



AUDIT COMMITTEE

AGENDA & REPORTS

for the meeting

Friday 5 February 2021
at 8.30 am

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 Hyde (Deputy Lord Mayor)
Proxy Members	<i>Councillor Knoll [proxy for the Lord Mayor]</i> <i>Councillor Couros [proxy for Councillor Hyde].</i>

1. Confirmation of Minutes – 6/11/2020 & 24/11/2020

That the Minutes of the meeting of the City of Adelaide Audit Committee held on 6 November 2020 and the Minutes of the Special meeting of the City of Adelaide Audit Committee held on 24 November 2020, 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

4.1. Capitalisation Update [2014/00395]

To be distributed separately

4.2. Strategic Asset Management Plan [2020/01521]

To be distributed separately

4.3. 2021 – 2022 Business Plan and Budget – Setting the Scene [2020/01920]

To be distributed separately

4.4. Service Planning and Performance [2017/03236] [Page 3]

5. Reports

- 5.1. 2020-2021 Quarter 2 Finance Report [2020/00150] [Page 12]
- 5.2. 2020/21 End of Year Financial Reporting Process & Proposed Timetable [2021/00122] [Page 48]
- 5.3. Audit Committee Terms of Reference [2019/02483] [Page 79]
- 5.4. 2021 Audit Committee Meeting Schedule and Work Plan [2019/02483] [Page 91]
- 5.5. Internal Audit Progress Update [2020/00774] [Page 95]

6. Emerging Key Risks**7. Independent Member Discussion****8. Other Business****9. Item Seeking Exclusion of the Public (If required)**

- 9.1. Exclusion of the Public to Consider [2018/04291] [Page 99]:

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. Confidential Item (if any)

- 10.1. Update on Activities of the Strategic Risk and Internal Audit Group Meetings [2020/01604] [Page 102]

11. Closure

Enabling Priorities

Service Planning and Performance
Audit Committee | 5 February 2021

Strategy & Insights
Manager Strategy & Insights



Service Planning and Performance

Recap and Current Focus

Recap

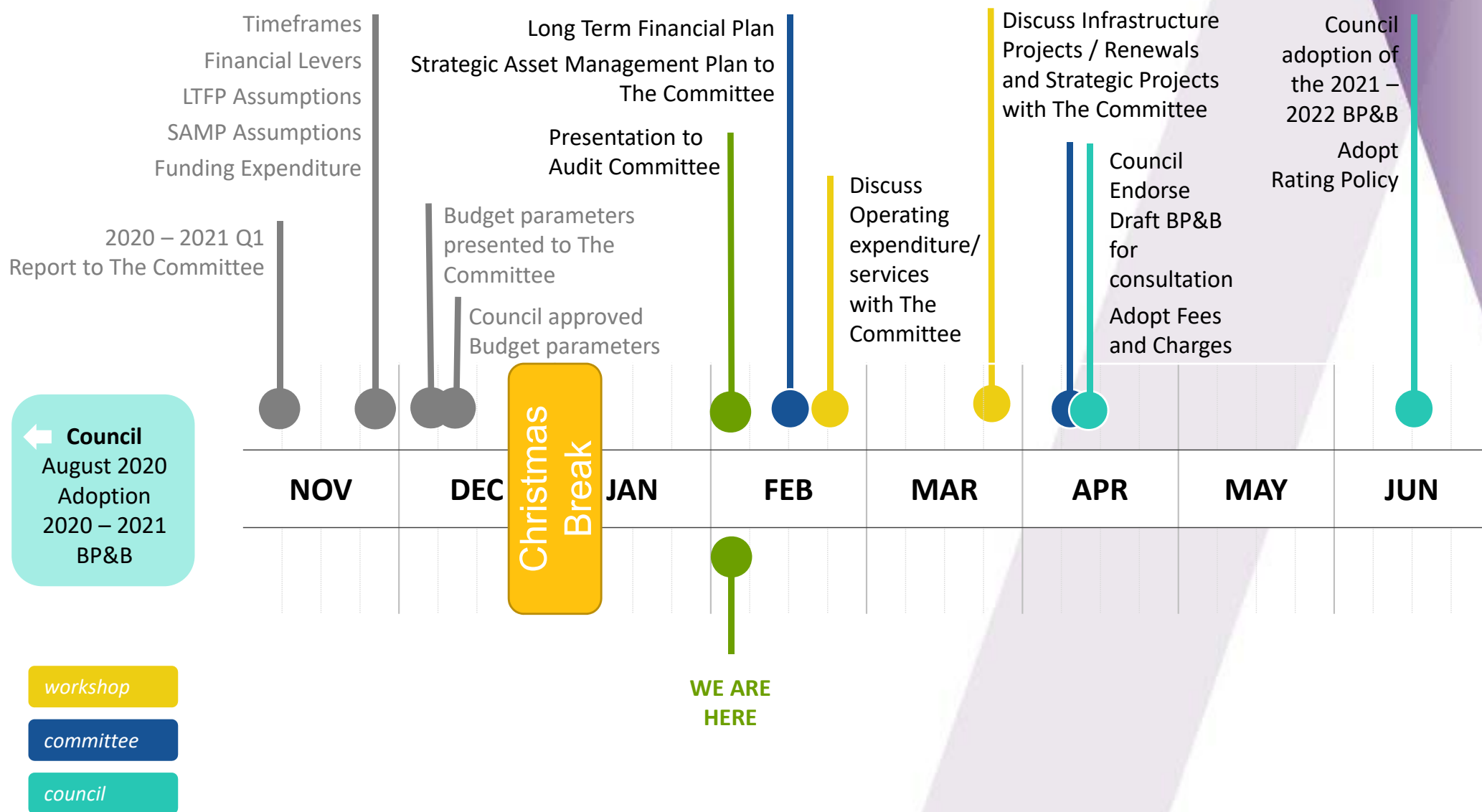
- At the last Audit Committee meeting of 6 November 2020 we presented our framework for capturing Organisational and Service Based performance. *(This work continues to progress).*

Current Focus

- As the Budget Process for 2021-22 commences, we continue to assess service based efficiencies in alignment with the levers outlined in the Council report “*Reshaping our Organisation*” presented on 13 August 2020 one of which was to “*assess our contestability within the market to provide a service*”.
- As the Reshaping of our Organisation moves into implementation, we have also focused on reshaping our Service Directory and the principles behind developing cost of service.

Service Planning and Performance

Where are we now....



Service Planning and Performance

Decisions and Risks

Budget Parameter Decisions (Paraphrased from 15 December Council Meeting**)

That Council:

- 1) **Adopts expenditure and revenue targets based on a rate in the dollar freeze and a rise to fees and charges at CPI.**
- 2) Notes the budget assumptions for the preparation of the draft 2021-22 Business Plan and Budget of:
 - a) Capital Expenditure on Renewal and Replacement of Existing Assets of \$27.6m, with an Asset Sustainability Ratio of 67%
 - b) Capital Expenditure on new and upgraded assets of \$19.2m.

***For full overview of the decisions associated with the report Refer Item 10.12 Council Meeting Minutes 15 December 2020.*

In August 2020, Council noted the considerations and levers for reshaping our organisation. One of these levers was Service Contestability.

Outcomes / Risks / Opportunities

- 1) \$2m is required to be found to meet the current financial year commitment of a permanent \$20m reduction in operating expenditure.
- 2) The adopted expenditure and revenue targets from the Budget Parameters Report requires the following **additional** reductions in expenditure:
 - a) \$5.2m reduction in operating expenditure (Services)
 - b) \$1.3m reduction in strategic project expenditure.
Proposed to be achieved by focussing delivery on multi-year projects already committed in the 2020-21 BP and Budget.
- 3) **Total savings to be achieved \$7.2m**

Service Planning and Performance

Service Contestability – Status Update

Objectives

1. Determine the standard or level of service delivered
2. Determine the true cost of services provided
3. Test each identified / prioritised service in terms of competitiveness
4. Determine if the service provided by council is not competitive
5. Recommend the best approach to provide them competitively

Work to Date

- **Oct 2020** – Went to market to identify consultant to work in conjunction with CoA.
- **December 2020** – Identified successful consultant (KPMG).
- **December 2020** – Kick off meeting with KPMG.
- **January 2020** – Project Team meeting to finalise milestones, outcomes and complete a project risk workshop.

Next Steps

1. Prioritise work packages
2. Finalise methodology and supporting processes
3. Review prioritised work packages
4. Bring outcomes of contestability reviews back to Audit Committee
5. Share outcomes of contestability review with Council ahead of finalising the 2021-22 BP and Budget.

Based on the current Audit Committee Terms of Reference, section 7.4 Service Planning and Performance - We will provide Audit Committee oversight of the services prioritised for review and visibility of the results where significant changes to service delivery are proposed to be made.

Service Planning and Performance

Cost of Service

In support of robust benchmarking and to assess contestability of services.

There is an opportunity to be more transparent and representative of the total cost to deliver our services.

Recommended Approach

The implementation of a full cost attribution model for services is recommended, to reflect direct and indirect costs, inclusive of corporate and management overheads.

Direct costs

- Are operating expenses directly related to the delivery of the service, including employee costs, plant and fleet, variable corporate costs such as laptops, systems etc.

Indirect Costs

- Are costs which enable the delivery of the service and include Management and step/fixed costs within Corporate Services.
 - **Corporate overheads** are costs that do not change unless there is a significant change to the level of service (*step / fixed corporate costs*).
 - **Management overheads** are employee costs associated with overseeing or managing the service.

Corporate Service Costs will also be shown independently to maintain transparency and oversight.

Service Planning and Performance

Reshaping Services - Principles

In alignment with reviewing cost of service and Reshaping our Organisation, we have also been reshaping our Service Directory.

The following principles have guided the proposed approach to Reshaping our Services:

- **Customer Centric:** Services are developed in a way that makes sense to our external audiences. One service may be delivered by multiple teams internally.
- **Outcome focused:** Services reflect the outcomes they deliver for our customers.
- **Holistic:** Functions within a service represent all contributing elements of delivery, from strategy, planning and ongoing operations / maintenance.
- **Sustainable:** Services remain relatively constant and are enduring through structural or strategic plan changes (i.e. based on delivery not structure).
- **Performance based:** Services are established in a way that is consistent with the sector, to support better benchmarking and comparisons over time.

Service Planning and Performance

Proposed Reshaped Services

Why

Improve our ability to:

- Respond to feedback from our customers on the services they value
- Analyse and adapt to shifts in demand
- Measure and report on service performance

Transitioning 91 Services to:

- 13 Outcome-based Council Services
- 2 Subsidiary Services, as per the relevant charters (*Adelaide Central Market Authority & Adelaide Economic Development Agency*)
- 8 Corporate Services

13 Council Services	
Arts, Culture and Events	Parking
Community Development	Planning, Building and Heritage
Community Safety	Property Management and Development
Environmental Sustainability	Roads and Footpaths
Library Services	Sports and Recreation
Park Lands and Open Space	Social and Economic Planning
	Resource Recovery and Waste Management
2 Subsidiary Services	
Adelaide Central Market Authority	Adelaide Economic Development Agency
8 Corporate Services	
Customer Experience	Lord Mayor and Council Members
Finance, Procurement and Rating	Marketing and Communications
Governance	People
Information Management	Strategy, Planning and Insights

Service Planning and Performance

Next Steps

1. Finalise cost of service build in preparation for presenting to The Committee as part of the 2021-22 Business Plan and Budget.
2. Align Organisation Performance to the newly proposed services. Integrating service based performance and planning metrics.
3. Finalise Service Based Delivery Plans aligning Strategic Plan priorities.
4. Deliver Service Contestability Project and report back to Audit Committee and Council.

