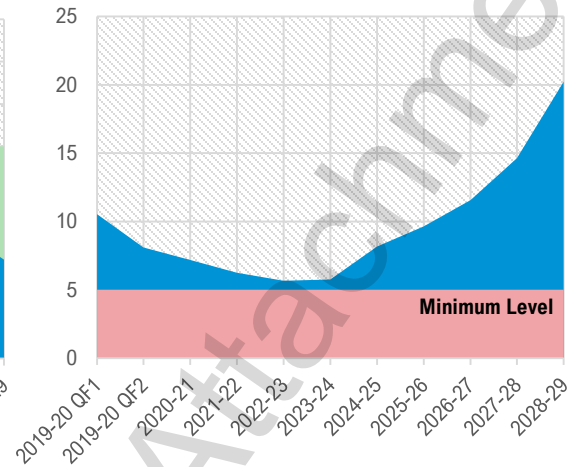
Maximum 25%

Total Borrowings /
Total Saleable Property Assets

(Saleable Property Assets = Total Property Assets LESS Landmark Public Buildings and Park Lands)

The Long Term Financial Plan forecasts Council's current Prudential Borrowing Limits will be exceeded in the second half of the 2020-21 financial year. Council's forecast borrowings are presently subject to Council's Strategic Property Review. Remedial action will be considered and implemented as part of the 2020-21 Business Plan and Budget process.

Debt Service Coverage Ratio

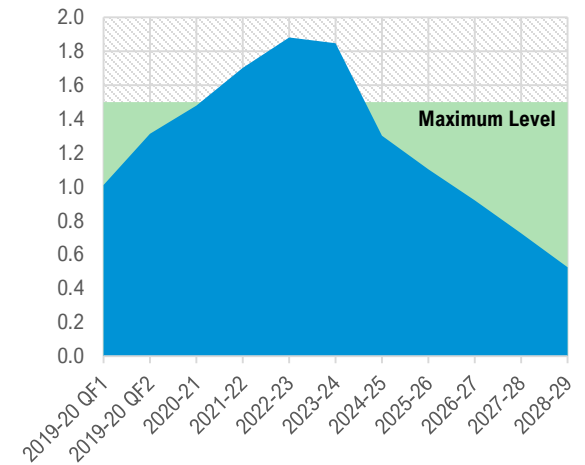


The number of times Council's annual 'Amount Available for Projects' can service annual principle and interest commitments.

Minimum 5 times

(General Operations Surplus + Commercial Businesses Surplus) / Annual Principal and Interest Payments.

Net Financial Liabilities Ratio



Total borrowings expressed as a multiple of the annual 'Amount Available for Projects'.

Maximum 1.5 Years

Total Borrowings / (General Operations Surplus + Commercial Businesses Surplus)

Schedule 7: 2019-20 Efficiency Report to 31 December 2019

Financial Performance

Revised Forecast

Budgeted Financial Statements

General & Business Operations

Projects

Infrastructure Program

Major Projects & Commercial Opportunities

Capital Report

Subsidiaries

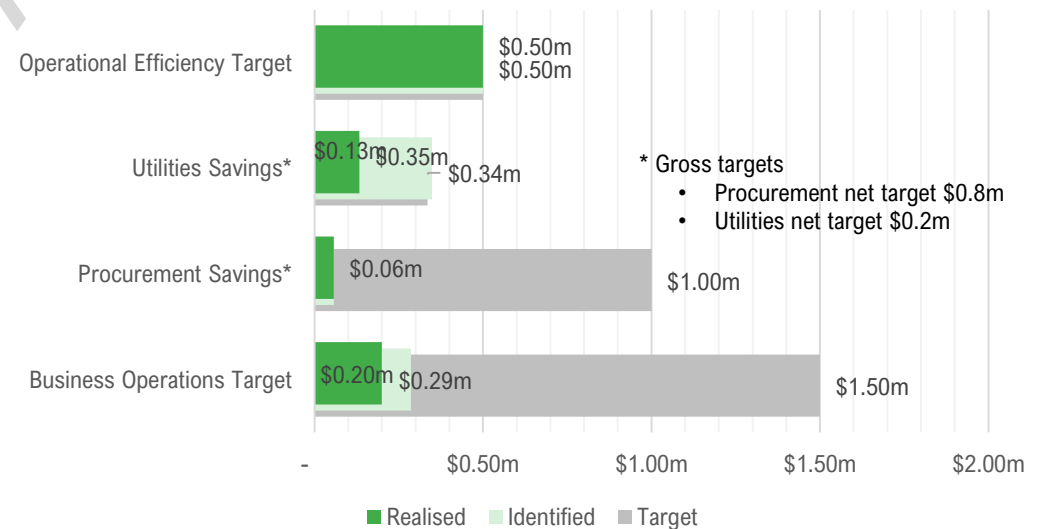
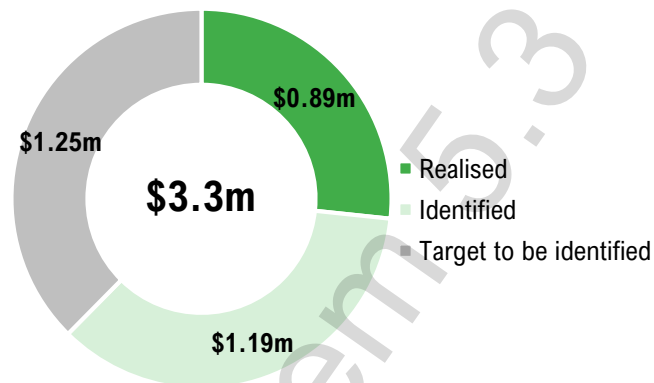
The draft 2019-20 Integrated Business Plan incorporated the following efficiencies and targets:

- An operational efficiency target of \$0.5m which was incorporated to balance the draft budget
- A procurement efficiency target of \$0.8m net (\$1.0m gross)
- A utilities efficiency target of \$0.2m net (\$0.335m gross)
- A business operation target of \$1.5m

This slide identifies the efficiencies and progress towards the target that have either been:

- realised at the end of the second quarter through proposed adjustments to the second quarter revised forecast.
- identified and forecasted to be achieved by the end of the financial year.

Efficiency / Target	Realised	Identified	Target
Business Operations Target	\$0.20m	\$0.29m	\$1.50m
Procurement Savings*	\$0.06m	\$0.06m	\$1.00m
Utilities Savings*	\$0.13m	\$0.35m	\$0.34m
Operational Efficiency Target	\$0.50m	\$0.50m	\$0.50m
Total	\$0.89m	\$1.19m	\$3.34m



Schedule 8: Budgeted Financial Statements

Financial Performance
Revised Forecast
Budgeted Financial Statements
General & Business Operations
Projects
Infrastructure Program
Major Projects & Commercial Opportunities
Capital Report
Subsidiaries

Uniform Presentation of Finances

\$'m	2019-20 Adopted Budget	2019-20 Budget (Quarter 1)	Proposed 2019-20 Quarter 2 Budget
Income	205.1	205.2	210.7
less Expenses	(210.7)	(235.8)	(219.7)
Operational Funding Surplus / (Deficit)	(5.6)	(30.6)	(8.9)
less Net Outlays on Existing Assets			
Net Capital Expenditure on Renewal & Replacement of Existing Assets	47.5	54.5	55.0
less Depreciation, Amortisation and Impairment	(45.5)	(45.5)	(49.9)
less Amounts received specifically for Existing Assets	(1.1)	(1.9)	(2.3)
Net Outlays on Existing Assets	0.9	7.1	2.8
less Net Outlays on New and Upgraded Assets			
Net Capital Expenditure on New and Upgraded Assets	37.7	42.8	29.4
less Amounts received specifically for New and Upgraded Assets	(42.2)	(40.0)	(6.9)
Net Outlays on New and Upgraded Assets	4.5	2.8	22.5
Net Lending / (Borrowing) for the Financial Year	(2.0)	(15.7)	(34.2)
Operational Funding Surplus / (Deficit)			(8.9)
add Amounts received specifically for Existing Assets			2.3
add Amounts received specifically for New and Upgraded Assets			6.9
add Project related Expenditure			(13.7)
less Net Adjustment for Leases			1.3
less Grants received in advance			(6.4)
Forecasted Total Comprehensive Income (before asset revaluations)			(18.4)

Schedule 8: Budgeted Financial Statements

Financial Performance
Revised Forecast
Budgeted Financial Statements
General & Business Operations
Projects
Infrastructure Program
Major Projects & Commercial Opportunities
Capital Report
Subsidiaries

Statement of Comprehensive Income

Year Ended 30 June \$'m	Consolidated 2019-20 Adopted Budget*	Consolidated 2019-20 Quarter 2 Forecast
Income		
General Rates	108.6	110.6
Other Rates and Levies	5.8	5.8
Statutory Charges	14.0	13.4
User Charges	72.2	71.6
Grants, Subsidies and Contributions [#]	9.6	10.8
Investment Income	0.0	0.0
Reimbursement	0.5	0.5
Other Income	0.4	0.4
Total Income	211.1	213.1
Expenses		
Employee Costs	(77.6)	(78.1)
Materials, Contracts & Other Expenses	(85.1)	(97.8)
Depreciation, Amortisation & Impairment	(45.5)	(49.9)
Finance Costs (including leasing costs)	(2.5)	(1.6)
Finance Costs associated with leases	-	(4.6)
Total Expenses	(210.7)	(232.0)
Operating Surplus / (Deficit)	0.4	(18.9)
Amounts received specifically for New or Upgraded Assets	37.2	0.5
Net Surplus / (Deficit)	37.6	(18.4)
Total Comprehensive Income	37.6	(18.4)

* The Consolidated 2019-20 Adopted Budget was adopted prior to the 2018-19 Preliminary End of Year Report and therefore excludes carry forwards and adjustments to the 2019-20 Budget at preliminary end of year.

[#] \$5.0m grant from the SA Government now recognised within Grants, Subsidies and Contributions (previously recognised in Amounts received specifically for New or Upgraded Assets).

