



AUDIT COMMITTEE

MINUTES

for the meeting

Friday 9 October 2020

in the Colonel Light Room,
Adelaide Town Hall



Present -

Presiding Member	Mr David Powell
Deputy Presiding Member	Mr Ross Haslam
Members	The Right Honourable the Lord Mayor [Sandy Verschoor] Ms Paula Davies Councillor Hyde (Deputy Lord Mayor)

Apologies –

Proxy Members	<i>Councillor Knoll [proxy for the Lord Mayor]</i> <i>Councillor Couros [proxy for Councillor Hyde]</i>
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In Attendance

Mr Mark Goldstone, Chief Executive Officer, City of Adelaide
Ms Clare Mockler, Deputy CEO & Director Culture, City of Adelaide
Mr Sonjoy Ghosh, Associate Director Information Management and Acting Associate Director Strategic Finance & Performance, City of Adelaide
Mr Rudi Deco, Manager Governance, City of Adelaide
Ms Liz Packer, Manager Financial Accounting, City of Adelaide
Ms Danielle Pedler, Financial Accountant, City of Adelaide
Mr Joe Scordo, Corporate Accountant, City of Adelaide
Mr Justin Jamieson, Partner, KPMG
Ms Heather Martens, Manager, KPMG
Mr Andrew Tickle, Partner, BDO
Lihn Dao, Senior Manager, BDO

Acknowledgement of Country

The Presiding Member stated:

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

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

Confirmation of Minutes**1. Item 1 - Confirmation of Minutes – 7/8/2020 [AC]**

Moved by Mr Haslam,
Seconded by Ms Davies –

That the Minutes of the meeting of the Audit Committee held on 7 August 2020 be taken as read and be confirmed as an accurate record of proceedings.

Carried

Presiding Member Reports

Nil

Presentations

Nil

Reports

2. Item 5.1 - Internal Audit Progress Update [2020/00774] [AC]

Mr Rudi Deco, Manager Governance, City of Adelaide, Mr Justin Jamieson, Partner and Ms Heather Martens, Manager, KPMG provided an overview of the report and responded to questions, during which:

- Councillor Hyde (Deputy Lord Mayor) entered the Colonel Light Room at 8.40 am.
- The Lord Mayor entered the Colonel Light Room at 8.41 am.

It was then –

Moved by Mr Haslam,
Seconded by Councillor Hyde (Deputy Lord Mayor) –

THAT THE AUDIT COMMITTEE

1. Notes the Internal Audit Progress Update report.

Carried

3. Item 5.2 - Audited Financial Statements 2019-20 [AC]

Mr Sonjoy Ghosh, Associate Director Information Management and Acting Associate Director Strategic Finance & Performance, City of Adelaide provided an overview of the report.

Mr Mark Goldstone, Chief Executive Officer, Ms Clare Mockler, Deputy CEO & Director Culture, Mr Sonjoy Ghosh, Ms Liz Packer, Manager Financial Accounting, Ms Danielle Pedler, Financial Accountant and Mr Joe Scordo, Corporate Accountant, City of Adelaide responded to questions.

It was then –

Moved by Mr Haslam,
Seconded by Ms Davies –

THAT THE AUDIT COMMITTEE RECOMMENDS TO COUNCIL

That Council:

1. Considers that the Consolidated Financial Statements present fairly the financial position of the City of Adelaide, having reviewed the Consolidated Financial Statements for 2019-20, contained in Attachment A to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020.
2. Receives the City of Adelaide's Consolidated Financial Statements for 2019-20, contained in Attachment A to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, subject to minor administrative changes and subsequent balance date event adjustments, to be certified by the Chief Executive Officer and the Lord Mayor.
3. Considers it is appropriate that the representation letter requested by the external auditor, contained in Attachment B to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, is signed by management.
4. Notes the Certification of Auditor Independence contained in Attachment C to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020 by the Chief Executive Officer and the Presiding Member of the Audit Committee.
5. Notes the audited Adelaide Central Market Authority Financial Statements for 2019-20 as contained in Attachment D to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, have been audited and have been approved by the Adelaide Central Market Authority Board on 24 September 2020. These financial results have been included in the Consolidated Financial Statements of the City of Adelaide.