2020-2021 Quarter 2 Finance Report

ITEM 5.1 05/02/2021
Audit Committee

Strategic Alignment - Enabling Priorities

2020/00150
Public

Program Contact:
Sonjoy Ghosh, AD Strategic
Finance & Performance 8203
7655

Approving Officer:
Clare Mockler, Deputy CEO &
Director City Shaping

EXECUTIVE SUMMARY

The 2020-21 Quarter 2 Finance Report summarises:

- The year to date financial performance for the quarter ended 31 December 2020.
- Proposed adjustments to the 2020-21 Budget to fund emerging priorities and adjust income and expenditure in line with the 2020-21 Quarter 2 Revised Forecast.

The 2020-21 Business Plan and Budget was developed on the basis of best projections of the anticipated impact of COVID-19. It reflects Council's decision that the Chief Executive Officer identify \$20 million in permanent operating expenditure savings this financial year. While good progress has been made towards achieving this target as part of the Reshaping Our Organisation project, not all savings will be realised this financial year. Additional opportunities for achieving ongoing savings will be discussed with Council as part of the 2021-22 Business Plan and Budget process.

Since the adoption of the 2020-21 Quarter 1 Revised Forecast, additional initiatives and projects have been resolved by Council such as the City Business Stimulus Program and the feasibility study for a new Regional Community Aquatic and Recreation facility. These decisions of Council have increased our operating deficit by \$0.99 million. This has been offset by the reprioritisation of savings, and additional income received.

The impact of these net adjustments in the Quarter 2 reforecast to the end of year position are a decrease to:

- Council's forecasted Operating Deficit for 2020-21 from \$39.0 million to \$34.1 million,
- Borrowings from \$92.8 million to \$90.3 million.

This projected level of borrowing as at 30 June 2021 is within our existing Prudential Borrowing Limits.

The Long-Term Financial Plan (LTFP) is provided as an appendix to the Quarter 2 Finance Report provided as **Attachment A** and also reflects the revised budget parameters from 2021/22 that was approved by Council on the 15 December (Item 10.12 - 2021-22 Business Plan and Budget – Budget Parameters).

Further sessions on the 2021-22 Business Plan and Budget will be facilitated with Council from February, which will include workshops on the Strategic Asset Management Plan (SAMP), the LTFP and a review of Council services.

RECOMMENDATION

THAT THE AUDIT COMMITTEE RECOMMENDS TO COUNCIL

That Council

1. Adopts the 2020-21 Quarter 2 Finance Report, including the proposed 2020-21 Quarter 2 Revised Forecast as summarised in Attachment A to Item 5.1 on the Agenda for the meeting of the Audit Committee held on 5 February 2021.
2. Approves a further extension of the rates hardship assistance measures, which have been made available to all City ratepayers on application through the City Support Package, until 30 June 2021.
3. Notes the 2020-21 Quarter 2 Finance Report includes adjustments of (\$0.99) million of increased operating costs as a result of Council decisions in Quarter 2.
4. Notes the updated Long Term Financial Plan, shown in appendix 2 in the Quarter 2 Finance Report as Attachment A to Item 5.1 on the Agenda for the meeting of the Audit Committee held on 5 February 2021.

IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	Strategic Alignment – Enabling Priorities The deliverables and objectives set out in the Quarter 1 Revised Forecast (QF1) document are directly aligned to the delivery of year 1 of the 2020-2024 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 financial indicators have been included in Attachment A to support Council's strategic decision making by comparing the financial sustainability, asset sustainability, liquidity and capacity to respond in the context of the Long Term Financial Plan.
Opportunities	The quarterly review meets Council's obligations under the <i>Local Government Act 1999 (SA)</i> and <i>Local Government (Financial Management) Regulations 2011</i> .
20/21 Budget Allocation	Adjustments to the 2020-21 Budget are detailed throughout the Report and Attachment A
Proposed 21/22 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
20/21 Budget Reconsideration (if applicable)	Adjustments to the 2020-21 Budget are detailed throughout the Report and Attachment A .
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

DISCUSSION

2020-21 Quarter 2 Financial Result

1. The year to date financial position for the quarter ended 31 December 2020 is an operating surplus of \$0.5 million which is \$15.4 million favourable compared to budget of (\$14.9) million. The favourable position is driven by a combination of better than expected income from user fees and charges, city businesses, delay in timing of expenditure and savings.

Better than expected Income

2. Despite the restrictions in November, the quarter saw an increase in activity within the City which has resulted in income from user fees and charges to be better than budgeted for by \$1.8 million, however the income is still significantly lower than the same year to date period for 2019/20 (\$6.6 million).
3. North Adelaide Golf has recovered better than budgeted by \$0.3 million as COVID-19 restrictions have had less of an impact on their business operations than expected and patronage has continued to improve along with secondary purchases.
4. Opportunities and Risks for the rest of the financial year include:
 - 4.1. The Aquatic Centre saw an impact due to the November COVID-19 restrictions and slow recovery from those closures, with swim school bookings being impacted the most. The end of year forecast for the Aquatic Centre remains a loss of \$2.6 million before depreciation.
 - 4.2. UPark has shown and has recognised a favourable income variance for quarter 2, however it is anticipating a lower than forecasted quarter 3 income as COVID-19 restrictions continue to cause major events to be either cancelled, delayed, or downsized.

Operating Activities and Strategic Projects

5. As the November COVID-19 restrictions have eased planning and delivery of operating activities and strategic projects have progressed, the timing of expenditure has been delayed from quarter 2 to quarter 3. Significant activities and strategic projects include:
 - 5.1. Transitioning of \$0.5 million of activities to Adelaide Economic Development Authority (AEDA).
 - 5.2. Completion of various grants and partnership activities worth \$0.2 million.
 - 5.3. Planned delivery of new activation and events to attract more visitors into the city during quarter 3 valued at \$0.2 million
 - 5.4. Delivery of \$0.4 million Climate Change Action Initiative is also planned to be completed in the second half of the year.

Reshaping Our Organisation

6. The 2020-21 Business Plan and Budget was developed on the basis of best projections of the anticipated impact of COVID-19. It reflects Council's decision that the CEO identify \$20 million in permanent operating expenditure savings this financial year.
7. The Quarter 1 Finance Report incorporated the permanent savings of \$2.576 million identified (post the enactment of our COVID-19 Business Continuity Plan) as an initial contribution to the \$20 million operational expenditure savings target set by Council (Phase 1), as reported to Council on 13 August 2020.
8. Through Quarter 2 a proposed new organisational structure was designed to be more efficient and integrated, allowing us to continue to provide quality services to our community while providing value for money for our ratepayers. The implementation of the proposed new structure will be completed in Quarter 3. We anticipate minimal impact on service delivery overall.
9. Good progress has been made towards achieving the target of \$20 million in permanent operating expenditure savings as part of the Reshaping Our Organisation project, however not all savings will be realised this financial year. Both actual and identified savings will be reflected in the Quarter 3 Finance Report and additional opportunities for achieving ongoing savings will be discussed with Council as part of the 2021-22 Business Plan and Budget process.
10. At the end of Quarter 2 the budgeted 2020-21 net reduction is on track to be achieved. Final adjustments will be processed during the next few months and the result will be reported through in the Quarter 3 Finance Report.

Cash flow from Rates Income

11. Rates notices were distributed later than in prior years and rate payers had until 31 December to make payment.

12. As at 12 January, 87.5% of payments have been received and there have been 81 applications for hardship (4% of Q2 rates notices).
13. To continue to provide additional support to those City ratepayers still impacted by COVID-19, a further extension of the Rates Hardship Assistance Measures 30 June 2021 is recommended.

Additional adjustments as requested by Council

14. An allocation of \$0.9 million City Business Stimulus Program through:
 - 14.1. The design and implementation of a digital marketplace for businesses
 - 14.2. An Energy Assessment Pilot Program
 - 14.3. Implementation of an Event Infrastructure Funding Scheme
 - 14.4. South Australian Tourism Commission's Great State Vouchers, incorporating paid experiences and hospitality offerings
 - 14.5. Extension of the Summer Street Beats and Eats series
15. An allocation of \$0.09 million to undertake a detailed feasibility study for a new Regional Community Aquatic and Recreation facility

These requests are funded through a reprioritisation of existing budgets as detailed below.

Proposed adjustments to the Operating Position

16. On Street Parking and Expiations fees and charges income increase of \$0.9 million.
17. Property Recovery of \$0.1m as a result of the finalisation of the 2019-20 turnover rent.
18. UPark favourable income as a result of higher than expected income across multiple UParks \$0.9 million.
19. North Adelaide Golf Course favourable income as result of higher casual rounds and golf cart hire \$0.3 million.
20. Adelaide Central Market Arcade (ACMA) \$0.25 million reduction in income for property leases driven by a higher number of vacancies and rent concessions (\$0.3 million), offset by additional Off-Street Parking income \$0.05 million, and reduction of expenditure of \$0.25 million across employee costs and other expenditure.
21. Savings as a result of cancelled or reduced events as a result of COVID-19 \$0.77m including New Year's Eve and sponsorship funding of external festivals and events.

Infrastructure and Capital Projects Adjustments

22. Multiple changes within the Infrastructure Program including additional funds for Rundle UPark \$0.55 million, and Rundle Park Events Infrastructure \$0.65 million has resulted in an overall decrease of \$0.38 million to the program.
23. The Work in Progress (WIP) write-off forecast has decreased by \$0.6 million following quarterly review of the program.
24. Proposed works on the North Adelaide Golf Course irrigation and purchase of four further golf carts \$0.24 million.

Proposed Revised Quarter 2 Forecast

25. The revised forecast of the Operating Deficit at the end of the 2020-21 financial year is projected to decrease by \$4.9 million, from \$39.0 million to \$34.1 million.
26. Council's borrowings (debt) as at 30 June 2021 is forecasted to decrease by \$2.5 million from \$92.8 million to \$90.3 million.
27. The Revised Financial Statements are included as an Appendix to **Attachment A**.

Forecast Financial Statements and Long Term Financial Plan

28. Council's Long Term Financial Plan has been updated to reflect the revised estimates for interest expense and borrowings for the revised forecasted 2020-21 Financial Year, the initiatives of the Strategic Property Action Plan as approved by Council on 15 December 2020, and the expenditure and revenue targets adopted for the 2021-22 Business Plan and Budget as approved by Council on the 15 December.
29. Financial statements and the Long Term Financial Plan are provided in the appendices to **Attachment A**. These show the forecast operating surplus/(deficit), funding requirement and borrowings in 2020-21 and future years based on the proposed re-timing adjustments.