Schedule 8: Budgeted Financial Statements

Financial Performance
Revised Forecast
Budgeted Financial Statements
General & Business Operations
Projects
Infrastructure Program
Major Projects & Commercial Opportunities
Capital Report
Subsidiaries

Statement of Financial Position

Year Ended 30 June	Consolidated 2019-20 Adopted Budget*	Consolidated 2019-20 Quarter 2 Forecast
\$'000		
Assets		
Current Assets		
Cash and Cash Equivalents	0.1	0.1
Trade and other Receivables	14.7	14.6
Other Financial Assets	0.2	0.2
Inventories	0.5	0.5
Total Current Assets	15.4	15.4
Non-Current Assets		
Financial Assets	0.4	0.4
Equity Accounted Investments in Council Businesses	0.1	0.1
Investment Property	2.9	2.9
Infrastructure, Property, Plant & Equipment	1,723.2	1,850.3
Other Non-Current Assets	1.5	1.7
Total Non-Current Assets	1,727.2	1,854.4
Total Assets	1,742.6	1,870.8
Liabilities		
Current Liabilities		
Trade & Other Payables	(21.6)	(23.2)
Provisions	(13.2)	(13.2)
Total Current Liabilities	(34.8)	(36.4)
Non Current Liabilities		
Borrowings	(67.0)	(81.6)
Provisions	(2.1)	(2.1)
Non-Current Liabilities	-	(15.1)
Total Non-Current Liabilities	(69.1)	(98.8)
Total Liabilities	(103.9)	(135.2)
Net Assets	1,639.7	1,735.6
Equity		
Accumulated Surpluses	901.9	816.1
Asset Revaluation Reserves	736.2	917.7
Other Reserves	1.6	1.7
Total Council Equity	1,639.7	1,735.6

Schedule 8: Budgeted Financial Statements

Statement of Changes in Equity

Year Ended 30 June \$'m	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	Total Equity
Consolidated 2019-20 Quarter 2 Forecast				
Balance at the end of the previous reporting period	850.3	917.7	1.7	1,769.8
Net Surplus / (Deficit) for Year	(34.2)	-	-	(34.2)
Balance at the end of period	816.1	917.7	1.7	1,735.6
Consolidated 2019-20 Adopted Budget*				
Balance at the end of the previous reporting period	846.3	736.2	1.6	1,602.1
Net Surplus / (Deficit) for Year	37.6	-	-	37.6
Balance at the end of period	883.9	736.2	1.6	1,639.7

Schedule 8: Budgeted Financial Statements

Financial Performance
Revised Forecast
Budgeted Financial Statements
General & Business Operations
Projects
Infrastructure Program
Major Projects & Commercial Opportunities
Capital Report
Subsidiaries

Statement of Cash Flows

Year Ended 30 June \$'000	Consolidated 2019-20 Adopted Budget*	Consolidated 2019-20 Quarter 2 Forecast
Cash Flows from Operating Activities		
Receipts		
Operating Receipts [#]	211.1	213.0
Payments		
Operating Payments to Suppliers and Employees	(171.7)	(162.0)
Net Cash provided (or used in) Operating Activities	39.4	51.0
Cash Flows for Investing Activities		
Receipts		
Amounts received specifically for New/Upgraded Assets	37.2	0.4
Payments		
Expenditure on Renewal/Replacement of Assets	(47.5)	(55.0)
Expenditure on New/Upgraded Assets	(37.7)	(29.4)
Net Cash provided by (or used in) Investing Activities	(47.9)	(84.0)
Cash Flows from Financing Activities		
Receipts		
Proceeds from Borrowings	2.0	34.2
Payments		
Repayment of principle proportion of lease liability		(1.2)
Net Cash provided by (or used in) Financing Activities	2.0	33.0
Net Increase (Decrease) in Cash Held	6.5	0.0
Plus: Cash & Cash Equivalents at beginning of the period	0.1	6.1
Cash and Cash Equivalents at end of the period	(6.4)	6.1

* The Consolidated 2019-20 Adopted Budget was adopted prior to the 2018-19 Preliminary End of Year Report and therefore excludes carry forwards and adjustments to the 2019-20 Budget at preliminary end of year.

\$5.0m grant from the SA Government now recognised within Grants, Subsidies and Contributions (previously recognised in Amounts received specifically for New or Upgraded Assets).

Schedule 9: General Operations

Reference	Description	Proposed Budget Adjustment \$'000s	Administration Comment
GO-01	Public Lighting Reimbursement	175	Refund of public lighting maintenance costs due to supplier error in calculating maintenance costs between 2010 and 2015.
GO-02	Building reviews	24	Allocation of external funding to undertake building review program.
		(24)	
GO-03	Heritage Strategy	(44)	Resourcing for the implementation of the Heritage Strategy. Council ID 19824
GO-04	Spatial Planning & Heritage	(248)	Transfer of resourcing from Projects P-06 Built Heritage Management Grants, P-07 Built Heritage Management Promotion and P-08 Noise Management to General Operations as part of program realignment.
GO-05	Planning Assessment	(91)	
GO-06	Torrens Weir	(60)	Maintenance on the Torrens Weir.
GO-07	Recycling contract cost increase	(69)	Increased costs relating to the new recycling contract effective 1 January 2020
GO-08	Offset Printing	34	Savings from printer hire budget following a review of the internal printing service and subsequent purchase of a new printer.
GO-09	Renewable Energy contract	20	Transfer of consulting funds to Project P-09 Carbon Neutral Adelaide - 100% Renewable Electricity for expenditure associated with the procurement of the new contract.
GO-10	On Street Parking	(715)	Forecast reduction in expiation income for 2019-20.
		(18)	Forecast reduction in on-street parking income from the Sturt Street free parking trial September – December 2019. Council ID 19364
GO-11	Council Member training	(40)	Corporate governance training.
GO-12	Legal fees	(106)	Transfer of legal fees for commercial leases from Business Operations BO-02 Legal Fees to centralise management of legal fees.
GO-13	Rates income	2,040	Forecast increase in rates including a reduction in valuation objections.
GO-14	Interest Expense	(1,343)	Transfer of interest expense budgets from Commercial Opportunities CO-01.
GO-15		895	Forecast reduction in interest expense following reductions in interest rates and reductions in the borrowing requirements for 2019-20.
Total adjustments for General Operations		430	

Table Key

 Additional Expenditure /
Reduced Income

 Transfers /
Zero Bottom Line

 Savings /
Increased Income

Carry Forwards

Schedule 10: Business Operations

Financial Performance
Revised Forecast
Budgeted Financial Statements
General & Business Operations
Projects
Infrastructure Program
Major Projects & Commercial Opportunities
Capital Report
Subsidiaries

Reference	Description	Proposed Budget Adjustment \$'000s	Administration Comment
BO-01	UPark Gawler Place	(751)	Forecast reduction in income following reduced access through Gawler Place and a reduction in parking bays.
BO-02	Legal fees	106	Transfer of legal fees for commercial leases to General Operations GO-12 Legal Fees to centralise management of legal fees.
BO-03	Property Income	37	Reduction in rental income from Adelaide Central Market Authority (ACMA) to align with ACMA's QF2 Forecast.
Total adjustments for Business Operations		(608)	

Schedule 11: Projects (1 of 2)

Project Number		Project	2019-20 Net Budget \$'000s	Proposed Budget Adjustment \$'000s	Proposed Carry Forwards \$'000s	Revised Net Budget 2019-20 \$'000s	Administration Comment	Contracted
P-01	Park Lands Services		(295)	25	-	(270)	Reduction in the 2019-20 grant to APLA for the World Heritage Listing of the Park Lands as previously forecast expenditure not required in 2019-20.	No
P-02	Frome Precinct Strategy		(75)	75	-	-	Scope of project superseded by Lot 14 Master Plan and City Access Strategy	No
P-03	Park Lands Strategy Implementation – Elder Park Master Plan		(58)	58	-	-	Scope of project superseded by State Development in the precinct.	No
P-04	Transport Services		(147)	69	-	(78)	Reallocation of funds to Plant, Fleet and Equipment V405 Tindo battery renewal for the purchase of two new batteries for Tindo bus.	No
P-05	Electric Vehicle Charging Stations	Operating	(70)	53	-	(17)	Transfer of funds from Operating Project 2859 to Capital Project S727	Partial
		Capital	(2)	(53)	-	(55)		
P-06	Built Heritage Management Grants		(1,317)	237	-	(1,080)	Transfer of resourcing to General Operations GO-04 Spatial Planning & Heritage and GO-05 Planning Assessment as part of program realignment.	Yes
P-07	Built Heritage Management Promotion		(145)	82	-	(64)		Yes
P-08	Noise Management		(59)	20	-	(39)		Yes
P-09	Carbon Neutral Adelaide – 100% Renewable Energy		(106)	(20)	-	(126)	Transfer of consulting funds from General Operations GO-09 Renewable energy contract for expenditure associated with the procurement of the new contract.	Yes
P-10	PCI Compliance		(194)	(255)	-	(449)	Additional funding to support the setup and implementation of the SIEM (Security Information and Event Management) software, to automate monitoring and remove the need for an ongoing resource to address security events.	