6. Notes the Rundle Mall Management Authority Financial Statements for 2019-20, contained in Attachment E to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, have been approved by the Rundle Mall Management Authority Board at its meeting on 21 September 2020, and certified by the Chair of the Board. These financial results are included in the Consolidated Financial Statements of the City of Adelaide; and
 - 6.1. Considers the Financial Statements for 2019-20 present fairly the financial position of the Rundle Mall Management Authority.
 - 6.2. Notes the Certification of Auditor Independence in relation to Rundle Mall Management Authority, contained in Attachment E to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020 is signed by the Chief Executive Officer and the Presiding Member of the Audit Committee.
 - 6.3. Notes the representation letter requested by the external auditor of the Rundle Mall Management Authority, contained in Attachment F to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, is signed by management.
7. Notes the Adelaide Park Lands Authority Financial Statements for 2019-20, contained in Attachment G to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, are included in the Consolidated Financial Statements of the City of Adelaide; and
 - 7.1. Considers the Financial Statements for 2019-20 present fairly the financial position of the Adelaide Park Lands Authority and can be certified by the Lord Mayor as Chair of Adelaide Park Lands Authority.
 - 7.2. Considers it is appropriate that the representation letter requested by the external auditor of the Adelaide Park Lands Authority, contained in Attachment H to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, is signed by management;
 - 7.3. Notes the Certification of Auditor Independence in relation to the Adelaide Park Lands Authority, contained in Attachment I to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, and considers it is appropriate to be signed by the Chief Executive Officer and the Presiding Member of the Audit Committee;
8. Notes the Council Solutions Regional Authority Financial Statements for 2019-20 as contained in Attachment J to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020 have been audited and approved by the Council Solutions Regional Authority Board. These financial results have been included in the Consolidated Financial Statements of the City of Adelaide.
 - 8.1. Notes the Financial Statements for 2019-20 are as at 28 February 2020. Pursuant to Clause 33(1)(a) of Schedule 2 to the *Local Government Act 1999 (SA)*, and at the request of the constituent councils, City of Adelaide, City of Charles Sturt, City of Marion, City of Onkaparinga, City of Salisbury and the City of Tea Tree Gully, the Hon Stephan Knoll MP declared Council Solutions wound up, effective 2 April 2020.
9. Notes the Brown Hill and Keswick Creeks Stormwater Board's Financial Statements for 2019-20 as contained in Attachment K to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020. Council's equity interest of eight percent (8%) is included in the Consolidated Financial Statements of the City of Adelaide.
10. Recommends the 2019-20 Consolidated Financial Statements of the City of Adelaide, and the Financial Statements of the Rundle Mall Management Authority, Adelaide Park Lands Authority, Adelaide Central Market Authority, Brown Hill and Keswick Creeks Stormwater Board and Council Solutions Regional Authority be presented to Council for noting on 13 October 2020.
11. Requests a report to Audit Committee from the administration on capital work in progress to include specific examples and timelines
12. Requests the CEO to implement KPIs within the infrastructure team to deliver within the timeframes specified.
13. Requests a report to Audit Committee on improvements in the process of delivering capital works and financial reporting.

Carried

The Report on Financial Results for Adelaide Central Market Authority which replaced pages 238-240 of the meeting Agenda was tabled and is attached for reference at the conclusion of the Minutes of this meeting.

4. **Item 5.3 - Matters arising from the 2019-20 External Audit [2020/00273] [AC]**

Mr Andrew Tickle, Partner and Ms Lihn Dao, Senior Manager, BDO provided an overview of the report and responded to questions.

It was then –

Moved by Ms Davies,
Seconded by Mr Haslam –

THAT THE AUDIT COMMITTEE

1. Notes the “Annual Completion Report for the year ended 30 June 2020” from Council’s external auditors, BDO, contained in Attachment A to Item 5.3 on the Agenda for the meeting of the Audit Committee held on 9 October 2020.

Carried

Ms Davies left the Colonel Light Room at 9.42 am.

5. **Item 5.4 - Report on Financial Results 2019-20 [2020/00273] [AC]**

Ms Liz Packer, Manager Financial Accounting, City of Adelaide provided an overview of the report.

Ms Liz Packer and Mr Mark Goldstone, Chief Executive Officer, City of Adelaide responded to questions during which Ms Davies re-entered the Colonel Light Room at 9.44 am.

It was then –

Moved by Mr Haslam,
Seconded by the Lord Mayor –

THAT THE AUDIT COMMITTEE

1. Notes the 2019-20 Report on the financial results for the City of Adelaide and its subsidiaries, contained in Attachments A, B, C and D to Item 5.4 on the Agenda for the meeting of the City of Adelaide Audit Committee held on 9 October 2020.

Carried

6. **Item 5.5 - Review undertaken of Audited Financial Statements 2019-20 [2020/00273] [AC]**

Mr Sonjoy Ghosh, Associate Director Information Management and Acting Associate Director Strategic Finance & Performance, City of Adelaide provided an overview of the report and responded to questions.