30. The financial indicators have been included in **Attachment A** to support Council's strategic decision making by comparing the financial sustainability, asset sustainability, liquidity and capacity to respond in the context of the Long Term Financial Plan.

Treasury Report

31. As per the requirements set out in the Treasury and Cash Investment Policy, the borrowing and cash investment performance for year to date as at 31 December 2020 is reported below.
32. Borrowings as at 31 December 2020 were \$42.5 million.

Borrowings Facility	Available	Interest Type	Interest Rate	Borrowing(s) Amount as at 31 December 2020	Change since previous report	Maturity Date	CAD Interest Rate
LGFA CAD* 554	\$30m	Variable	1.35%	\$30m	\$0.0m	16/12/2023	1.35%
LGFA CAD* 555	\$70m	Variable	1.35%	\$12.5m	(\$10.6m)	15/06/2033	1.35%

* The Local Government Finance Authority (LGFA) cash advance debenture (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.

33. The Prudential Limits as at 31 December 2020 based on actual borrowings of \$42.5 million are below:

Prudential Limit Ratio	Comments	Limits	YTD Actual to December 2020
Interest Expense Ratio	Number of times annual General Rates Revenue (less Landscape Levy) can service the annual interest expense	Maximum 10%	1.6%
Leverage Test	Total borrowings relative to annual General Rates Revenue (Less Landscape Levy)	Max 1.5 years	0.8
Asset Test	The percentage of total borrowings to Council's saleable property assets.	Max 25%	12%

34. Interest Income (Expenditure) against the Quarter 2 budget is a net favourable year to date variance of \$0.2 million.

Interest	Quarter Oct-Dec		Dec YTD		Annual	Administration Comments
	Actual	Budget	Actual	Budget	Budget	
Revenue	\$2,072	\$8,800	\$5,235	\$17,600	\$35,200	Interest revenue consists of interest earned on operating monies held in the NAB operating account.
Expense	(\$183,491)	(\$382,500)	(\$416,061)	(\$765,000)	(\$1,530,000)	Interest expense consists of LGFA CAD facility.

ATTACHMENTS

Attachment A – 2020-21 Quarter 2 Finance Report

- END OF REPORT -

City of Adelaide 2020-21 Quarter 2 Finance Report

December 2020

Prepared for the City of Adelaide
by Strategic Finance and Performance

Contents

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Financial Dashboard

Risks and Opportunities

Operational Summary

Uniform Presentation of Finances

Reforecast Adjustments and Re-times

Appendices

1. Budgeted Financial Statements

2. Long Term Financial Plan

Glossary

Asset Sustainability Ratio: Expenditure on asset renewals as a percentage of forecast required expenditure in the asset management plans

Asset Test Ratio: Borrowings as a percentage of total saleable property assets

Debt Service Coverage: Number of times the funding surplus from Operations can fund annual debt (principle and interest) repayments

Leverage Test Ratio: Total borrowings relative to rates revenue (less NRM levy)

Interest Expense Ratio: Proportion of Council's general rate income that is being used to service debt (interest)

Liquidity: Measure of the Council's ability to cover its immediate and short-term debts and obligations

Net Financial Liabilities: Financial liabilities as a percentage of operating surplus

Operating Surplus Ratio: Operating surplus as a percentage of operating revenue

Uniform Presentation of Finances: Annual funding requirement to cover spend on operations and capital

Vacancy Management: Centralisation of vacancies across operations against an annual target of \$1.5m

Work in Progress (WIP): An unfinished project that has not yet been capitalised to our asset register

WIP write off: A portion of an unfinished project which cannot be capitalised and will be expensed once the project is capitalised

Executive Summary

Quarterly Update

Council's year to date financial position is an improvement to forecast budget, driven by greater than expected income and lower expenditure.

Despite the increased restrictions in November, the quarter saw further increases in activity in the City. However, UPark are anticipating future income may be lower than budget as major events are cancelled, delayed or downsized.

The above has been considered and reflected in the Quarter 2 forecast.

Cash flow from Quarter 2 rates notices was due on 31 December. Currently 87.5% has been paid with 81 applications for hardship amounting to 4% of rates. The City of Adelaide hardship policy remains available.

Expenditure is lower than budget year to date, however there are requests for funds in the Quarter 2 forecast for the Council Decision to provide a City Business Stimulus Package and capital project write-offs. Savings have been identified to offset these requests.

Adelaide Central Market Authority are recognising a reduction in rental income as a result of higher than expected vacancies and continued tenant support. This reduction has been offset within the Authority to achieve a zero bottom line adjustment.

Quarter 2 Operating Position

Council's quarter 2 financial position is an operating surplus of \$0.5 million which is \$15.4 million favourable compared to our COVID-19 Recovery budget of (\$14.9) million. This is primarily due to:

- A combination of better than expected income from user fees and charges, city businesses, delay in timing of expenditure and savings
- Works in progress (WIP) write off due to the timing of capital projects, of which adjustments of \$1.8 million are proposed.
- Better than forecast revenue from UPark, On Street Parking and Expiations, noting revenue from user charges is (\$6.6) million below quarters 1 and 2 2019-20. Proposed adjustment of \$1.8 million.

End of Year Operating Position

The revised forecast of our Operating Deficit at the end of the 2020-21 financial year is projected to decrease by \$4.9 million, from (\$39.0) million to (\$34.1) million.

Borrowings

Council's borrowings at 31 December 2020 were \$42.5 million. This is within prudential limits.

The forecast end of year position has decreased by \$2.5 million to \$90.3 million

Risk & Opportunities

Income Expectations

User Charges revenues are 10% higher than budget year to date although still (\$6.6) million lower than the same time in 2019-20.

The 2020-21 COVID-19 recovery budget was built assuming a gradual recovery of revenue. Favourable variances have been recognised however, as we move into the second half of the year, the actual and budget income will be more closely aligned and there is a possibility revenue budget may not be achieved in quarter 3 due to:

- Cancelled and reduced events including Superloop 500 and Tour Down Under.
- Festivals will also be impacted across the peak period of February and March – with reduced numbers of participants – both artists and audiences.

Work in Progress write off

The revised Operating Position includes a decrease to the Work in Progress (WIP) write-off of \$0.6 million.

Reshape Update

A proposed new organisational structure was designed to be more efficient and integrated, allowing us to continue to provide quality services to our community while providing value for money for our ratepayers. The implementation of the proposed new structure will be completed in quarter 3 and we anticipate minimal impact on service delivery overall.

Good progress has been made towards achieving the target of \$20 million in permanent operating expenditure savings as part of the Reshaping Our Organisation project, however not all savings will be realised this financial year. Both actual and identified savings will be reflected in the Quarter 3 Finance Report and additional opportunities for achieving ongoing savings will be discussed with Council as part of the Business Plan and Budget process.

Financial Indicators

Explanation

The table below provides information about the key indicators of the Council's financial performance and financial position. A range of financial indicators have been included to support Council's strategic decision making by comparing the financial sustainability, asset sustainability, liquidity and capacity to respond in the context of the Long Term Financial Plan. These are analysed on pages 16 to 19.

Financial Indicator	Explanation	Target	December Year to Date		Revised Forecast	
			2020-21 Actuals	2020-21 Budget	2020-21 QF1 Budget	Proposed 2020-21 Budget (QF2)
Operating Surplus Ratio	Operating surplus as a percentage of operating revenue	0%-20%	4%	(13%)	(21%)	(18%)
Net Financial Liabilities	Financial liabilities and a percentage of operating revenue	Less than 80%	N/A	N/A	63%	60%
Asset Sustainability Ratio	Asset renewal expenditure as a percentage of required expenditure forecast in the asset management plans	90%-110%	N/A	N/A	74%	74%
Asset Test Ratio	Borrowings as a percentage of total saleable property assets	Maximum 50%	12%	18%	27%	26%
Interest Expense Ratio	Number of times General Rates Revenue (less landscape Levy) can service the annual interest expense	Maximum 10%	1.6%	2.0%	1.3%	1.1%
Leverage Test Ratio	Total borrowings relative to General Rates Revenue (Less landscape Levy)	Maximum 1.5 years	N/A	N/A	0.8	0.8
Borrowings (\$'m)	Total borrowings	Within Prudential Limits	42.5	61.6	92.8	90.3
Operating Surplus (\$'m)	Operating Income less Expenditure	\$2m - \$10m	3.1	(10.6)	(39.0)	(34.1)
Future Fund (\$'m)	Proceeds from the sale of Council assets to fund new income generating assets or new strategic capital projects	-	0.1	0.1	0.1	0.1

The year to date financial indicators are in line with the targets, and borrowings are within the prudential limits. The net financial liabilities and leverage test are marked as not applicable because they are based on annual rate income rather than year to date.

The asset sustainability ratio is also not applicable because it reflects the annual infrastructure renewal program spend against the asset management plan

Operating Summary

Explanation

The Operating Summary provides a breakdown of the key variances in operational income and expenditure between the year to date actuals and adopted budget.

This summary is presented in a format consistent with the Statement of Comprehensive Income.

\$'000s	Year to Date			Revised Forecast		
	2020-21 YTD Actuals	2020-21 YTD Budget	Variance	2020-21 QF1 Budget	Proposed 2020-21 Budget (QF2)	Variance
Income						
Rates Revenues	61,116	61,071	45	118,454	118,454	-
Statutory Charges	5,626	4,998	627	9,369	9,886	517
User Charges	29,076	26,536	2,540	53,879	55,296	1,417
Grants, Subsidies and Contributions	1,869	2,096	(227)	5,469	5,419	(50)
Investment Income	8	18	(10)	35	35	-
Reimbursements	180	334	(154)	691	668	(23)
Other Income	232	269	(36)	349	327	(23)
Total Income	98,106	95,322	2,784	188,247	190,086	1,839
Expenses						
Employee Costs	37,151	38,782	1,631	78,130	77,896	235
Materials, Contracts & Other Expenses	32,931	43,422	10,491	93,076	91,079	1,998
Depreciation, Amortisation & Impairment	26,548	26,825	277	53,638	53,006	631
Finance Costs	965	1,220	255	2,412	2,162	250
Total Expenses	97,594	110,247	12,653	227,256	224,143	3,113
Operating Surplus / (Deficit)	512	(14,925)	15,437	(39,009)	(34,057)	4,952
Asset Disposal & Fair Value Adjustments	(99)	(20)	(79)	491	791	300
Amounts Received Specifically for New or Upgraded Assets	2,548	3,987	(1,439)	7,853	7,877	23
Net Surplus / (Deficit)	2,961	(10,958)	13,919	(30,665)	(25,390)	5,275
Total Comprehensive Income	2,961	(10,958)	13,919	(30,665)	(25,390)	5,275

Operating Summary

Year to Date

Statutory Fees and Charges \$0.6 million Increased expiations and associated revenue

User Fees and Charges \$2.5 million

- UPark \$0.9 million favourable. UPark Plus continues to assist with better than anticipated recovery post-COVID-19
- On Street Parking fees and charges revenue increase \$0.4 million as COVID-19 restrictions ease
- Golf \$0.3 million favourable due to increased rounds across all courses and associated secondary spends
- Central Market Car Park \$0.3 million favourable. Recovery has been faster than anticipated.