Table Key

 Additional Expenditure /
Reduced Income

 Transfers /
Zero Bottom Line

 Savings /
Increased Income

Carry Forwards

Schedule 11: Projects (2 of 2)

Financial Performance
Revised Forecast
Budgeted Financial Statements
General & Business Operations
Projects
Infrastructure Program
Major Projects & Commercial Opportunities
Capital Report
Subsidiaries

Project Number	Project	2019-20 Net Budget \$'000s	Proposed Budget Adjustment \$'000s	Proposed Carry Forwards \$'000s	Revised Net Budget 2019-20 \$'000s	Administration Comment	Contracted
P-11	Welcoming City Places and Spaces	-	(25)	-	(25)	Community Engagement to understand needs of our city of multicultural communities. Council ID 19917	No
P-12	China Town and Market District Safety	-	(50)	-	(50)	Implementation of a Local Trader CCTV Rebate Scheme. Council ID 19916	No
P-13	Live Music Back Line Incentive Scheme	-	(18)	-	(18)	Development of a one year pilot incentive scheme for city-based venues to purchase, store and maintain music equipment (backline) for the free use of musicians. Council ID 19911	No
P-14	Transport and Movement Strategy	(250)	50	-	(200)	Transfer of City Access Strategy funding into 5 Year City Plan.	No
P-15	5 Year City Plan	(50)	(50)	-	(100)	Transfer of City Access Strategy funding from Transport and Movement Strategy project	Yes
P-16	Love lock relocation	(7)	1	-	(6)	Project completed with savings.	Completed
P-17	Christmas in the City 2020	(200)	-	200	-	2019-20 budget allocation to commence planning and procurement for Christmas 2020 with delivery in 2020-21 financial year.	No
Projects with no changes		(20,759)			(20,759)		
Total Projects		(23,074)	199	200	(22,675)		

Schedule 12: Infrastructure Program and Renewals Summary

Financial Performance
Revised Forecast
Budgeted Financial Statements
General & Business Operations
Projects
Infrastructure Program
Major Projects & Commercial Opportunities
Capital Report & Timing Analysis
Subsidiaries

Category \$'000s	Current 2019-20 Net Budget	Proposed Net Budget Adjustment	Proposed Net Carry Forwards	Proposed Revised 2019-20 Net Budget
Streets	(11,559)	47	-	(11,511)
Park Lands	(3,429)	-	-	(3,429)
City Works				
Transport	(7,609)	(27)	-	(7,636)
Traffic Signal	(1,129)	(4)	-	(1,133)
Bridges	(363)	3	-	(360)
Lighting & Electrical	(1,494)	-	-	(1,494)
Water Infrastructure	(2,241)	-	-	(2,241)
Urban Elements	(588)	-	-	(588)
Park Lands & Streetscape Renewals	(1,078)	8	-	(1,070)
Design & Asset Management Services	(46)	(21)	-	(67)
City Works Sub Total	(14,547)	(42)	-	(14,589)
Buildings	(7,755)	(6)	-	(7,761)
Plant, Fleet and Equipment	(1,466)	(119)	-	(1,585)
Information Management	(1,532)	-	-	(1,532)
Sub-total	(40,288)	(119)	-	(40,407)
Capital Works Program Management	(7,279)	-	-	(7,279)
Infrastructure Program & Renewals	(47,568)	(119)	-	(47,687)

The Quarter 2 revised forecast for the Infrastructure Program is a net increase of **(\$119k)** including:

- **Streets \$47k net decrease** mainly through a saving following the completion of Archer Street \$57k.
- **City Works (\$42k) net increase** primarily due to
 - **Transport (\$27k)** due to additional line marking (\$73k) partially offset by savings in the roads program \$46k.
 - **Design & Asset Management Services (\$21k)** for a centralised allocation for the Construction Industry Training Board Levy.
- **Buildings (\$6k) net increase** due to savings in the Integrated Water Management project \$8k more than offset by additional funds for James Place Public convenience (\$3k) and Adelaide Bowling Club (\$2k) as well as the new Louder's Boat House project (\$10k)
- **Plant, Fleet and Equipment (\$119k) net increase** for the replacement of batteries in the Tindo Bus (\$69k) and replacement of the fuel tank at the Golf Course (\$50k).

Schedule 13: Proposed amendments to the Infrastructure Program (1 of 3)

Financial Performance
Revised Forecast
Budgeted Financial Statements
General & Business Operations
Projects
Infrastructure Program
Major Projects & Commercial Opportunities
Capital Report & Timing Analysis
Subsidiaries

Project Number	Project	Current Net Budget 2019-20 \$'000s	Proposed Net Budget Adjustment \$'000s	Proposed Net Carry Forwards \$'000s	Revised Net Budget 2019-20 \$'000s	Administration Comment	Contracted
Streets							
U113	Archer Street	(309)	57	-	(251)	Project completed with savings.	Completed
V103	Grote St (Morphett St to West Tce)	(1,500)	(5)	-	(1,505)	Streetscape works aligned with the Grote Street Project allocated from V250 Streetscape Renewals.	No
V119	North Terrace West Footpath	(80)	(5)	-	(85)	Footpath design outside of Railway Station requires additional funds.	Yes
Projects with no changes		(9,670)	-	-	(9,670)		
Total Streets		(11,559)	47	-	(11,511)		
Road, Kerb and Footpaths							
U300	Road Renewals 18/19	(889)	46	-	(843)	Project completed with savings.	Completed
U350	Kerb and Footpaths Renewals	(256)	(73)	-	(329)	Additional costs due to line marking.	Completed
V300	Road, Kerb and Footpaths Program 19/20	(5,685)	(128)	-	(5,685)	Recognise income and corresponding expenditure budget from annual funding arrangement. <ul style="list-style-type: none"> Roads to Recovery (\$255k) Financial Assistance Grants – Road (\$128k) Additional funding to be utilised to undertake additional renewals consistent with the rolling renewal program.	No
			128				
			(255)				
			255				
Projects with no changes		(780)	-	-	(780)		
Total Road, Kerb and Footpaths		(7,609)	(27)	-	(7,636)		

Table Key

Additional Expenditure /
Reduced IncomeTransfers /
Zero Bottom LineSavings /
Increased Income

Carry Forwards

Schedule 13: Proposed amendments to the Infrastructure Program (2 of 3)

Financial Performance
Revised Forecast
Budgeted Financial Statements
General & Business Operations
Projects
Infrastructure Program
Major Projects & Commercial Opportunities
Capital Report & Timing Analysis
Subsidiaries

Project Number	Project	Current Net Budget 2019-20 \$'000s	Proposed Net Budget Adjustment \$'000s	Proposed Net Carry Forwards \$'000s	Revised Net Budget 2019-20 \$'000s	Administration Comment	Contracted
Traffic Signals							
V207	King William Road/Kermode St Intersection	(6)	(4)	-	(10)	Funding for delivery of pedestrian safety improvements outside the Women's and Children's Hospital.	Completed
Projects with no changes		(1,123)	-	-	(1,123)		
Total Traffic Signals		(1,129)	4	-	(1,133)		
Bridges							
U390	Morphett Bridge rehabilitation works	(38)	3	-	(35)	Project completed with savings.	Completed
V392	Heavy Vehicle Bypass Signage	(60)	22	-	(38)	Project completed with savings.	Completed
V394	University Footbridge	-	(22)	-	(22)	Further investigations required following completion of the condition audit.	Yes
Projects with no changes		(265)	-	-	(265)		
Total Bridges		(363)	3	-	(360)		
Park Lands & Streetscape Greening Renewals							
U242	Rymill Lake design	(28)	3	-	(25)	Project completed with savings.	Completed
V250	Streetscape Renewals	(565)	5	-	(560)	Streetscape works aligned with the Grote Street Project allocated to V103 Grote St (Morphett St to West Tce).	No
Projects with no changes		(485)	-	-	(485)		
Total Park Lands & Streetscape Greening Renewals		(1,078)	(8)	-	(1,070)		

Schedule 13: Proposed amendments to the Infrastructure Program (3 of 3)

Project Number	Project	Current Net Budget 2019-20 \$'000s	Proposed Net Budget Adjustment \$'000s	Proposed Net Carry Forwards \$'000s	Revised Net Budget 2019-20 \$'000s	Administration Comment	Contracted
Design & Asset Management Services							
V901	CITB levy	-	(21)	-	(21)	Centralised allocation to fund the Construction Industry Training Board (CITB) levy.	No
Projects with no changes		-	-	-	-		
Total Design & Asset Management Services		-	(21)	-	(21)		
Buildings							
T167	Town Hall Design only	(4)	1	-	(3)	Project completed with savings.	Completed
U266	James Place Changing Places	(147)	(3)	-	(150)	Minor additional works to ensure the safety of CoA cleansing staff.	Completed
U270	Adelaide Bowling Club	(100)	(2)	-	(102)	Additional funds for fire services.	Yes
U271	Integrated Water Management	(81)	8	-	(74)	Project completed with savings.	Completed
V274	Louder's Boat House	-	(10)	-	(10)	Safety improvements to the Louder's Boat House.	No
Projects with no changes		(7,423)	-	-	(7,423)		
Total Buildings		(7,755)	(6)	-	(7,761)		
Plant, Fleet and Equipment							
V404	Golf Course Fuel tank renewals	-	(50)	-	(50)	Replacement of fuel tanks at the Golf Course due to WHS issues.	No
V405	Tindo battery renewals	-	(69)	-	(69)	Reallocation of funds from Project P-04 Transport Services for the replacement of two of the 11 batteries for the Tindo bus.	No
Projects with no changes		(1,466)	-	-	(1,466)		
Total Plant, Fleet and Equipment		(1,466)	(119)	-	(1,585)		

Table Key

Additional Expenditure /
Reduced IncomeTransfers /
Zero Bottom LineSavings /
Increased Income

Carry Forwards

Schedule 14: Proposed amendments to Major Projects (1 of 1)

Project Number	Project	Current Net Budget 2019-20 \$'000s	Proposed Net Budget Adjustment \$'000s	Proposed Net Carry Forwards \$'000s	Revised Net Budget 2019-20 \$'000s	Administration Comment	Contracted
Major Projects							
S716	Market to Riverbank Laneways Upgrade	(3,322)	-	(2,500)	(822)	Works rescheduled to 2020-21 due to third party construction taking place throughout the link. 50% State Government Funded.	Partially
S780	City of Adelaide Bikeways: East-West	(2,666)	-	(2,666)	-	Works rescheduled as still in planning phase. 50% State Government Funded.	No
U050	City Skate Park	-	-	(2,200)	-	Planned Multi-Year Project, construction due to commence in March 2020. Fully State Government Funded.	Partially
U060	Quentin Kenihan Accessible Play Space	-	-	(715)	-	Planned Multi-Year Project, construction due to commence in June 2020. Fully State Government Funded.	Partially
Projects with no changes		(13,436)	-	-	(13,436)		
Total Major Projects		(19,424)	-	5,166	(14,258)		