It was then –

Moved by Mr Haslam,
Seconded by Ms Davies –

THAT THE AUDIT COMMITTEE RECOMMENDS TO COUNCIL

That Council

1. Notes the approach undertaken to prepare the 2019-20 Financial Statements.
2. Notes the focus on financial sustainability and progress made towards improved financial planning and reporting this financial year, which has included Council’s adoption of an Asset Accounting Policy and Fixed Asset Guidelines on 8 September 2020.
3. Recommends the following improvement plan for the management of the work in progress (WIP) for the infrastructure program:
 - 3.1. Revise practices and processes so that all asset custodians and employees who have asset management and asset accounting responsibilities are acting in accordance with the Asset Accounting Policy and Fixed Asset Guidelines.
 - 3.2. Formalise the focus on the management of capital Work in Progress in the context of the City of Adelaide’s budget setting process, quarterly budget reviews and the preparation of financial statements, including:
 - 3.2.1 Review and refine the budgeting and forecasting capitalisation and write-off expense per project and review and resolve variances quarterly.
 - 3.2.2 Review and refine the capital project overhead expenses allocation and adjust quarterly to reflect any changes to the infrastructure program overall.

3.2.3 Improve the end of year revaluation process to allow for adjustments to end of year processes.

Carried

Emerging Key Risks

Nil

Independent Member Discussion

Nil

Other Business

Nil

Exclusion of the Public

7. Item 9.1 - Exclusion of the Public to Consider [2018/04291] [TC]:

For the following items seeking consideration in confidence:

- 10.1 Update on Activities of the Strategic Risk and Internal Audit Group Meetings [s 90(3) (i)]
- 10.2 Confidential Discussion with External Auditors 2019-20 [s 90(3) (b)]

Order to Exclude for Item 10.1

Moved by Councillor Hyde (Deputy Lord Mayor),
Seconded by Mr Haslam –

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 9/10/2020 resolves that it is necessary and appropriate to act in a meeting closed to the public for the consideration of Item 10.1 [Update on Activities of the Strategic Risk and Internal Audit Group Meetings] listed on the Agenda.

Grounds and Basis

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 9/10/2020 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 10.1 [Update on Activities of the Strategic Risk and Internal Audit Group Meetings] listed in the Agenda, on the grounds that such item of business, contains information and matters of a kind referred to in s 90(3) (i) of the Act.

Carried

Order to Exclude for Item 10.2

Moved by Mr Haslam,
Seconded by the Lord Mayor –

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 9/10/2020 resolves that it is necessary and appropriate to act in a meeting closed to the public as the consideration of Item 10.2 [Confidential Discussion with External Auditors 2019-20] listed on the Agenda in a meeting open to the public would on balance be contrary to the public interest.

Grounds and Basis

This Item is confidential because in accordance with Section 7.7.3 of the Audit Committee Terms of Reference, the Audit Committee is required to meet with the external auditors at least once per year, without management present in order to discuss their responsibilities and any issues arising from the external audit.

The disclosure of information in this report may result in the release of information that would breach the Audit Committee's Terms of Reference and may adversely impact the commercial position of the Council.

Public Interest

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 may result in the release of information of a commercial advantage that may adversely impact the Council and would breach the Terms of Reference of the Audit Committee.

2. Pursuant to s 90(2) of the *Local Government Act 1999 (SA)*, this meeting of the Audit Committee dated 9/10/2020 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 10.2 [Confidential Discussion with External Auditors 2019-20] 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.

Carried

There were no members of the public or Corporation staff present not directly involved with Items 10.1 and 10.2 to leave the Colonel Light Room at 9.53 am.

Confidential Item 10.1

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

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

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Confidential Item 10.2

Confidential Discussion with External Auditors 2019-20

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

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The Colonel Light Room re-opened to the public at 10.22 am.

Confidentiality Order

Minute 8 - Item 10.1 - Update on Activities of the Strategic Risk and Internal Audit Group Meetings [AC]

Resolution & Confidentiality Order

THAT THE AUDIT COMMITTEE

1. Notes the report is provided to the next meeting of the Council as part of the confidential report of Audit Committee meeting.
2. In accordance with Section 91(7) & (9) of the *Local Government Act 1999 (SA)* and on the grounds that Item 10.1 [Update on Activities of the Strategic Risk and Internal Audit Group Meetings] listed on the Agenda for the meeting of the Audit Committee held on 9 October 2020 was received, discussed and considered in confidence pursuant to Section 90(3)(i) of the *Local Government Act 1999 (SA)*, this meeting of the Audit Committee, do order that:
 - 2.1. The resolution and Strategic Risk and Opportunity Register (link 1) become public information and included in the Minutes of the meeting.
 - 2.2. The report, the discussion and any other associated information submitted to this meeting and the Minutes of this meeting in relation to the matter remain confidential and not available for public inspection until 31 December 2027.
 - 2.3. The confidentiality of this matter be reviewed in December 2021.
 - 2.4. The Chief Executive Officer be delegated authority to review and revoke all or part of the order herein and directed to present a report containing the Item for which the confidentiality order has been revoked.