Grants, Subsidies & Contributions (\$0.2) million

Delay in recognition of grants as this is matched with delayed expenditure

Reimbursements (\$0.2) million Reduced level of private works completed by Public Realm.

Expenditure

Employee Costs \$1.6 million Employee costs are lower than forecast due to the timing of transition costs and management of vacancies year to date.

Materials, Contracts & Other Expenses \$10.5 million including:

- \$3.3 million of operational and maintenance costs that are adhoc in nature
- \$1.8 million of partnerships and operating activities where funding is still required to achieve 2020-21 Business Plan
- WIP write off \$1.2 million due to the timing of capital projects.
- \$0.5 million of activities moving to AEDA
- Electricity \$0.3 million as current spot market rates low, but expected to rise in Q3 due to peak demand period
- Quarter 2 proposed savings of \$1.7 million and retiming of \$0.5 million.

Depreciation, Amortisation & Impairments \$0.3 million lower depreciation due to the finalisation of the 2019-20 Financial Statements.

Finance Costs \$0.3 million Due to lower debt balance.

End of Year Forecast

Statutory Fees and Charges \$0.5 million

Recognition of year to date favourable variance in expiations and associated revenue.

User Charges \$1.4 million

- Recognition of year to date favourable variance in UPark \$0.9 million, On-Street Parking \$0.4 million and Golf \$0.3 million .
- Adelaide Central Market Arcade (ACMA) (\$0.25) million reduction in income for property leases driven by a higher number of vacancies and rent concessions (\$0.3 million), offset by additional Off-Street Parking income \$0.05 million.
- Property Recovery \$0.1 million due to favourable position for 2019-20 turnover rent.

Grants, Subsidies & Contributions (\$0.05) million

Adelaide Park Lands Authority (APLA) contribution reduced to reflect delivery by in house resourcing (\$0.14) million, partially offset by additional grants received for asset renewals \$0.1 million.

Expenditure

Employee Costs \$0.2 million Includes a reduction of 2.0 FTE across ACMA as the support is being delivered by CoA, and the City Plan project.

Materials, Contracts & Other Expenses \$2.0 million including:

- Council Decisions to provide a City Business Stimulus Program (\$0.9) million, and the Aquatic Centre feasibility study (\$0.09) million, see page 10.
- Cancelled or reduced events as a result of COVID-19 restrictions \$0.77 million, including New Years Eve, Lord Mayor (LM) Christmas Pageant, LM Golf Trophy day, LM Christmas Reception, Sponsorship funding of external festivals and events that have been cancelled.
- Capital works write off \$0.6 million, see slide 14
- City Wide Waste and Recycling Program retimed to 2021-22 \$0.5 million
- Other savings based on year to date favourable position \$1.1 million.

Depreciation, Amortisation & Impairments \$0.6 million

Adjustment following the finalisation of the 2019-20 Financial Statements.

Finance Costs \$0.25 million

Reduced due to year to date lower debt levels

Uniform Presentation of Finances

Explanation

Uniform Presentation of Finances provides a breakdown of the key variances in operations, net outlays on existing assets and net outlays on new and upgraded assets between the year to date Actuals and Original Budget.

\$'000s	December Year to Date			Revised Forecast		
	2020-21 Actuals	2020-21 Budget	Variance	2020-21 QF1 Budget	Proposed 2020-21 Budget (QF2)	Variance
Income	98,106	95,322	2,784	188,247	190,086	1,839
less Expenses	97,594	110,247	12,653	(227,256)	(224,143)	3,113
Operating Surplus / (Deficit) before Capital Amounts	512	(14,925)	15,437	(39,009)	(34,057)	4,952
Outlays on Existing Assets						
Capital Expenditure on Renewal & Replacement of Existing Assets	(12,194)	(18,999)	6,806	(32,613)	(32,898)	(285)
add back Depreciation, Amortisation and Impairment	26,548	26,825	277	53,638	53,006	(631)
add back Proceeds from Sale of Replaced Assets	290	855	(565)	751	751	-
Net Outlays on Existing Assets	14,644	8,680	5,964	21,776	20,859	(917)
Outlays on New and Upgraded Assets						
Capital Expenditure on New and Upgraded Assets	(4,860)	(7,261)	2,401	(31,817)	(32,467)	(650)
add back Amounts received specifically for New and Upgraded Assets	2,548	3,987	(1,439)	4,953	4,977	24
Net Outlays on New and Upgraded Assets	(2,311)	(3,273)	962	(26,864)	(27,490)	(627)
Net Lending / (Borrowing) for the Financial Year	12,845	(9,519)	22,364	(44,097)	(40,688)	3,409

Uniform Presentation of Finances

Year to Date

The year to date Net Lending / (borrowing) position of \$12.5 million is \$25.6 million favourable to the budget of (\$13.0) million. This is largely due to the favourable operating surplus position of \$19.4 million (refer to Page 6), and the timing of expenditure on the renewal and replacement of assets, and new and upgraded assets of \$6.5 million.

Renewal & Replacement of Existing Assets

Capital Expenditure \$6.8 million

- Grote St Renewal \$0.4million – project impacted by COVID with contractor adding second crew to speed up delivery.
- Francis St \$0.4 million– Timing due to seasonal constraints
- North Terrace contribution \$0.2 million – deed not yet finalised, delaying contribution to DIT.
- Plant, Fleet & Equipment \$1.0 million favourable, Purchases have been delayed due to waiting on tender completions.

Depreciation, Amortisation & Impairments \$0.3 million lower depreciation due to the finalisation of the 2019-20 Financial Statements.

Amounts received (\$0.6) million

Timing of sale of plant and fleet and receipt supplementary roads grant

New and Upgraded Assets

Capital Expenditure \$2.4 million

- City Skate Park \$0.2m – works now contracted
- Market to Riverbank (Bentham Street) \$2.4 million - delayed start, SA Health requested all works to halt in the street due to quarantine hotel
- Whitmore Square safety improvements \$0.5 million – awaiting contract execution
- Events Infrastructure \$0.3m – project in final stage of delivery (now completed)

Amounts received (\$1.4) million

Timing, mainly due to City Skate Park (\$0.2) million and Market to Riverbank (Bentham Street) (\$1.2) million.

End of Year Forecast

The revised Net Lending / (Borrowing) position is (\$40.7) million, a decrease of \$3.4 million from the Quarter 1 Revised Budget, driven by a favourable operating position of \$5.0 million, offset by the net outlays on assets of (\$1.5) million as detailed below.

Renewal & Replacement of Existing Assets

Capital Expenditure (\$0.3) million

- Increase in Capital Expenditure of (\$0.6) million resulted in a corresponding net reduction to write off forecast (see slide 15)
- Changes in Infrastructure Renewals Program of \$1 million were used to fund an increase of the Events Infrastructure New/Upgrade project (\$0.65) million and to release savings of \$0.38 million
- Movement of funds in ACMA from upgrade to renewal (\$0.25) million

New and Upgraded Assets

Capital Expenditure (\$0.65) million

- Additional funds reprioritised from Infrastructure Renewals to Events Infrastructure Rundle Park (\$0.65) million due to tender pricing received.
- Movement of funds in ACMA from upgrade to renewal \$0.25 million
- Savings made in Commercial Operations are partly used to fund Golf course irrigation upgrade and new golf carts (\$0.23) million, also seeking grant contribution

Projects

Adjustments and re-timed

Project Explanation	Budget \$'000	Adjustment \$'000	Re-timed \$'000
Aquatic Centre Investigation Council Decision to undertake a detailed feasibility study for a new Regional Community Aquatic and Recreation facility.	-	(90)	-
City Activation Council Decision to reprioritise funds to the Event Infrastructure Funding Scheme, and the Summer Street Beats and Eats.	(785)	150	-
City Plan Project to be delivered with internal resources.	(200)	131	-
City Wide Waste and Recycling Program Delay in recruitment of Project Resource.	(1,000)	-	500
Digital Marketplace Council Decision to design and implement a digital Marketplace for businesses.	-	(250)	-
Energy Assessment Pilot Program Council Decision for an Energy Assessment Pilot Program to reduce operational costs for small businesses.	-	(400)	-
Event Infrastructure Funding Scheme Council Decision to implementation of an Event Infrastructure Funding scheme of up to \$50,000, funded through the reprioritisation of the City Activation Budget.	-	(50)	-
North Adelaide Parking Review Project has been finalised with savings.	(35)	35	-
SATC Great State Vouchers Council Decision to complement and leverage the South Australian Tourism Commission (SATC) Great State Vouchers, incorporating paid experiences and hospitality offerings.	-	(250)	-
Summer Street Beats and Eats Council Decision to extend the Summer Street Beats and East program, funded through reprioritisation of City Activation budget.	-	(100)	-
Torrens Lake Weir Design Movement of existing project from operating to capital to reflect scope.	(16)	16	-
Total		(808)	500

Summary of Adjustments

The adjustments on the left reflect changes to the 2020-21 QF1 Budget to the existing funding allocated to projects. The changes include:

- Council Decision to undertake a detailed feasibility study for a new Regional Community Aquatic and Recreation facility (\$0.09) million
- Council Decision to provide a City Business Stimulus Program through:
 - The design and implementation of a digital Marketplace for businesses by the Adelaide Economic Development Agency (\$0.25) million.
 - An Energy Assessment Pilot Program (\$0.4) million
 - Implementation of an Event Infrastructure Funding scheme (\$0.05) million
 - South Australian Tourism Commission's Great State Vouchers, incorporating paid experiences and hospitality offerings (\$0.25) million
 - Extension of the Summer Street Beats and Eats series (\$0.1) million
- Movement of funds from operating to capital to reflect the nature of the expenditure
- Retiming of the City Wide Waste and Recycling Program due to delay in recruitment of project resources. One role is in place and recruitment is underway for remainder.

The net value of the these adjustments (\$0.8) million has been funded through operational savings.