Schedule 15: Proposed amendments to Commercial Opportunities (1 of 1)

Financial Performance
Revised Forecast
Budgeted Financial Statements
General & Business Operations
Projects
Infrastructure Program
Major Projects & Commercial Opportunities
Capital Report
Subsidiaries

Reference	Description	Proposed Budget Adjustment \$'000s	Administration Comment
CO-01	Interest Expense	1,343	Transfer of interest expense budgets from Commercial Opportunities to General Operations GO-14.
CO-02	Property Investment Activities	(25,000)	Adjustment to the timings of proceeds from commercial property activities.
Total adjustments for Commercial Opportunities		(23,657)	

Schedule 16: Quarter 2 Capital Program Report (1 of 4)

Financial Performance
Revised Forecast
Budgeted Financial Statements
General & Business Operations
Projects
Infrastructure Program
Major Projects & Commercial Opportunities
Capital Report
Subsidiaries

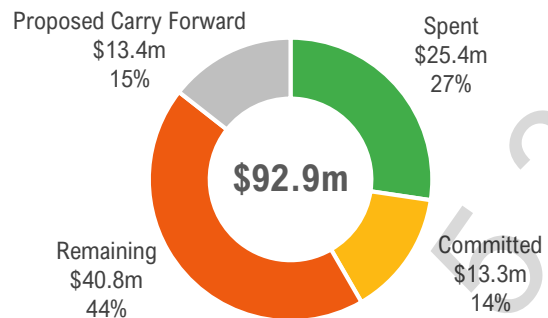
	Infrastructure & Renewals	Major Projects	Others	Total	Percentage
Carry forward from 18-19	55	9	14	78	42%
19-20 Program of Work	83	3	3	89	48%
New 19-20 Projects	19	0	1	20	10%
Total	147	12	19	187	100%
Planning Phase	9	1	2	12	6%
Design Phase	37	3	1	41	22%
Construction/ Delivery Phase	63	5	12	80	43%
Delivered	41	1	2	44	24%
Cancelled	1	1		2	1%
On Hold	5	1	2	8	4%

There are 187 projects in 2019-20 for the Capital Program. 78 projects (42%) are carry forwards from 2018-19 and 20 are new projects initiated during Q1 and Q2. Of these, 44 projects (23%) have been delivered in YTD.

In terms of budget, 34% of the 2019-20 Capital Program are carried forward from 2018-19. 1% have been allocated to new projects initiated in YTD.

There are 18 design-only projects in 2019-20 Capital Program.

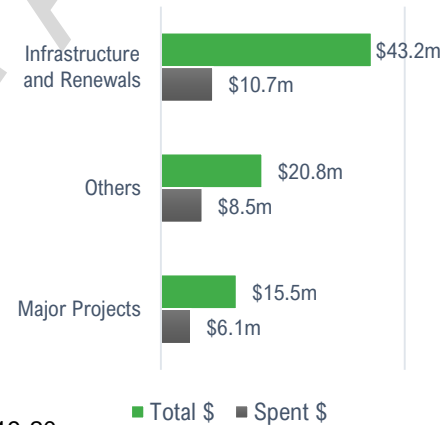
Status of Projects



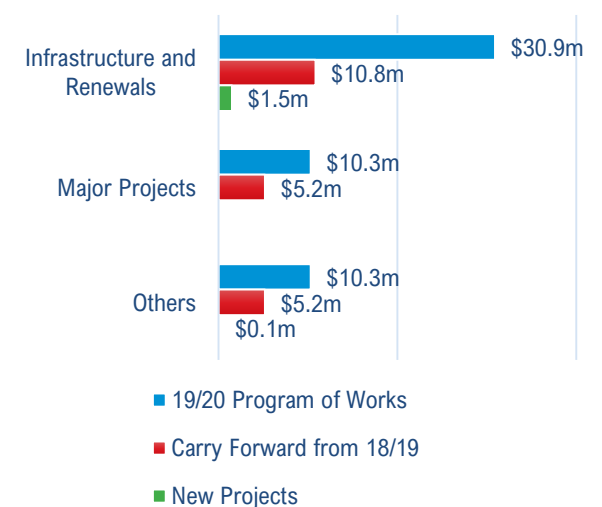
At the end of Q2, \$25.4 million has been spent, 27% of the 2019-20 approved budget.

- \$10.7m or 24% of Infrastructure and Renewals has been spent.
- \$6.1m or 19% of the Major Projects budget has been spent.

Spend by Category Year to Date



Total Budget by Category



Schedule 16: Quarter 2 Capital Program Report (2 of 4)

Financial Performance
Revised Forecast
Budgeted Financial Statements
General & Business Operations
Projects
Infrastructure Program
Major Projects & Commercial Opportunities
Capital Report
Subsidiaries

Projects completed in Quarter 2

Infrastructure and Renewals

- ✓ Town Hall Renewal Design
- ✓ Residential Streets Improvement Program
- ✓ Archer Street
- ✓ Heritage Buildings Program (Victoria Park)
- ✓ Leigh Street/Currie Street intersection upgrade
- ✓ CCTV Network Renewal
- ✓ Adelaide Central Bus Station Renewals (floor sealing)
- ✓ Changing Places Facility James Place
- ✓ Integrated Water Management
- ✓ Kerb and Footpath Renewals 18-19
- ✓ King William Road/Kermode Street Intersection
- ✓ Flinders Street North (Gawler Place to Wyatt Street)
- ✓ Tour Down Under Road Improvements
- ✓ Ranelagh Alley
- ✓ St John's Lane
- ✓ Edward Street
- ✓ Heavy Vehicle Bypass Signage
- ✓ Civic Area Management Plan
- ✓ Moonta Street Design

Others

- ✓ Server Replacement 18-19
- ✓ Customer Centric Services
- ✓ City Connector and Smart Technology
- ✓ Christmas in the City 2019

Carry forward projects with planned completion in Quarter 3

Major Projects

- Smart City Parking Experience

Infrastructure and Renewals

- Victoria Square/Tarntanyaangga Access and Inclusion Works
- Decorative Lighting Program
- Waymouth Street Paving Remediation
- O'Brien Street
- Torrens embankment failure – adjacent Red Ochre
- Bell Tower safety access and refurbishment
- West Terrace/Currie St Intersection
- Plant and Fleet 18-19
- Library Books 18-19
- Health Club Equipment
- Corporate Applications

Others

- Upark Electric Vehicle Charging Systems
- E-Planning
- On Street Electric Vehicle Charging
- Public Art 18-19
- Geospatial Information System (GIS)
- Carbon Neutral Adelaide – Solar PV

Schedule 16: Quarter 2 Capital Program Report (3 of 4)

Major Projects	
Project	Key Update
Pelzer Park/Pityarrilla (Park 19) Enhancements	Public Art engagement progressing, development application has been granted – Installation planned for mid February. Minor additional improvements underway using remaining Grant funds.
Gawler Place Redevelopment	Gawler Place is open to public as major works are complete. Public Art element is underway and will be completed by end of February.
City of Adelaide Bikeways	North-South Bikeway: Construction in Park 6 and Park 12 has been completed, detailed design is progressing for Brougham Gardens and Frome Street (Rundle Street to North Terrace). East-West Bikeway: A concept design and engagement strategy for the bikeway on the Pirie-Waymouth corridor is underway as per MoN. Design and engagement work for other route options remains on hold as per Council decision.
Market to Riverbank	Bank Street and Topham Mall North: completed December 2017. Bank Street's Shop Improvement Grant round 1 has commenced delivery. Bentham Street: Detailed design is now complete and work continues to ensure stakeholder expectations are managed, construction activities appropriately planned, and the project delivers a value for money outcome. Construction will commence in the second half of the financial year. Leigh Street, Pitt Street, and Topham Mall South: Currently on hold.
North Terrace Public Realm	Project being presented to Council for direction.
Denise Norton Park/Pardipardinyilla (Park 2) Enhancements	Detailed design completed, quantity surveyed estimate provided. Tennis court reconstruction has commenced.
Quentin Kenihan Inclusive Playspace	Initial workshops have been held with external and internal stakeholders. Consultation opened on the 23 rd of December, including an Inclusive Play Day at Bonython Playspace on the 13 th of October.
City Skate Park	Concept Designs have been prepared and reviewed, currently refining the design prior to moving in to the detailed design phase.
Smart Projects	Smart City – Off-street parking, stage one currently in testing and due to be completed in February 2020. Full rollout of the completed system expected for June 2020.
Carbon Neutral Adelaide	Pirie Street Car Park, Topham Car Park and the Town Hall: Completed, feeding unused electricity created through the Solar panels back into the grid. Aquatic Centre: Not yet commissioned by SAPN, expected February 2020.

Schedule 16: Quarter 2 Capital Program Report (4 of 4)

Financial Performance

Revised Forecast

Budgeted Financial Statements

General & Business Operations

Projects

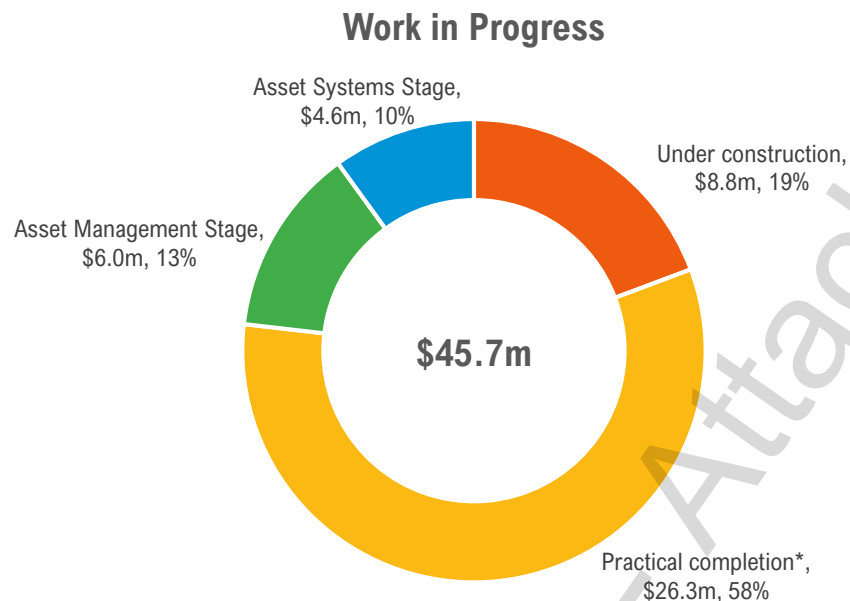
Infrastructure Program

Major Projects & Commercial Opportunities

Capital Report

Subsidiaries

The slide reports progress with the capitalisation (recognition of new assets) of completed works arising from the Capital Works Program.