Minute 9 - Item 10.2 – Confidential Discussion with External Auditors 2019-20 [AC]

Resolution & Confidentiality Order

THAT THE AUDIT COMMITTEE

1. Receives a verbal report in confidence from Council's external auditors, BDO.
2. In accordance with Section 91 (7) & (9) of the *Local Government Act 1999 (SA)* and because Item 10.2 [Confidential Discussion with External Auditors 2019-20] listed on the Agenda for the meeting of the Audit Committee held on 9 October 2020 was received, discussed and considered in confidence pursuant to Section 90(3)(b) of the *Local Government Act 1999 (SA)*, this meeting of the Audit Committee do order that:
 - 2.1. the resolution and report become public information and included in the Minutes of the meeting.
 - 2.2. the discussion, and any other associated information submitted to this meeting and the Minutes of this meeting in relation to the matter remain confidential and not available for public inspection until 31 December 2027.
 - 2.3. the confidentiality of the matter be reviewed in December 2021.
 - 2.4. the Chief Executive Officer be delegated the authority to review and revoke all or part of the order herein and directed to present a report containing the item for which the confidentiality order has been revoked.

Closure

The meeting closed at 10.22 am.

Mr David Powell
Presiding Member
City of Adelaide Audit Committee

Document Attached:

Minute 3 - Item 5.2 – Audited Financial Statements 2019-20 – Document to replace pages 238-240 of the meeting
Agenda – Report on Financial Results for Adelaide Central Market Authority – Distributed Separately

Report on Financial Results for Adelaide Central Market Authority

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	Actual	Budget
Income			
User Charges	1	8,386	9,257
Grants, Subsidies and Contributions	1	945	-
Investment Income		9	11
Other Income		31	44
Total Income		9,371	9,312
Expenses			
Materials, Contracts & Other Expenses	2	7,775	9,311
Depreciation, Amortisation & Impairment	3	1,277	517
Finance Costs	4	332	200
Total Expenses		9,384	10,028
Operating Surplus / (Deficit)		(13)	(716)
Total Other Comprehensive Income		-	-
Total Comprehensive Income		(13)	(716)

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	Actual	Budget
ASSETS			
Current Assets			
Cash and Cash Equivalents		242	567
Trade & Other Receivables		332	256
Inventories		43	81
Other Current Assets	5	295	-
Total Current Assets		912	904
Non-Current Assets			
Infrastructure, Property, Plant & Equipment		17,115	13,346
Other Non-Current Assets	5	395	-
Total Non-Current Assets		17,510	13,346
Total Assets		18,422	14,250
LIABILITIES			
Current Liabilities			
Trade & Other Payables		1,230	1,204
Borrowings	6	718	-
Total Current Liabilities		1,948	1,204
Non-Current Liabilities			
Borrowings	6	13,822	10,909
Total Non-Current Liabilities		13,822	10,909
Total Liabilities		15,770	12,113
Net Assets		2,652	2,137
EQUITY			
Accumulated Surplus		402	-
Other Reserves		2,250	2,137
Total Equity		2,652	2,137

Notes to the Reports:

1. User Charges / Grants, Subsidies and Contributions

In Quarter 4 City of Adelaide provided support to Market traders with 100% waive of rent. ACMA therefore had a reduction of \$0.9m in rental income with City of Adelaide providing a contribution to replace the income.

2. Materials, Contracts and Other Expenses

Rental expense for the Star Car Park now accounted in depreciation and interest under AASB 16 Leases, causing a reduction of \$0.8m. Turnover rent to City of Adelaide reduced in line with reduced income \$0.6m. Reduced employee costs \$0.2m

3. Depreciation, Amortisation & Impairment

Depreciation includes recognition of the right of use asset for the Star Car Park (\$0.7m) under AASB 16 Leases

4. Finance Costs

Finance costs associated with the lease liability for the Star Car Park (\$0.1m) under AASB 16 Leases

5. Other Current Assets and Other Non-Current Assets

During the year the Authority resolved to provide three month's rent relief to its tenants as a consequence of the COVID-19 pandemic. The rent concession has been recognised as a lease modification under AASB 16 Leases, and the revised consideration is recognised over the remaining lease term.

6. Borrowings

Borrowings now includes the lease liability for the Star Car Park under AASB 16 Leases \$0.7m current and \$4.7m non-current. Non-current borrowings are offset by lower than budget expenditure on capital works resulting in lower borrowings from City of Adelaide.