Infrastructure Program

Adjustments and re-timed

Project* Explanation	Budget \$'000	Adjustment \$'000	Retimed \$'000
New/Significant upgrades			
Events Infrastructure Rundle Park Tender pricing above budget.	(807)	(650)	-
Golf Carts Purchase of an additional 4 golf carts to reflect the increase in demand	-	(56)	-
Golf Course Irrigation Savings made in Commercial Operations are partly used to fund Golf course irrigation upgrade	-	(180)	-
Paxton's Walk and Vaughan Place Design project completed with savings.	(37)	17	-
Peace Park/Town Clerk's Walk Project completed with small overspend.	(314)	(8)	-
Total		(877)	
Transport			
Chesser/Coromandel Street Additional road and footpath renewals brought forward to align with grant funded project. Part of the increase covered by grant transfer from Sussex St (\$5k).	-	Expense (48)	-
		Income 5	
Featherstone Place Agreement with stakeholders cannot be reached this financial year, project re-prioritised to a future year.	(86)	83	-
Grote Street (Morphett St to West Tce) Project can return \$250k savings due to successful Supplementary Roads grant application.	(1,717)	Expense (145)	-
		Income 395	
Hutt Street Design project completed with savings.	(53)	20	-
Sussex Street Project completed with savings \$5k, grant funding transferred to related grant project Chesser/Coromandel St.	-	Expense 5	-
		Income (5)	
Transport Program 20-21 * George St works on hold due to negotiations with adjacent property owners \$227k, * Roads to Recovery grant transferred to the Bridge Program for road reseal of Victoria Bridge \$256k, * Re-prioritisation of Hutt St road renewals due to Masterplan discussions \$722k * Main North Road resurfacing completed with savings \$79k	(6,083)	Expense 1,641	-
		Income (348)	
Total		1,603	
Bridges			
Bridges Renewal Program Allocation of 20/21 Roads to Recovery funding to Victoria bridge road reseal (\$256k). Savings from prior year Bridge Program transferred to Urgent works \$13k.	(509)	(243)	-
Bridges – Assorted Design and Urgent Works Savings from prior year Bridge Program transferred to Urgent Works (\$13k). Operating project Weir 2 handrail design transferred to Capital (\$16k).	(224)	(29)	-
Total		(272)	

Summary of Adjustments

- Changes in Infrastructure Renewals Program of \$1 million were used to fund an increase of the Events Infrastructure New/Upgrade project (\$0.65) million and to release savings of \$0.36 million
- Savings made in Commercial Operations are partly used to fund Golf course irrigation upgrade and new golf carts (\$0.23) million, also seeking grant contribution

* The project adjustments include capital amounts and WIP write-off amounts expensed to the Statement of Comprehensive Income

Infrastructure Program

Adjustments and re-timed

Project* Explanation	Budget \$'000	Adjustment \$'000	Retimed \$'000
Lighting and Electrical			
Lighting and Electrical Renewal Program Funds allocated to Lighting & Electrical Program (\$648k).	(802)	(268)	-
Building Management System and CCTV BMS project delayed to next year.	(800)	648	-
Total		380	
Water Infrastructure			
Creek Rehabilitation Settlement received for design defect \$45k which will cover construction rectification costs.	(43)	Expense (45)	-
		Income 45	-
Water Infrastructure Renewal Program Funds allocated to Stormwater renewal alongside Frome Road.	(1,415)	(150)	-
Total		(150)	
Buildings			
UPark Buildings – Topham Mall Project completed with savings.	(100)	54	-
UPark Buildings – Rundle UPark Latent conditions discovered during construction required additional budget.	(3,378)	(550)	-
Public Conveniences Park 27B Tender pricing above budget.	(84)	(60)	-
Total		(556)	

Summary of Adjustments:

- Building Management System project delayed until future years
- Increase in budget for Rundle UPark due to latent conditions (\$0.55) million, and lighting & electrical renewal program (\$0.27) million

* The project adjustments include capital amounts and WIP write-off amounts expensed to the Statement of Comprehensive Income

Major Projects

Adjustments and re-timed

Project* Explanation	Budget \$'000	Adjustment \$'000	Retimed \$'000
Major Projects			
Quentin Kenihan Accessible Play Space Interest accumulated on the grant released into project \$24k, project completed on budget.	-	Expense (24) Income 24	-
Total		-	

Summary of Adjustments

- Recognition of interest earned for the grant received from the Quentin Kenihan Accessible Play Space.

* The project adjustments include capital amounts and WIP write-off amounts expensed to the Statement of Comprehensive Income

Adelaide Central Market Arcade Capital Projects

Adjustments and re-timed

Project* Explanation	Budget \$'000	Adjustment \$'000	Retimed \$'000
Renewal / Replacement Projects			
Stall Structural Renewal Works			
Re-prioritisation from Tower project due high demand from stall holders	(800)	(250)	-
Total		(250)	
New and Upgraded Projects			
Tower			
Change in project scope and delayed until future year. Funds reprioritised to Stall Structural Renewals Works.	(250)	250	-
Total		250	

Summary of Adjustments

Due to the increasing number of stalls requiring structural refurbishment in 20/21 ACMA are requesting to reallocate \$250k from the Tower into Stall Structural Renewal Works. In order to come to commercial terms with incoming or renewing tenants, the structural renewal works are required to bring deteriorated stalls up to the current building standards. The tower structural works are not a high priority at this point but may be required in the future to allow commercial use of the space.

* The project adjustments include capital amounts and WIP write-off amounts expensed to the Statement of Comprehensive Income

Capital Works Write-off Adjustments

Project	Budget \$'000	Adjustment \$'000
Savings/Additional funds		
Transport Renewals	(651)	250
Lighting & Electrical Renewals	(977)	648
Park Land Renewals	(78)	26
Total		924
Forecasting adjustment		
Transport renewals	(651)	(2)
Bridge Renewals	(8)	(7)
Lighting & Electrical Renewals	(977)	(40)
Urban Renewals	(122)	(3)
Park Land Renewals	(78)	(6)
CITB Levy	(51)	18
ICT Renewals	-	(269)
Total		(309)
Total changes Expense to Capital	-	615

Expense Adjustments

- All capital project budgets are split between capital and non-capital when they are created in the finance system, this allows administration to forecast the expected non-capital (expense) value for the year.
- The Renewals Program was again reviewed during the quarter. Project changes to budget have resulted in a reduction of non-capital expense of \$0.9 million
- This was partly offset by a review of the scope of projects, including ICT Renewals, which increased the non-Capital expense by (\$0.3) million.

Infrastructure Update

Project Status

Project Explanation	Status
Quarter 2 Practical Completion	
Quentin Kenihan Inclusive Playspace (QKIP) Creation of an exemplary regional playspace in Rymill Park / Murlawirrapurka (Park 14). Provision of social, active, cognitive and creative play and recreation opportunities for all ages, abilities and cultures serviced by the wider park facilities and amenities for the local and surrounding areas.	Delivered
Peace Park / Town Clerk's Walk Peace Park irrigation, turf management and tree succession planting. Infill tree planting along Town Clerks Walk.	Delivered
Park 11 - Torrens Path (Albert Bridge to Behind Zoo) Construct new concrete footpath and retaining structures adjacent Torrens.	Delivered
North Terrace (King William Road to Kintore Avenue) Continuation of footpath renewal works on North Terrace (King William Road to Kintore Avenue).	Delivered
Pelzer Park/ Pityarilla (Park 19) Enhancement Final stage (public art element) of Pityarilla / Pelzer Park (Park 19) upgrade.	Delivered
Decorative Lighting Program Hurtle Square Decorative Lighting	Delivered
Hazardous Material Removal Program Jolley's Boathouse hazardous material removal	Delivered
Quarter 2 Planned Practical Completions	
Rymill Park Public Convenience Renewal Renewal of the east toilet block including change room facilities (Inc \$150k Changing Places Grant Funding).	Planned
Playground Renewals for QKIP Main works have reached PC in December - additional path, DDA Car Park Works planned for early Q3.	Planned
Torrens Lake Weir 1 Gate seals replacement.	Planned
Torrens Lake Weir – Component Renewals Gate control system renewal.	Planned
Grote Street Greening to new median to align with Road Renewal, Kerb and Water Table and footpath works	Planned
Events Infrastructure Rundle Park Design and construction of services (e.g. water and power) to the east Park Lands area (Rundle Park / Kadlitpina) to improve the facilitation of key festival events within the City of Adelaide	Planned
Upark Buildings - Rundle Upark Required treatment works to increase the serviceability of the Rundle Street Upark.	Planned
Chesser / Coromandel Asphalt works, planters and street art	Planned
Victoria Bridge Asphalt, Waterproofing and Expansion Joint Replacement	Planned
King William Street Intersections Two out of three intersections complete, KWS/South Tce intersection planned for early Feb as contractor was delayed due to SA Lockdown	Planned

Project Status

- In the second quarter seven projects were delivered. Delivered refers to the construction phase projects being completed, the projects now move in to the close phase which includes handover and financial capitalisation.
- Four of these projects are part of the renewal program, one is New and Upgrade and two are grant funded projects.
- Quentin Kenihan Inclusive Playspace is 100% funded by the State Government and was opened to the public in December.
- Denise Norton Park/ Pardipardinyilla (Park 2) East Enhancement is the final stage of a Major Project funded by a grant contribution
- Ten projects are planned for delivery in the third quarter.

Quarter Performance

financial indicators and performance

Dashboard

The table below provides information about the key indicators of the Council's financial performance and financial position. A range of financial indicators have been included to support Council's strategic decision making by comparing the financial sustainability, asset sustainability, liquidity and capacity to respond in the context of the Long Term Financial Plan (which is provided as Appendix B)

2020-21 Quarter 1 Forecast	2020-21 Quarter 2 Forecast	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan
Borrowings (\$'m) (Total borrowings)										
Target: Prudential Limits										
92.8	90.3	86.3	95.2	80.8	60.4	62.6	55.1	46.1	72.5	112.0
Operating Surplus (\$'m) (Funding surplus/(deficit))										
Target: Financial sustainability										
(39.0)	(34.1)	(0.1)	(1.9)	(3.7)	3.6	3.6	10.0	8.4	12.5	6.4
Operating Surplus Ratio (Operating surplus as a percentage of operating revenue)										
Target: 0%-20%										
(21%)	(18%)	0%	(1%)	(2%)	2%	2%	4%	4%	5%	3%
Net Financial Liabilities (Financial liabilities and a percentage of operating revenue)										
Target: Less than 80%										
63%	60%	56%	62%	54%	38%	38%	34%	30%	39%	54%
Asset Sustainability Ratio (Expenditure on asset renewals as a % of forecast required expenditure in the asset management plans)										
Target: 90%-110%										
74%	74%	67%	100%	100%	100%	100%	100%	100%	100%	100%
Asset Test Ratio (Borrowings as a percentage of total saleable property assets)										
Target: Maximum 50%										
26%	26%	25%	27%	20%	15%	16%	14%	11%	17%	26%
Interest Expense Ratio (Number of times General Rates Revenue (less NRM Levy) can service the annual interest expense)										
Target: Maximum 10%										
1.3%	1.1%	1.2%	1.0%	1.2%	1.0%	0.8%	0.8%	0.7%	0.8%	1.2%
Leverage Test Ratio (Total borrowings relative to General Rates Revenue (Less NRM Levy))										
Target: Maximum 1.5 years										
0.8	0.8	0.7	0.8	0.6	0.5	0.5	0.4	0.3	0.5	0.7

Quarter Performance

financial indicators and performance

Local Government Indicators

These Financial Indicators have been calculated in accordance with *Information paper 9 - Local Government Financial Indicators* prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia

Operating Surplus Ratio (Operating surplus as a percentage of operating revenue)

Target: 0%-20%

(21%)	(18%)	0%	(1%)	(2%)	2%	2%	4%	4%	5%	3%
2020-21 Quarter 1 Forecast	2020-21 Quarter 2 Forecast	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan

This indicator represents the percentage by which the major controllable revenue source varies from day to day operating expenses. Financial sustainability is indicated where a council consistently achieves operating surpluses and has soundly based projections showing it can continue to do so in the future, having regard to asset management and the service level needs of its community.