The capitalisation of projects has been delayed due to:

- Organising the project documentation in a format that can be uploaded in the Asset management System; and
- Finalisation of the Fixed Asset Guidelines. Projects that are expected to have no impact from the fixed asset guideline will be capitalised first while others that may be affected are being held off until we confirm treatments of particular items. The draft Fixed Asset Guideline due to be reviewed by Audit Committee in March.

Testing is presently underway with Assetic (the software provider) to ensure there are no issues with the WIP capitalisation process.

* Includes Gawler Place \$17.9m – preparation of documentation currently underway

- Under Construction Projects that are presently under construction.
- Practical Completion Projects that have reached practical completion but are still being finalised by the project managers.
- Asset Managers Project managers have finalised the handover documentation for asset managers to review.
- Assets Systems Asset managers have finalised their handover documentation for the Assets Data Team to prepare the information for the asset management system.

Schedule 17: Subsidiaries Summary

Financial Performance

Revised Forecast

Budgeted Financial Statements

General & Business Operations

Projects

Infrastructure Program

Major Projects & Commercial Opportunities

Capital Report

Subsidiaries

This table compares the 2019-20 actual performance against 2019-20 Budget.

\$'000s	Year to Date			Full Year 2019-20 QF1 Net Budget
	Actual	2019-20 QF1 Net Budget	Variance	
Operations				
Adelaide Central Market Authority	330	272	58	93
Adelaide Park Lands Authority	(5)	(5)	0	0
Rundle Mall Management Authority	1,461	1,283	177	(21)
Operations Total	1,786	1,550	235	72
Adelaide Central Market Authority Capital	(2,791)	(3,744)	954	(5,014)
Total	(1,005)	(2,194)	1,189	(4,942)

This schedule summarises the proposed Quarter 2 adjustments.

\$'000s	2019-20 Net Budget (Quarter 1)	Proposed 2019-20 Quarter 2 Net Budget	Variance to Net Budget
Operations			
Adelaide Central Market Authority	93	145	52
Adelaide Park Lands Authority	0	0	-
Rundle Mall Management Authority	(21)	(21)	-
Operations Total	72	72	52
Adelaide Central Market Authority Capital	(5,014)	(5,014)	-
Total	(4,942)	(4,942)	52

Schedule 18: Proposed amendments Adelaide Central Market Authority (1 of 4)

Financial Performance
Revised Forecast
Budgeted Financial Statements
General & Business Operations
Projects
Infrastructure Program
Major Projects & Commercial Opportunities
Capital Report
Subsidiaries

\$'000	2019-20 Budget (Quarter 1)	Proposed 2019-20 Quarter 2 Budget	Variance to Budget
ACMA Administration	(1,314)	(1,293)	21
Central Market Car Park	1,544	1,531	(13)
Central Market Complex	(137)	(93)	44
Operating Surplus/(Deficit) - Cash	93	145	52
ACMA Capital Current Year	(3,296)	(3,296)	0
ACMA Capital Carry Forward 2018-19	(1,718)	(1,718)	0
Total Capital	(5,014)	(5,014)	0
Operating Budget (Cash)	(4,921)	(4,869)	52

Adelaide Central Market proposed net adjustments of \$52k :

- CMA Administration \$21k favourable to 2019-2020 Budget due to savings identified due to delay in WIFI install
- Central Market Car Park (\$13k) unfavourable to 2019-2020 Budget driven by structural & emergency lighting repairs
- Central Market Complex \$44k favourable to 2019-2020 Budget driven by tenant revenue based on leasing profile

Operating requests

ACMA Administration:

Reference	Description	Proposed Budget Adjustment \$'000s	Administration Comment
Admin1	Contractual Services	31	Savings - WIFI deferred
Admin2	Materials	(7)	Merchandise costs in accordance with marketing strategy
Admin3	Internal Charges & Other Expenditure	(3)	Insurance claim excess
Total ACMA Administration Net Adjustment		21	

Table Key

Additional Expenditure /
Reduced Income

Transfers /
Zero Bottom Line

Savings /
Increased Income

Carry Forwards

Schedule 18: Proposed amendments Adelaide Central Market Authority (2 of 4)

Financial
Performance

Revised Forecast

Budgeted Financial
StatementsGeneral & Business
Operations

Projects

Infrastructure
ProgramMajor Projects &
Commercial
Opportunities

Capital Report

Subsidiaries

Operating requests continued

Central Market Car Park:

Reference	Description	Proposed Budget Adjustment \$'000s	Administration Comment
CP1	Casual Parking	25	Increased revenue due to introduction of reserved parking
CP2	Statutory	(4)	Additional water costs
CP3	Electricity	15	Reduce electricity usage
CP4	Lifts & Escalators	(7)	Increased repairs (ageing equipment)
CP5	Repairs & Maintenance & Pest	(43)	Structural repairs, emergency light repairs
CP6	Security	3	Decreased adhoc security costs
CP7	Signs & Misc	10	Sign tariff changes charged to marketing, cash collection savings
CP8	Leasehold Rentals - CoA	(7)	CoA rent based on income
CP9	Leasehold Rentals - Star	(4)	Star CP rent based on CPI
CP10	Operations & Marketing	9	Additional marketing allocated to Sunday Trade trial
CP11	Bank Charges	(10)	Additional bank charges identified
Total ACMA Car Park Net Adjustment		(13)	

Table Key

Additional Expenditure /
Reduced IncomeTransfers /
Zero Bottom LineSavings /
Increased Income

Carry Forwards

Schedule 18: Proposed amendments Adelaide Central Market Authority (3 of 4)

Financial Performance
Revised Forecast
Budgeted Financial Statements
General & Business Operations
Projects
Infrastructure Program
Major Projects & Commercial Opportunities
Capital Report
Subsidiaries

Operating requests continued

Central Market Complex:

Reference	Description	Proposed Budget Adjustment \$'000s	Administration Comment
CM1	Rent	105	Increased revenue and increased incentives based on schedule of tenancies
CM2	Statutory & Insurances	(6)	Additional water costs
CM3	Airconditioning	49	Savings in repairs due to installation of new cooling system
CM4	Cleaning	(49)	Increased waste removal costs due to changing process for resource/recycling streams
CM5	Electricity	25	Reduction in electricity costs
CM6	Fire Protection	(1)	Increased fire brigade costs
CM7	Gas Fuel	3	Decreased gas costs
CM8	Repairs & Maintenance	(6)	Additional maintenance costs
CM9	Security	(3)	Increased adhoc security costs
CM10	Misc Expenses	(44)	Increased surveyor & architect fees due to increased number of stall refurbishments
CM11	Leasehold Rentals	(29)	Increased CoA rent based on increase in revenue
Total ACMA Market Complex Net Adjustment		44	

Table Key

Additional Expenditure /
Reduced Income

Transfers /
Zero Bottom Line

Savings /
Increased Income

Carry Forwards

Schedule 18: Proposed amendments Adelaide Central Market Authority (4 of 4)

Capital Requests

Project Number	Project	Current Net Budget 2019-20 \$'000s	Proposed Net Budget Adjustment \$'000s	Proposed Net Carry Forwards \$'000s	Revised Net Budget 2019-20 \$'000s	Administration Comment	Contracted
1811	Retiling Market Central Entrances	(127)	27	-	(100)	Project will be completed with savings.	Yes
1807	Security Upgrade	(453)	(27)	-	(480)	Additional funding required to cover cost to divert mains water when installing bollards	Yes
Projects with no changes		(4,434)	-	-	(4,434)		
Total		(5,014)	-	-	(5,014)		

2019/20 End of Year Financial Reporting Process & Proposed Timetable

ITEM 5.4 07/02/2020
Audit Committee

Program Contact:
Tracie Dawber, AD Finance &
Procurement 8203 7002

2020/12857
Public

Approving Officer:
Clare Mockler, Deputy CEO &
Director Culture

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 2019/20 End of Year Financial Reporting process and external audit timetable as contained in Attachment C to Item 5.4 on the Agenda for the meeting of the Audit Committee held on 7 February 2020.
2. Notes that the external audit plan as contained in Attachment C to Item 5.4 on the Agenda for the meeting of the Audit Committee held on 7 February 2020 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 2020 as detailed in Attachment A to Item 5.4 on the Agenda for the meeting of the Audit Committee held on 7 February 2020.
4. Approves the External Audit terms of engagement as contained in Attachments A and B to Item 5.4 on the Agenda for the meeting of the Audit Committee held on 7 February 2020.

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, debts 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	Regulation 10 of the <i>Local Government (Financial Management) Regulations 2011</i>
Opportunities	Not as a result of this report
19/20 Budget Allocation	The Audit Fees of \$70,470 are fully budgeted for in General Operating Expenditure.
Proposed 20/21 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
19/20 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 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 (Link 1 view [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* (Link 1 view [here](#)).
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 and financial statement testing during the period 18 to 29 May 2020.
8. The final audit concentrating of the Corporation’s Balance Sheet and Financial Statements will be carried out during the period 24 August to 3 September 2020.
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 2 October 2020 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 2 October 2020.
12. The final report for presentation to Council of the Financial Statements is planned for the meeting of Council scheduled for 13 October 2020.
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 2020. This has been included as Appendix 1 to **Attachment A**.