Target: The Local Government Act target is to achieve an average operating surplus ratio between 0% and 15% over any five-year period. However, as a capital city council, the City of Adelaide has significant responsibilities in improving its public realm, and as such considers that an average operating surplus ratio between 0% and 20%, over any five-year period, is a more appropriate target.

Analysis: The 2020-21 through to 2023-24 financial years are forecasted to fall outside the target range, as a result of anticipated reduction of income from COVID-19. Council's response to remediate is to reduce operating expenditure by \$20m in the 2020-21 Financial Year. This ongoing saving improves the ratio, and overtime operating surpluses are generated to reduce borrowings and reinvest from 2024-25.

Net Financial Liabilities (Financial liabilities and a percentage of operating surplus)

Target: Less than 80%

63%	60%	56%	62%	54%	38%	38%	34%	30%	39%	54%
2020-21 Quarter 1 Forecast	2020-21 Quarter 2 Forecast	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan

This indicator represents the significance of the net amount owed compared with operating revenue. It measures the extent to which Council is managing its debt and highlights that borrowings are often an effective means of financial sustainability, rather than trying to fund all assets and services from operating income. A steady ratio means council is balancing the need to borrow against their affordability of debt. An excessive ratio means Council is borrowing beyond their means and cannot generate the income required to service assets and operations.

Target: The target for Net Financial Liabilities should normally be greater than zero. If not, then it implies that a council is willing to place a higher priority on accumulated financial assets than applying funds generated from ratepayers to the provision of services and/or infrastructure renewal. The target set by City of Adelaide is that liabilities as a percentage of total operating revenue will not exceed 80%.

Analysis: City of Adelaide's net financial liabilities are within the prescribed target.

Quarter Performance

financial indicators and performance

Asset Sustainability Ratio (Expenditure on asset renewals as a % of forecast required expenditure in the asset management plans)

Target: 90%-110%

74%	74%	67%	100%	100%	100%	100%	100%	100%	100%	100%
2020-21 Quarter 1 Forecast	2020-21 Quarter 2 Forecast	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan

This indicator expresses expenditure on asset renewals as a percentage of the projected funding required for asset renewal. It illustrates whether existing assets are being replaced or renewed at the rate they are being consumed and ensures consistent service delivery as determined by the Asset Management Plans (AMPs).

Target: A ratio lower than 100% suggests that Council is not maintaining assets and infrastructure in order to optimise asset lives. A ratio higher than 100% suggests that Council is replacing assets earlier than needed. Adoption of a target ratio between 90% and 110%, is in line with the *Local Government Act 1999*.

Analysis: The Infrastructure and Asset Management Plans (AMPs) are currently being reviewed and updated including asset levels of service, taking into account community needs, population density/growth impacts and asset management principles.

Impacts of reducing the Infrastructure Program in 2020-21 will increase the renewal funding required over the longer term (to enable the renewal backlog to be undertaken), reducing capacity to deliver new and significant upgrade projects, major projects and emerging priorities in the short to medium term.

As a result of the sustainability ratio falling below the target range for 2020-21 and 2021-22, consideration will need to be made for the Long Term Financial Plan funding to take a longer term view on asset replacement to ensure it does not interfere with renewals over the life of the plan.

Quarter Performance

financial indicators and performance

Treasury Report indicators

The Treasury and Cash Investment Policy sets the risk appetite of Council and the amount of borrowing it can sustain as defined by the Prudential Borrowing Limits, as calculated in the following 3 ratios

Asset Test Ratio (Borrowings as a percentage of total saleable property assets)

Target: Maximum 50%

26%	26%	25%	27%	20%	15%	16%	14%	11%	17%	26%
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Interest Expense Ratio (Number of times General Rates Revenue (less NRM Levy) can service the annual interest expense)

Target: Maximum 10%

1.3%	1.1%	1.2%	1.0%	1.2%	1.0%	0.8%	0.8%	0.7%	0.8%	1.2%
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Leverage Test Ratio (Total borrowings relative to General Rates Revenue (Less NRM Levy))

Target: Maximum 1.5 years

0.8	0.8	0.7	0.8	0.6	0.5	0.5	0.4	0.3	0.5	0.7
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2020-21 Quarter 1 Forecast	2020-21 Quarter 2 Forecast	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan
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The maximum level of debt is prescribed by Council by way of prudential limits. While Council does not place a physical monetary limit on the level of borrowings, and upper limit is determined through its financial indicators. When borrowing, Council will consider these indicators.

Target: The Prudential limits set within the Policy are:

Asset Test Ratio Maximum of 50%

Interest Expense Ratio Maximum of 10%

Leverage Test Ratio Maximum 1.5 Years

Prudential limits are breached when one of the ratios fall outside of the targets stipulated in the Treasury and Cash Investment Policy. The breach must be reported with remediation actions to the CEO immediately and reported quarterly within the borrowing and cash investment performance report.

Analysis: City of Adelaide's borrowings are within the prescribed targets across the Long Term Financial Plan

Appendix

A – Budgeted Financial Statements

B - Long Term Financial Plan

Appendix A

Budgeted Financial Statements

Statement of Comprehensive Income			
\$'000s	Consolidated 2020-21 Adopted Budget	Consolidated 2020-21 Quarter 1 Forecast	Consolidated 2020-21 Quarter 2 Forecast
Income			
Rates Revenues	118,455	118,454	118,454
Statutory Charges	8,900	9,369	9,886
User Charges	53,435	53,879	55,296
Grants, Subsidies and Contributions	4,510	5,469	5,419
Investment Income	35	35	35
Reimbursements	691	691	668
Other Income	299	349	327
Total Income	186,326	188,247	190,086
Expenses			
Employee Costs	78,274	78,130	77,896
Materials, Contracts & Other Expenses	88,296	93,076	91,079
Depreciation, Amortisation & Impairment	53,744	53,638	53,006
Finance Costs	2,423	2,412	2,162
Total Expenses	222,737	227,256	224,143
Operating Surplus / (Deficit)	(36,411)	(39,009)	(34,057)
Asset Disposal & Fair Value Adjustments	(300)	491	791
Amounts Received Specifically for New or Upgraded Assets	3,429	7,853	7,877
Net Surplus / (Deficit)	(33,282)	(30,665)	(25,390)
Total Comprehensive Income	(33,282)	(30,665)	(25,390)

Appendix A

Budgeted Financial Statements

Statement of Financial Position			
\$'000s	Consolidated 2020-21 Adopted Budget	Consolidated 2020-21 Quarter 1 Forecast	Consolidated 2020-21 Quarter 2 Forecast
ASSETS			
Current Assets			
Cash and Cash Equivalents	800	800	800
Trade & Other Receivables	14,789	13,340	13,470
Other Financial Assets	129	46	46
Inventories	707	576	576
Total Current Assets	16,424	14,762	14,892
Non-Current Assets			
Financial Assets	225	277	277
Equity Accounted Investments in Council Businesses	629	672	605
Investment Property	2,894	2,889	2,574
Infrastructure, Property, Plant & Equipment	1,867,041	1,871,426	1,872,993
Other Non-Current Assets	1,264	2,161	2,161
Total Non-Current Assets	1,872,053	1,877,425	1,878,610
TOTAL ASSETS	1,888,477	1,892,187	1,893,502
LIABILITIES			
Current Liabilities			
Trade & Other Payables	37,195	25,136	24,505
Provisions	11,320	12,064	12,064
Other Current Liabilities	3,290	3,290	3,290
Total Current Liabilities	48,515	40,490	39,859
Non-Current Liabilities			
Trade & Other Payables	1,000	1,293	293
Borrowings	90,125	92,754	90,345
Provisions	1,585	1,584	1,584
Other Non-Current Liabilities	33,745	33,745	33,745
Total Non-Current Liabilities	126,454	129,376	125,967
TOTAL LIABILITIES	178,259	169,866	165,827
Net Assets	1,710,219	1,722,321	1,727,675
EQUITY			
Accumulated Surplus	790,205	786,626	791,901
Asset Revaluation Reserves	918,355	934,010	934,010
Other Reserves	1,659	1,612	1,612
Future Fund Reserve	-	73	73
Total Council Equity	1,710,219	1,722,321	1,727,675

Appendix A

Budgeted Financial Statements

Statement of Changes in Equity			
\$'000s	Consolidated 2020-21 Adopted Budget	Consolidated 2020-21 Quarter 1 Forecast	Consolidated 2020-21 Quarter 2 Forecast
Balance at the end of previous reporting period	1,743,501	1,752,986	1,752,986
a. Net Surplus / (Deficit) for Year	(33,282)	(30,665)	(25,390)
b. Other Comprehensive Income	-	-	-
Total Comprehensive Income	(33,282)	(30,665)	(25,390)
Gain (Loss) on Revaluation of I, PP&E	-	-	-
Balance at the end of period	1,710,219	1,722,321	1,727,596

Appendix A

Budgeted Financial Statements

Statement of Cash flows			
\$'000s	Consolidated 2020-21 Adopted Budget	Consolidated 2020-21 Quarter 1 Forecast	Consolidated 2020-21 Quarter 2 Forecast
Cash Flows from Operating Activities			
<u>Receipts</u>			
Operating Receipts	188,261	188,197	189,905
<u>Payments</u>			
Operating Payments to Suppliers and Employees	(158,805)	(166,950)	(164,417)
Net Cash provided by (or used in) Operating Activities	29,456	21,247	24,908
Cash Flows from Investing Activities			
<u>Receipts</u>			
Amounts Received Specifically for New/Upgraded Assets	3,429	4,953	4,977
Proceeds from Surplus Assets	1,000	1,000	-
Sale of Replaced Assets	-	751	751
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets	(41,885)	(32,613)	(32,898)
Expenditure on New/Upgraded Assets	(25,999)	(31,817)	(32,467)
Net Cash provided by (or used in) Investing Activities	(63,456)	(57,725)	(59,637)
Cash Flows from Financing Activities			
<u>Receipts</u>			
Proceeds from Borrowings	38,525	41,154	38,745
<u>Payments</u>			
Repayment from Borrowings	-	-	-
Repayment of Principal portion of lease liability	(4,853)	(4,820)	(4,820)
Net Cash provided by (or used in) Financing Activities	33,672	36,334	33,925
Net Increase (Decrease) in Cash Held	(328)	(145)	(224)
plus: Cash & Cash Equivalents at beginning of period	1,128	945	945
Cash & Cash Equivalents at end of period	800	800	721