ATTACHMENTS

Attachment A – Letter of Engagement – Financial Statements

Attachment B – Letter of Engagement – Internal Controls

Attachment C – External Audit Plan and Independence Declaration

- END OF REPORT -



Tel: +61 8 7324 6000
 Fax: +61 8 7324 6111
 www.bdo.com.au

Level 7, BDO Centre
 420 King William St
 Adelaide SA 5000
 GPO Box 2018, Adelaide SA 5001
 AUSTRALIA

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

16 January 2020

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 2020, 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.

BDO Audit (SA) Pty Ltd ABN 33 161 379 086 is a member of a national association of separate entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (SA) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.



- 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 faint, large watermark that says 'Item 5.4 - Attachment A'.

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 2020, 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 2020 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.

This description forms part of our auditor's report.

BDO Audit (SA) Pty Ltd

Andrew Tickle
Director

Adelaide, XX October 2020



Tel: +61 8 7324 6000
Fax: +61 8 7324 6111
www.bdo.com.au

Level 7, BDO Centre
420 King William St
Adelaide SA 5000
GPO Box 2018, Adelaide SA 5001
AUSTRALIA

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

16 January 2020

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 2019 to 30 June 2020 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 faint, large watermark that says 'Item 5.4 - Attachment B'.

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 2019 to 30 June 2020 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 2019 to 30 June 2020.

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 2020

CITY OF ADELAIDE

Annual audit plan

30 June 2020

CONTENTS

Your BDO team	4
Audit objectives and approach	5
Materiality	8
Enhancing the client experience	9
Risk assessment and areas of audit focus	10
Timeline	11
Fees	12
Appendix 1 New developments	13
Appendix 2 Other communications	18



Dear Audit Committee Members

Thank you for the opportunity to present our annual audit plan ('plan') for City of Adelaide ('Council') for the year ending 30 June 2020.

Our plan has been developed with input from City of Adelaide management, and continues to be based on our understanding of City of Adelaide's business and operating environment.

We acknowledge that throughout the year there may be business developments, circumstances may change and additional matters may arise. Our plan will be responsive to your needs and will maximise audit effectiveness so we can deliver the high quality audit you expect.

This plan is intended solely for management and the Audit Committee and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discussing our plan with you at the Audit Committee on 7 February 2020.

Please feel free to contact me on +61 8 7324 6082 if you have any questions or would like to discuss the content of this plan further.

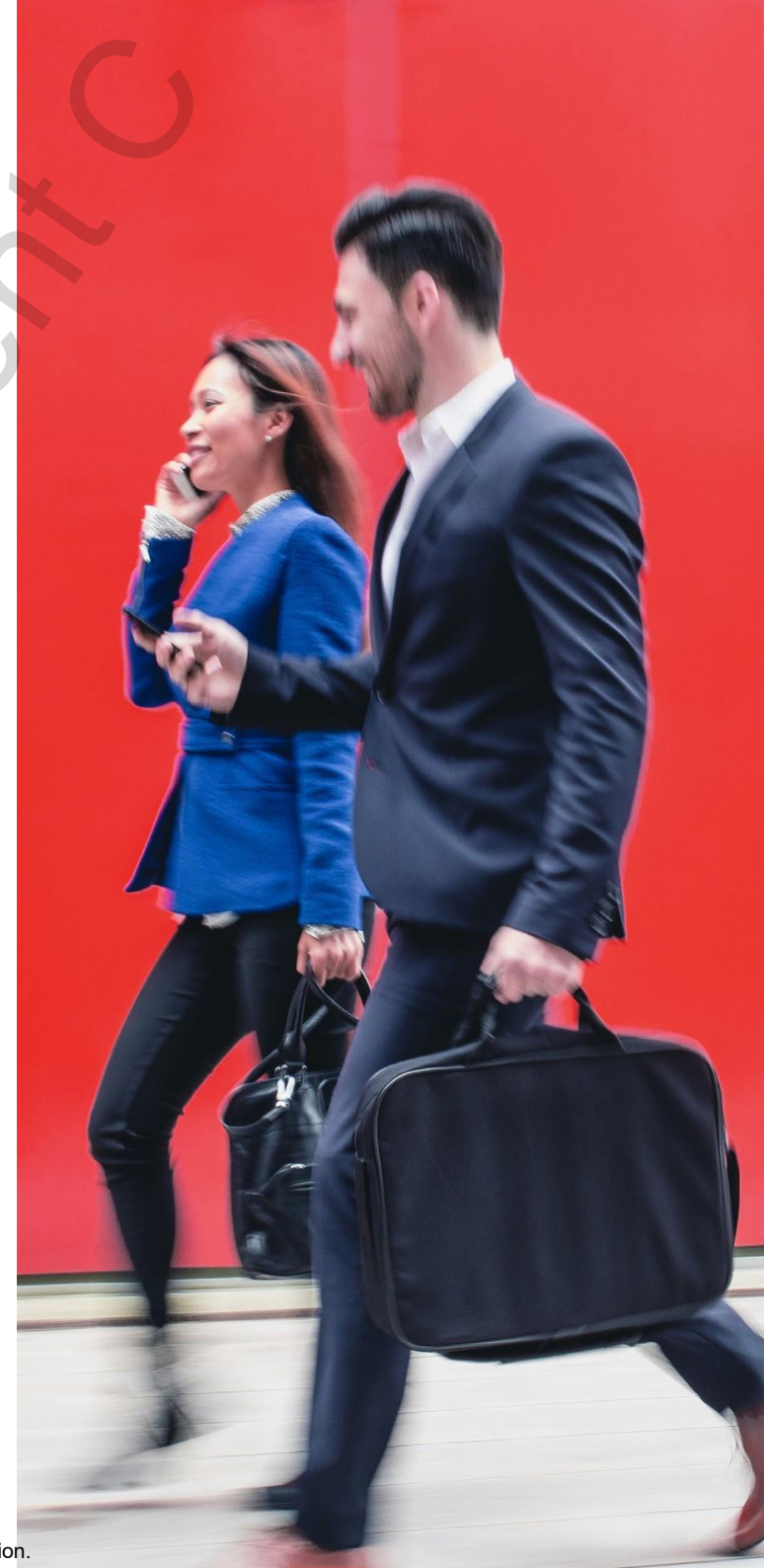
Yours faithfully



Andrew Tickle

Lead audit partner

Adelaide, 16 January 2020



YOUR BDO TEAM

Your engagement team for 2020 provides a combination of continuity and fresh ideas. This helps to ensure that we build on previous experience and make the audit process as smooth as possible.

YOUR BDO TEAM

Our audit of City of Adelaide will be led by Andrew Tickle as Engagement Partner. Andrew will oversee the co-ordination of the audit and will have primary responsibility for working with Tracie Dawber and her team.

Supporting Andrew will be Linh Dao as audit manager.

Linh is responsible for the day-to-day direction of the audit work and is the key point of contact for Tracie Dawber.

The day-to-day audit team will be led by Linh Dao.

SPECIALISTS

When auditing complex areas, we are often required to engage specialists who have qualifications and expertise not possessed by the core audit team.

Supporting the engagement team will be Jason Foster, our IT Specialist. Jason will be dedicated to reviewing City of Adelaide's IT environment and any relevant IT general controls for the audit.



ANDREW TICKLE

Engagement Partner

Tel: +61 8 7324 6082

Andrew.Tickle@bdo.com.au



LINH DAO

Senior Manager

Tel: +61 8 7324 6147

Linh.Dao@bdo.com.au



JASON FOSTER

Associate Director - IT Advisory

Tel: +61 427 953 800

Jason.Foster@bdo.com.au

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 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 Australia Councils issued by the Local Government Association of South Australia

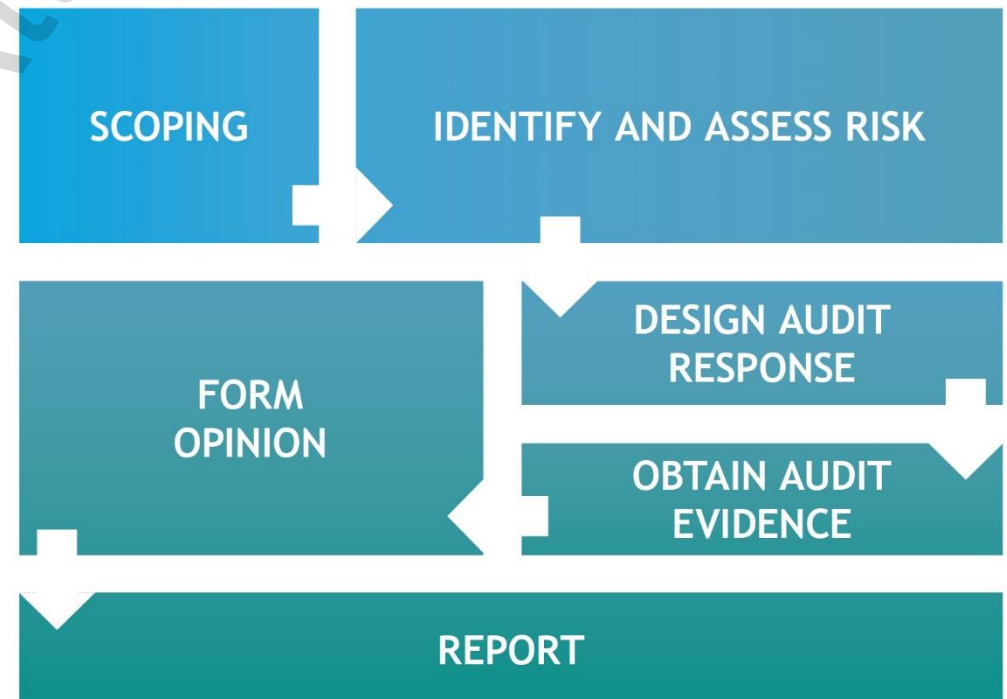
OUR APPROACH

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.