Appendix A

Budgeted Financial Statements

Uniform Presentation of Finances			
\$'000s	Consolidated 2020-21 Adopted Budget	Consolidated 2020-21 Quarter 1 Forecast	Consolidated 2020-21 Quarter 2 Forecast
Income	186,289	188,247	190,086
less Expenses	(223,118)	(227,256)	(224,143)
Operating Surplus / (Deficit) before Capital Amounts	(36,829)	(39,009)	(34,057)
less Net Outlays on Existing Assets			
Net Capital Expenditure on Renewal & Replacement of Existing Assets	(41,885)	(32,613)	(32,898)
less Depreciation, Amortisation and Impairment	53,744	53,638	53,006
less Proceeds from Sale of Replaced Assets	-	751	751
Net Outlays on Existing Assets	12,724	21,776	20,859
less Net Outlays on New and Upgraded Assets			
Net Capital Expenditure on New and Upgraded Assets	(25,999)	(31,817)	(32,467)
less Amounts received specifically for New and Upgraded Assets	14,650	4,953	4,977
Net Outlays on New and Upgraded Assets	(11,349)	(26,864)	(27,490)
Net Lending / (Borrowing) for Financial Year	(35,454)	(44,097)	(40,688)

Appendix B

Long Term Financial Plan

Statement of Comprehensive Income											
\$'000s	2020-21 Quarter 1 Forecast	2020-21 Quarter 2 Forecast	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan
Income											
Rates Revenues	118,454	118,454	121,123	124,150	127,680	132,250	136,698	140,643	144,667	148,772	152,958
Statutory Charges	9,369	9,886	11,869	11,976	12,173	12,373	12,576	12,819	13,068	13,322	13,580
User Charges	53,879	55,296	61,083	62,274	61,012	68,685	69,893	71,225	72,637	74,076	75,544
Grants, Subsidies and Contributions	5,469	5,419	3,029	3,074	3,128	3,182	3,238	3,303	3,369	3,436	3,505
Investment Income	35	35	25	26	26	27	27	28	28	29	29
Reimbursements	691	668	699	710	722	735	748	763	778	794	810
Other Income	349	327	303	308	313	318	324	331	337	344	351
Total Income	188,247	190,086	198,131	202,518	205,054	217,570	223,505	229,112	234,885	240,772	246,777
Expenses											
Employee Costs	78,130	77,896	71,712	73,285	74,854	76,458	78,096	79,689	81,315	82,974	84,667
Materials, Contracts & Other Expenses	93,076	91,179	71,497	76,309	77,739	81,229	82,123	83,829	86,762	92,255	96,130
Depreciation, Amortisation & Impairment	53,638	53,006	52,829	52,446	53,675	54,111	57,853	53,846	56,951	51,418	57,386
Finance Costs	2,412	2,162	2,192	2,376	2,462	2,144	1,863	1,732	1,505	1,602	2,148
Total Expenses	227,256	224,143	198,231	204,416	208,730	213,942	219,934	219,096	226,532	228,249	240,331
Operating Surplus / (Deficit)	(39,009)	(34,057)	(101)	(1,898)	(3,677)	3,628	3,570	10,016	8,353	12,524	6,446
Asset Disposal & Fair Value Adjustments	491	791	(861)	2,090	2,213	-	-	-	-	-	-
Amounts Received Specifically for New or Upgraded Assets	7,853	7,877	132	-	-	-	-	-	-	-	-
Net Surplus / (Deficit)	(30,665)	(25,390)	(830)	192	(1,464)	3,628	3,570	10,016	8,353	12,524	6,446
Changes in Revaluation Surplus - I,PP&E	-	-	-	-	42,873	-	-	-	-	-	-
Net Actuarial Gains/(Loss) on Defined Benefit Plan	-	-	-	-	-	-	-	-	-	-	-
Total Other Comprehensive Income	-	-	-	-	42,873	-	-	-	-	-	-
Total Comprehensive Income	(30,665)	(25,390)	(830)	192	41,409	3,628	3,570	10,016	8,353	12,524	6,446

Appendix B

Long Term Financial Plan

Statement of Financial Position												
\$'000s	2020-21 Quarter 1 Forecast	2020-21 Quarter 2 Forecast	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan
ASSETS												
Current Assets												
Cash and Cash Equivalents	800	800	800	800	800	800	800	800	800	800	800	800
Trade & Other Receivables	13,340	13,470	13,121	13,089	13,164	13,935	14,311	14,669	15,038	15,414	15,798	16,193
Other Financial Assets	46	46	41	37	33	30	27	24	22	20	18	16
Inventories	576	576	576	576	576	576	576	576	576	576	576	576
Total Current Assets	14,762	14,892	14,539	14,502	14,573	15,341	15,714	16,069	16,436	16,810	17,192	17,585
Non-Current Assets												
Financial Assets	277	277	249	225	202	182	164	147	133	119	107	97
Equity Accounted Investments in Council Businesses	672	605	605	605	605	605	605	605	605	605	605	605
Investment Property	2,889	2,574	2,600	2,626	2,652	2,679	2,705	2,732	2,760	2,787	2,815	2,843
Infrastructure, Property, Plant & Equipment	1,871,426	1,872,993	1,882,086	1,892,422	1,914,373	1,885,389	1,885,712	1,882,744	1,877,598	1,911,887	1,953,718	1,995,104
Other Non-Current Assets	2,161	2,161	2,161	2,161	2,161	2,161	2,161	2,161	2,161	2,161	2,161	2,161
Total Non-Current Assets	1,877,425	1,878,610	1,887,701	1,898,039	1,919,992	1,891,015	1,891,347	1,888,390	1,883,256	1,917,560	1,959,407	2,000,810
TOTAL ASSETS	1,892,187	1,893,502	1,902,240	1,912,540	1,934,566	1,906,356	1,907,060	1,904,459	1,899,691	1,934,369	1,976,598	2,018,395
LIABILITIES												
Current Liabilities												
Trade & Other Payables	25,136	24,584	22,705	22,747	29,675	23,225	23,285	23,351	23,424	22,167	22,246	21,660
Provisions	12,064	12,064	12,305	12,551	12,802	13,058	13,320	13,586	13,858	14,135	14,418	14,706
Other Current Liabilities	3,290	3,290	5,093	5,140	5,276	5,434	5,504	4,513	3,291	4,144	3,473	3,599
Total Current Liabilities	40,490	39,938	40,104	40,439	47,754	41,718	42,108	41,450	40,573	40,446	40,136	39,965
Non-Current Liabilities												
Trade & Other Payables	1,293	293	1,293	7,293	293	293	293	293	293	293	293	293
Borrowings	92,754	90,345	85,678	94,560	80,104	59,703	61,916	54,435	45,447	71,836	111,364	149,677
Provisions	1,584	1,584	1,616	1,648	1,681	1,715	1,749	1,784	1,820	1,856	1,893	1,931
Other Non-Current Liabilities	33,745	33,745	46,782	41,642	36,366	30,932	25,428	20,915	17,624	13,480	10,007	6,408
Total Non-Current Liabilities	129,376	125,967	135,370	145,143	118,444	92,643	89,386	77,427	65,184	87,466	123,558	158,310
TOTAL LIABILITIES	169,866	165,906	175,474	185,582	166,198	134,360	131,495	118,877	105,757	127,911	163,694	198,274
Net Assets	1,722,321	1,727,596	1,726,766	1,726,958	1,768,368	1,771,996	1,775,566	1,785,582	1,793,934	1,806,458	1,812,904	1,820,120
EQUITY												
Accumulated Surplus	786,626	791,901	788,971	782,663	756,200	734,328	737,898	747,914	756,266	768,790	775,236	782,452
Asset Revaluation Reserves	934,010	934,010	934,010	934,010	976,883	976,883	976,883	976,883	976,883	976,883	976,883	976,883
Other Reserves	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612
Future Reserve Fund	73	73	2,173	8,673	33,673	59,173	59,173	59,173	59,173	59,173	59,173	59,173
Total Council Equity	1,722,321	1,727,596	1,726,766	1,726,958	1,768,368	1,771,996	1,775,566	1,785,582	1,793,934	1,806,458	1,812,904	1,820,120

Appendix B

Long Term Financial Plan

Statement of Changes in Equity												
\$'000s	2020-21 Quarter 1 Forecast	2020-21 Quarter 2 Forecast	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan
Balance at the end of previous reporting period	1,752,986	1,752,986	1,727,596	1,726,766	1,726,958	1,768,368	1,771,996	1,775,566	1,785,582	1,793,934	1,806,458	1,812,904
a. Net Surplus / (Deficit) for Year	(30,665)	(25,390)	(830)	192	(1,464)	3,628	3,570	10,016	8,353	12,524	6,446	7,217
b. Other Comprehensive Income												
Total Comprehensive Income	(30,665)	(25,390)	(830)	192	(1,464)	3,628	3,570	10,016	8,353	12,524	6,446	7,217
Gain (Loss) on Revaluation of I, PP&E					42,873							
Balance at the end of period	1,722,321	1,727,596	1,726,766	1,726,958	1,768,368	1,771,996	1,775,566	1,785,582	1,793,934	1,806,458	1,812,904	1,820,120

Appendix B

Long Term Financial Plan

Statement of Cash flows

\$'000s	2020-21 Quarter 1 Forecast	2020-21 Quarter 2 Forecast	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan
Cash Flows from Operating Activities												
<u>Receipts</u>												
Operating Receipts	188,197	189,905	198,479	202,551	204,978	216,800	223,129	228,754	234,516	240,396	246,393	252,559
<u>Payments</u>												
Operating Payments to Suppliers and Employees	(166,950)	(164,338)	(145,237)	(151,687)	(154,803)	(158,995)	(168,698)	(164,890)	(169,211)	(176,453)	(182,561)	(186,922)
Net Cash provided by (or used in) Operating Activities	21,247	25,567	53,243	50,864	50,176	57,805	54,431	63,864	65,305	63,943	63,833	65,637
Cash Flows from Investing Activities												
<u>Receipts</u>												
Amounts Received Specifically for New/Upgraded Assets	4,953	4,977	132	-	-	-	-	-	-	-	-	-
Proceeds from Surplus Assets	1,000	-	3,100	12,500	25,000	18,500	-	-	-	-	-	-
Sale of Replaced Assets	751	751	-	-	-	-	-	-	-	-	-	-
<u>Payments</u>												
Expenditure on Renewal/Replacement of Assets	(32,613)	(32,898)	(27,563)	(53,004)	(55,539)	(50,627)	(51,210)	(50,878)	(51,804)	(85,707)	(99,217)	(99,806)
Expenditure on New/Upgraded Assets	(31,817)	(32,467)	(19,190)	(14,188)	-	-	-	-	-	-	-	-
Net Cash provided by (or used in) Investing Activities	(57,725)	(59,637)	(43,521)	(54,693)	(30,539)	(32,127)	(51,210)	(50,878)	(51,804)	(85,707)	(99,217)	(99,806)
Cash Flows from Financing Activities												
<u>Receipts</u>												
Proceeds from Borrowings	41,154	38,745	-	8,882	-	-	2,213	-	-	26,389	39,528	38,313
<u>Payments</u>												
Repayment from Borrowings	-	-	(4,667)	-	(14,456)	(20,401)	-	(7,482)	(8,988)	-	-	-
Repayment of Lease Liabilities	(4,820)	(4,820)	(5,055)	(5,053)	(5,181)	(5,276)	(5,434)	(5,504)	(4,513)	(4,625)	(4,144)	(4,144)
Repayment of Bonds & Deposits	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash provided by (or used in) Financing Activities	36,334	33,925	(9,722)	3,829	(19,637)	(25,677)	(3,221)	(12,986)	(13,500)	21,764	35,384	34,169
Net Increase (Decrease) in Cash Held	(145)	(145)	(0)	(0)	(0)	0	(0)	0	(0)	(0)	0	0
plus: Cash & Cash Equivalents at beginning of period	945	945	800	800	800	800	800	800	800	800	800	800
Cash & Cash Equivalents at end of period	800	800	800	800	800	800	800	800	800	800	800	800