A summary of the other key aspects of the BDO Audit Approach is set out on subsequent pages.



OUR APPROACH CONTINUED

INTERNAL CONTROL

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 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.

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 CONTINUED

AUDIT QUALITY AND PROFESSIONAL SCEPTICISM

To support and promote audit quality at BDO, we have implemented 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.

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.

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.



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.

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 determine materiality by considering a range of both qualitative and quantitative factors when applying our professional judgement.

Our materiality for the 30 June 2020 audit is based on 2% of forecasted total expenditure of \$190mil. Our estimated materiality levels are set out in the table below:

[GROUP] MATERIALITY	\$3,800,000
CLEARLY TRIVIAL THRESHOLD	\$190,000



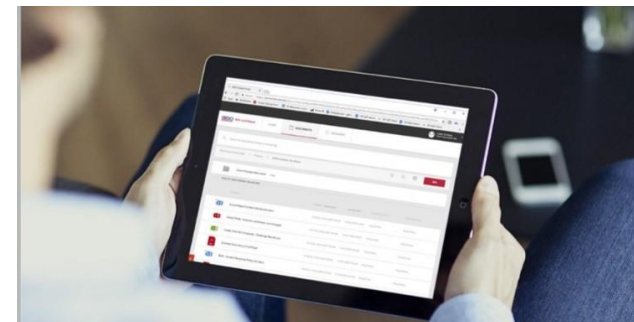
ENHANCING THE CLIENT EXPERIENCE

BDO'S CLIENT PORTAL

To enhance our communication and to reduce any potential expectation gaps, we will use the BDO Client Portal ('portal').

In addition to facilitating the secure exchange of information, the use of the portal assists with project management and provides a live view of progress to both BDO and City of Adelaide.

We will consult with you about how you would like us to communicate during the engagement, and the frequency of our status updates. In addition, whether it is to provide ad-hoc support, brainstorm ideas, or discuss any aspect of our services, the portal can assist. The key features of the portal are illustrated below:



ONLINE CLIENT COLLABORATION

- ▶ Upload information and documentation in one secure place
- ▶ Message function that allows for a seamless trail of engagement communication that all project users can see, meaning no more finding and searching through email threads
- ▶ Track actions and milestones for BDO and client responsibilities.



A FLEXIBLE, SECURE PLATFORM WITH LOCAL CUSTOMISATION

- ▶ Security - permission and access can be set at a project level for different users such as your staff or our BDO teams
- ▶ You can receive a daily or weekly digest, summarising all activity that has occurred on the portal
- ▶ View document audit trails, reducing the risk of email misdirection.



DIGITISED PAPERWORK AND WORKFLOW

- ▶ Approve and sign documents all within the portal, allowing for better transparency and speedier project progress
- ▶ Set dates with calendar reminders for when BDO requires certain documentation or information to be uploaded or completed
- ▶ Assign tasks to specific users
- ▶ Portal supports multiple document types and views.

RISK ASSESSMENT AND AREAS OF AUDIT FOCUS

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 key areas of focus 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 2020, and to determine which risks we will consider to be significant for the purpose of our audit.

AREAS OF FOCUS

Revaluation, depreciation, useful lives and residual values of Infrastructure Assets

Accounting treatment of Capital Work In Progress (WIP)

Accounting treatment for grant funding

Management override of internal controls

Initial adoption of new Accounting Standards AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities*, and AASB 16 *Leases*

TIMELINE

AUDIT TIMELINE

We recognise that regular, timely communication with management and the Audit Committee is critical to maintaining an effective and transparent relationship. Our audit process operates throughout the year so that we can respond to issues as they arise and maintain close communication, with management and the Audit Committee, as the audit cycle progresses.

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 2020
Interim audit visit - Internal controls and financial statements	BDO & the Council	18 May to 29 May 2020
Management letter for interim visit	BDO & the Council	By 12 June 2020
Final audit visit commences	BDO & the Council	24 August to 3 September 2020
Closing meeting with auditors	BDO & the Council	3 September 2020
Submission of Audit Completion Report	BDO	21 September 2020
Financial statements presented to Audit Committee	BDO & the Council	2 October 2020
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	2 October 2020
Issue Independent Auditor's Report and Statement by Auditor in relation to Independence	BDO	2 October 2020

FEES

FEES

The proposed fee for all services provided for the year ending 30 June 2020 is \$70,470. All amounts are exclusive of GST.

AUDIT SERVICES	FY20 PROPOSED
Financial statement audit	\$30,830
Internal financial control audit	\$28,590
Minor audits	\$11,050
Total fee	\$70,470

ASSUMPTIONS

Our proposed fee is based on our understanding of your current operations and the required scope of the audit. If these alter, the proposed fee will need to be revised.

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

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
- ▶ Prior to the commencement of our audit, we will provide you with an audit preparation package.

APPENDIX 1 NEW DEVELOPMENTS

WHAT'S NEW FOR YOUR FINANCIAL REPORT?

AASB 16

The new leases standard, AASB 16 *Leases* is effective for annual periods beginning on or after 1 January 2019 and early adoption is permitted.

This new leases standard, which mainly impacts lessees, will therefore apply for the first time to your 31 December 2019-year end and supersedes existing standard, AASB 117 *Leases*, as well as related interpretations. Although the transition date for full retrospective restatement is 1 January 2018, there is an option of selecting 1 January 2019 as the transition date if the cumulative effect of initial application is recognised as a single entry in opening retained earnings on 1 January 2019 (cumulative catch up method) and additional disclosures are made.

The core principle of AASB 16 is that all assets and liabilities arising under lease contracts are recognised in the statement of financial position as right-of-use assets, with a corresponding lease liability, and an annual expense reflecting depreciation on the leased asset and interest expense, which will vary from period to period, depending on the outstanding balance of the lease liability (i.e. front-end loaded expense).

EXCEPTIONS

There are optional exceptions for short-term leases (i.e. where lease term is for a period of less than 12 months, including extension options), and low value leases (i.e. where the value, as new, is less than approximately US \$5,000).

MAIN IMPLICATIONS

- ▶ There is no longer a distinction made between 'operating' and 'finance' leases, and no more straight-line expense for operating leases
- ▶ Non-cancellable lease payments are included when measuring the right-of-use asset, as well as payments for option periods which the entity is reasonably certain to exercise
- ▶ Contingent rentals (e.g. those linked to sales) are not capitalised into the right-of-use asset but are expensed in profit or loss when incurred.

For more information, please refer to BDO's [Need to Know](#) and Accounting News [article](#), as well as to the 'Leasing' section of our [Issues and Trends](#) page. Please contact Andrew Tickle to discuss any specific implementation issues.

APPENDIX 1 NEW DEVELOPMENTS CONTINUED

AASB 15

The new revenue recognition standard, AASB 15 *Revenue from Contracts with Customers* is a result of a joint project of the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB). It is effective for annual periods beginning on or after 1 January 2018, but application has been deferred by one year for not-for-profit entities. This new revenue standard will therefore apply for the first time to your 30 June 2020 year end and supersedes all existing revenue-related Accounting Standards and Interpretations.

REQUIREMENTS

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under AASB 118 *Revenue*. Included in AASB 15 is a new 'Five Step Model' for recognising revenue. An overview is included:

Step 1 - Identify the contract

Step 2 - Identify separate performance obligations

Step 3 - Determine transaction price

Step 4 - Allocate transaction price to performance obligations

Step 5 - Recognise revenue when each performance obligation satisfied

APPENDIX 1 NEW DEVELOPMENTS CONTINUED

AASB 15 (CONTINUED)

The new revenue recognition standard, AASB 15 *Revenue from Contracts with Customers* is a result of a joint project of the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB). It is effective for annual periods beginning on or after 1 January 2018, but application has been deferred by one year for not-for-profit entities. Early adoption is permitted.

Some of the key practical implications may result in:

- ▶ Unbundling of sales incentives from original sale;
- ▶ Mobilisation fees not being recognised as revenue;
- ▶ Changes to recognition of licence revenue;
- ▶ Financing taken into account when payments made in advance; and
- ▶ More in-depth analysis of new sales contracts / modification of sales contracts.

It is further anticipated there may be flow-on effects to other commercial areas such as, but not limited to:

- ▶ Bonuses based on profits;
- ▶ Deferred consideration based on profit/revenue; and
- ▶ Banking covenants.

While certain industries such as property, technology and licensors may be more affected than others, we urge you to start familiarising yourself with the detailed requirements of AASB 15 so that you can make necessary changes to long-term contracts and accounting systems prior to the effective date of the standard.

Due to the significance of the change to revenue recognition under AASB 15, BDO has released several short webcasts on each of the five steps in the 'Five Step Model'. Please refer to the links below for more information.

- ▶ Step 1: Identify the contract - [Watch web cast](#)
- ▶ Step 2: Identify separate performance obligations - [Watch web cast](#)
- ▶ Step 3: Determine transaction price - [Watch web cast](#)
- ▶ Step 4: Allocate transaction price to performance obligations - [Watch web cast](#)
- ▶ Step 5: Recognise revenue when each performance obligation satisfied - [Watch web cast](#)

Please contact your partner to discuss implementation issues.

APPENDIX 1 NEW DEVELOPMENTS CONTINUED

AASB 1058

On 20 December 2016, the Australian Accounting Standards Board issued the highly anticipated new standard dealing with income recognition, AASB 1058 Income of Not-for-Profit Entities, which applies to annual reporting periods ending on or after 1 January 2019. The application date of the new revenue recognition standard, AASB 15 Revenue from Contracts with Customers has also been deferred to 1 January 2019 for NFPs.

REQUIREMENTS

AASB 1058 establishes principles and guidance when accounting for:

- ▶ Transactions where the consideration given to acquire an asset is significantly less than its fair value, in order to enable the entity to further its objectives; and
- ▶ The receipt of volunteer services.

Various practical examples are contained in the illustrative examples that accompany AASB 1058, and Application Guidance has been added to AASB 15 Revenue from Contracts with Customers to enable NFPs to be able to apply AASB 15 in a not-for-profit context.

On initial recognition of an asset received by a NFP, any related amounts, including contributions by owners, liabilities or revenue, are to be recognised in accordance with other Australian Accounting Standards. This includes the additional new accounting standards, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*.

The combined operation of AASB 1058, AASB 15 and AASB 16 provides specific guidance for NFPs on the principles for recognising various forms of income. For example:

- ▶ If the consideration given, or to be given, by an NFP for an asset is significantly less than the fair value of the asset, AASB 1058 addresses the accounting for the difference.
- ▶ When government grants are received under an enforceable agreement, and there are sufficiently specific performance obligations imposed on the NFP, the components of the grant that relates to those performance obligations would potentially be deferred until the obligations are satisfied.
- ▶ If the performance obligations are not sufficiently specific, the NFP is potentially faced with recognising the grant upon receipt.
- ▶ If the NFP acquired the right to use a property by way of a lease, and the fair value of the right to use the property is significantly greater than the consideration to be given (e.g. a peppercorn lease), the NFP potentially will be required to recognise income for the difference.
- ▶ Certain government NFPs will be required to recognise the financial effect of volunteer services where the fair value of the services can be measured reliably, and the services would have been purchased if they had not been donated. This requirement is not mandatory for private sector NFP entities.

APPENDIX 1 NEW DEVELOPMENTS CONTINUED

AASB 1058 (CONTINUED)

Key issues in implementing the new standard, together with other related amendments, will include:

- ▶ Determining the fair value of assets acquired, particularly where the transaction is on non-commercial terms
- ▶ Determining whether contracts for government grants contain sufficiently specific performance obligations to allow deferral of any component of the grants.

In implementing the new requirements, NFPs will also need to:

- ▶ Review all significant income streams to determine the impact on the financial report
- ▶ Consider the need to change accounting policies and internal financial reporting processes
- ▶ Consider the impact on reporting to stakeholders regarding the NFP's financial position and performance

Ensure proper guidance is provided to boards and audit committees.

APPENDIX 2 OTHER COMMUNICATIONS

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* 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 arise, 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
- ▶ All services performed by any BDO division or office have been reported below.

BDO has not provided any other services during the year to City of Adelaide.

COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

City of Adelaide has an Audit committee and it is common practice for the auditor to liaise directly with the Audit Committee. All our reporting will be to the Presiding Member of Audit committee.

To enhance our communication and to reduce any potential expectation gaps with clients, BDO has adopted a structured reporting system. We will communicate with the Audit committee and management through various means. This includes but is not limited to:

- ▶ This audit plan
- ▶ Interim management letter
- ▶ The BDO Client Portal
- ▶ An audit completion report at the conclusion of the audit
- ▶ The audit report.

1300 138 991
www.bdo.com.au

Distinctively different - it's how we see you
AUDIT • TAX • ADVISORY

NEW SOUTH WALES
NORTHERN TERRITORY
QUEENSLAND
SOUTH AUSTRALIA
TASMANIA
VICTORIA
WESTERN AUSTRALIA

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.

BDO Audit (SA) Pty Ltd ABN 33 161 379 086 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (SA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

www.bdo.com.au

Internal Audit Progress Update

ITEM 5.5 07/02/2020
Audit Committee

2019/01064
Public

Program Contact:
Rudi Deco, Manager Governance
8203 7442

Approving Officer:
Mark Goldstone, Chief Executive
Officer

EXECUTIVE SUMMARY

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

RECOMMENDATION

THAT THE AUDIT COMMITTEE

1. Notes the report.
 2. Endorses the deferral of the Software Licence Internal Audit Review to enable an internal audit on Park Lands expenditure.
-

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	The Internal Audit program provides advice to the Audit Committee on assurance related activities to meet best practice standards.
19/20 Budget Allocation	\$180,000
Proposed 20/21 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
19/20 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, Audit Committee 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 14 May 2019, 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 ([Link 1](#)).
3. The Internal Audit Plan (the Plan) 2018/2020 was endorsed by Audit Committee at its meeting on 5 October 2018. The Audit Committee can at all times consider an amendment to the plan in context of operational needs and priorities.
4. Following a Motion on Notice, Council resolved at its meeting of 28 January 2020 that Council:
 1. *Notes that the previous report on annual Park Lands expenditure provided by administration details that each year we spend approximately a quarter of all rates collected by the city on operational and capital works in the Park Lands.*
 2. *Requests the Audit Committee of Council consider a detailed review of this annual expenditure, interrogating exactly what those funds are spent on to ensure they are being used effectively.*
 3. *Requests the Audit Committee of council provides advice, through its internal audit plan, on best practice for tracking Park Lands expenditure in the future.*
5. The current 2018/2020 Internal Audit Plan has four (4) audits remaining that have not been scoped. These include:
 - 5.1 Project Management Review – *a review of the end to end process of major projects*
 - 5.2 Social Media Audit – *review of the overarching framework, adequacy of controls (passwords etc) and metrics to see if social media channels are reaching their goals*
 - 5.3 Payment Card Industry Compliance - *compliance with the Payment Card Industry Data Security Standard (PCI DSS) and to report on this compliance by presenting its acquiring bank with a completed Self-Assessment Questionnaire (SAQ)*
 - 5.4 Software License Review - *Perform a review of significant software licence agreements (e.g. ERPs) and evaluate the effectiveness of IM's software asset management process in practice. Assess opportunities for cost reduction from improving the management of software licences.*
6. In context of this decision it is suggested to defer the Software Licence Review to enable an audit on Park Lands expenditure as per Council's decision, within the allocated budget. A Software Licence Review will be included within the 2020/2022 Internal Audit Plan presented to Audit Committee in June.
7. A summary of internal audits (IA), strategic reviews (SR) and internal investigations (II) for the period October 2019 to January 2020 is provided below:

Completed projects:	Budgets Management
Continuing projects:	Section 7 Statements Employee Travel Expenditure
Projects commenced:	Fraud Prevention Event Funding

8. Recommendations arising from Internal Audit and Strategic Reviews are reported to SRIA. Associate Directors are involved (as appropriate) in the reviews and assist in drafting the management responses, agree on actions, and have overall responsibility of the completion dates.
9. 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.

10. Since the last Internal Audit Progress Update reported to the Audit Committee at its meeting on 18 October 2019, ten (10) internal audit recommendations have been completed and one hundred and twenty-one (121) 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	20	20
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	45	45
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	31	31
	Total	0	96	96
N/A	Improvement Opportunity	0	25	25

11. Since the last Internal Audit Progress Update reported to the Audit Committee at its meeting on 18 October 2019, two (2) internal investigation recommendations have been completed ([Link 3](#)).

ATTACHMENTS

Nil

- END OF REPORT -

Exclusion of the Public

ITEM 8.1 07/02/2020
Audit Committee

Program Contact:
Rudi Deco, Manager
Governance 8203 7442

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 Audit Committee meeting for the consideration of information and matters contained in the Agenda.

For the following Items for Consideration in confidence

- 9.1** 2019-20 Quarter 2 Commercial Operations Report [s 90(3) (b)]
- 9.2** Update on Activities of the Strategic Risk and Internal Audit Group Meetings [s 90(3) (i)]

The Order to Exclude for Items 9.1 and 9.2

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.
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 AUDIT COMMITTEE

1. Having taken into account the relevant consideration contained in s 90(3) (b) and s 90(2) & (7) of the *Local Government Act 1999 (SA)*, this meeting of the Audit Committee dated 7/2/2020 resolves that it is necessary and appropriate to act in a meeting closed to the public for the consideration of Item 9.1 [2019-20 Quarter 2 Commercial Operations Report] listed on the Agenda.

Grounds and Basis

This Item is confidential as it includes commercial information of a confidential nature where confidence consideration is sought to protect the commercial position of the council and the operating position of Council's business entities operating in a competitive market place prior to the effective date of 30 June 2020.

The disclosure of information in this report to competitors in advance may be to Council's commercial detriment.

Public Interest

The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of this information to competitors in advance may be to Council's commercial detriment.

2. Pursuant to s 90(2) of the *Local Government Act 1999 (SA)* this meeting of the Audit Committee dated 7/2/2020 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 [2019-20 Quarter 2 Commercial Operations Report] 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) (b) of the Act.

ORDER TO EXCLUDE FOR ITEM 9.2

THAT THE AUDIT 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 7/2/2020 resolves that it is necessary and appropriate to act in a meeting closed to the public for the consideration of Item 9.2 [Update on Activities of the Strategic Risk and Internal Audit Group Meetings] listed on the Agenda.

Grounds and Basis

This Item is confidential nature because the report includes information on Council litigation.

The disclosure of information in this report could reasonably be expected to prejudice the outcome of Council's actual litigation.

The Audit Committee is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of this information relates to actual litigation of council.

2. Pursuant to s 90(2) of the *Local Government Act 1999 (SA)* this meeting of the Audit Committee dated 7/2/2020 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 9.2 [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 matters are submitted seeking consideration in confidence.
 - 6.1. Information contained in Item 9.1 – 2019-20 Quarter 2 Commercial Operations Report
 - 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) (b)
 - (b) information the disclosure of which—
 - (i) could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; and
 - (ii) would, on balance, be contrary to the public interest;
 - 6.2 Information contained in Item 9.2 – Update on Activities of the Strategic Risk and Internal Audit Group Meetings
 - 6.2.1 Is not subject to an Existing Confidentiality Order
 - 6.2.2 The grounds utilised to request consideration in confidence is s 90(3) (i)
 - (i) Information relating to the 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

ATTACHMENTS

Nil

- END OF REPORT -

Confidential Item 9.1

2019-20 Quarter 2 Commercial Operations Report Section
90 (3) (b) of the *Local Government Act 1999 (SA)* Pages
104 to 118

Confidential Item 9.2

Update on Activities of the Strategic Risk and Internal Audit Group Meetings
Section 90 (3) (i) of the *Local Government Act 1999 (SA)*
Pages 119 to 123