Appendix B

Long Term Financial Plan

Uniform Presentation of Finances												
\$'000s	2020-21 Quarter 1 Forecast	2020-21 Quarter 2 Forecast	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan
Income	188,247	190,086	198,131	202,518	205,054	217,570	223,505	229,112	234,885	240,772	246,777	252,954
less Expenses	(227,256)	(224,143)	(198,231)	(204,416)	(208,730)	(213,942)	(219,934)	(219,096)	(226,532)	(228,249)	(240,331)	(245,737)
Operating Surplus / (Deficit) before Capital Amounts	(39,009)	(34,057)	(101)	(1,898)	(3,677)	3,628	3,570	10,016	8,353	12,524	6,446	7,217
Net Outlays on Existing Assets												
Capital Expenditure on Renewal & Replacement of Existing Assets	(32,613)	(32,898)	(27,563)	(53,004)	(55,539)	(50,627)	(51,210)	(50,878)	(51,804)	(85,707)	(99,217)	(99,806)
add back Depreciation, Amortisation and Impairment	53,638	53,006	52,829	52,446	53,675	54,111	57,853	53,846	56,951	51,418	57,386	58,420
add back Proceeds from Sale of Replaced Assets	751	751	-	-	-	-	-	-	-	-	-	-
Net Outlays on Existing Assets	21,776	20,859	25,266	(558)	(1,864)	3,483	6,643	2,968	5,146	(34,289)	(41,831)	(41,386)
Net Outlays on New and Upgraded Assets												
Capital Expenditure on New and Upgraded Assets	(31,817)	(32,467)	(19,190)	(14,188)	-	-	-	-	-	-	-	-
add back Amounts received specifically for New and Upgraded Assets	4,953	4,977	132	-	-	-	-	-	-	-	-	-
add back Proceeds from Sale of Surplus Assets			2,100	6,500	25,000	25,500	-	-	-	-	-	-
Net Outlays on New and Upgraded Assets	(26,864)	(27,490)	(16,958)	(7,688)	25,000	25,500	-	-	-	-	-	-
Net Lending / (Borrowing) for Financial Year	(44,097)	(40,688)	8,208	(10,144)	19,459	32,612	10,213	12,984	13,499	(21,766)	(35,385)	(34,169)

2020/21 End of Year Financial Reporting Process & Proposed Timetable

ITEM 5.2
05/02/2021 **Audit**
Committee

Strategic Alignment - Enabling Priorities

Program Contact:
Sonjoy Ghosh, AD Strategic
Finance & Performance 8203
7655

2021/00122
Public

Approving Officer:
Clare Mockler, Deputy CEO &
Director City Shaping

EXECUTIVE SUMMARY

The *Local Government Act 1999 (SA)* 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 2020/21 End of Year Financial Reporting process and external audit timetable as contained in **Attachment C** to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 5 February 2021.
2. Notes that the external audit plan as contained in **Attachment C** to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 5 February 2021 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 2021 as detailed in **Attachment A** to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 5 February 2021.
4. Approves the External Audit terms of engagement as contained in **Attachments A and B** to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 5 February 2021.

IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	Strategic Alignment – Enabling Priorities 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
20/21 Budget Allocation	The Audit Fees of \$63,800 are fully budgeted for in General Operating Expenditure
Proposed 21/22 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
20/21 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](#). 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* – 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.
 - 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 17 to 28 May 2021.
8. The final audit concentrating of the Corporation’s Balance Sheet and Financial Statements will be carried out during the period 23 August to 3 September 2021.
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 1 October 2021 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 1 October 2021.
12. The final report for presentation to Council of the Financial Statements is planned for the meeting of Council scheduled for 12 October 2021.
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 2021. This has been included as Appendix 1 to **Attachment A**.

DATA AND SUPPORTING INFORMATION

Link 1 – Local Government Act (SA) 1999 & Local Government (Financial Management) Regulations 2011
Extracts

ATTACHMENTS

Attachment A – Letter of Engagement – Financial Statements

Attachment B – Letter of Engagement – Internal Controls

Attachment C – External Audit Plan

- END OF REPORT -



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

27 January 2021

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 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies, and the certification of the financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

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

The responsibilities of the auditor

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

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



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

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

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

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

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



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

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

Other requirements

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

Expected form and content of the auditor's report

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

Fees

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

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

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

Our 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 services agreement for provision of external audit services contract number T2020 0038.

Yours faithfully

BDO Audit (SA) Pty Ltd

A handwritten signature in blue ink that reads 'Paul Gosnold'.

Paul Gosnold
Director

A handwritten signature in blue ink that reads 'Linh Dao'.

Linh Dao
Associate 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 2021, the consolidated statement of profit or 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 2021 and its financial performance and its cash flows 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 (including Independence Standards)* (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

Paul Gosnold
Director

Adelaide, XX October 2021



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

27 January 2021

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 2020 to 30 June 2021 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 services agreement for provision of external audit services contract number T2020 0038.

Yours sincerely

BDO Audit (SA) Pty Ltd

A handwritten signature in blue ink that reads 'Paul Gosnold'.

Paul Gosnold
Director

A handwritten signature in blue ink that reads 'Linh Dao'.

Linh Dao
Associate 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 2020 to 30 June 2021 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 2020 to 30 June 2021.

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

Paul Gosnold
Director

Adelaide, XX October 2021

CITY OF ADELAIDE

Annual audit plan

30 June 2021



Item 5.2-4

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- 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 12
- Fees 13
- Appendix 1 Other communications 14



Item 5.2 Attachment C

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 2021.

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 discuss our plan with you at the Audit Committee on 5 February 2021.

Please feel free to contact us on if you have any questions or would like to discuss the content of this plan further.

Yours faithfully

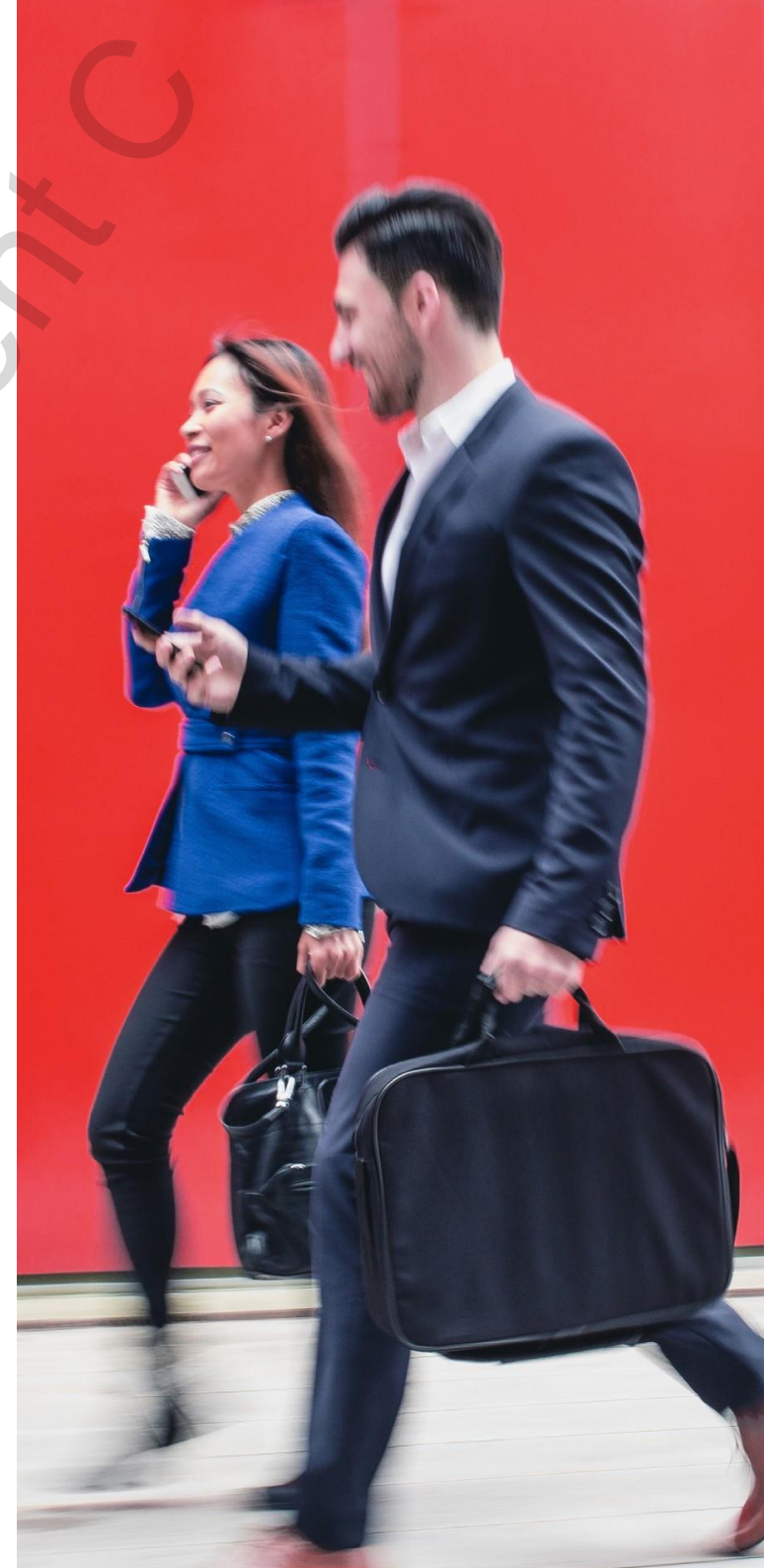


Paul Gosnold
Lead audit partner

Adelaide, 27 January 2021



Linh Dao
Associate Director



YOUR BDO TEAM

Your engagement team 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 Paul Gosnold as Engagement Partner. Paul will oversee the co-ordination of the audit and will have primary responsibility for working with Sonjoy Ghosh and his team.

Supporting Paul will be Geoff Edwards as Engagement Quality Review Partner and Linh Dao as the engagement manager.

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

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

SPECIALIST

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 Council's IT environment and any relevant IT general controls for the audit.



JASON FOSTER

Associate Director - Digital and Technology Advisory

Tel: +61 427 953 800

Jason.Foster@bdo.com.au



PAUL GOSNOLD

Engagement Partner

Tel: +61 8 7324 6049

Paul.Gosnold@bdo.com.au



GEOFF EDWARDS

Engagement Quality Review Partner

Tel: +61 8 7324 6061

Geoff.Edwards@bdo.com.au



LINH DAO

Associate Director

Tel: +61 8 7324 6147

Linh.Dao@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, 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.

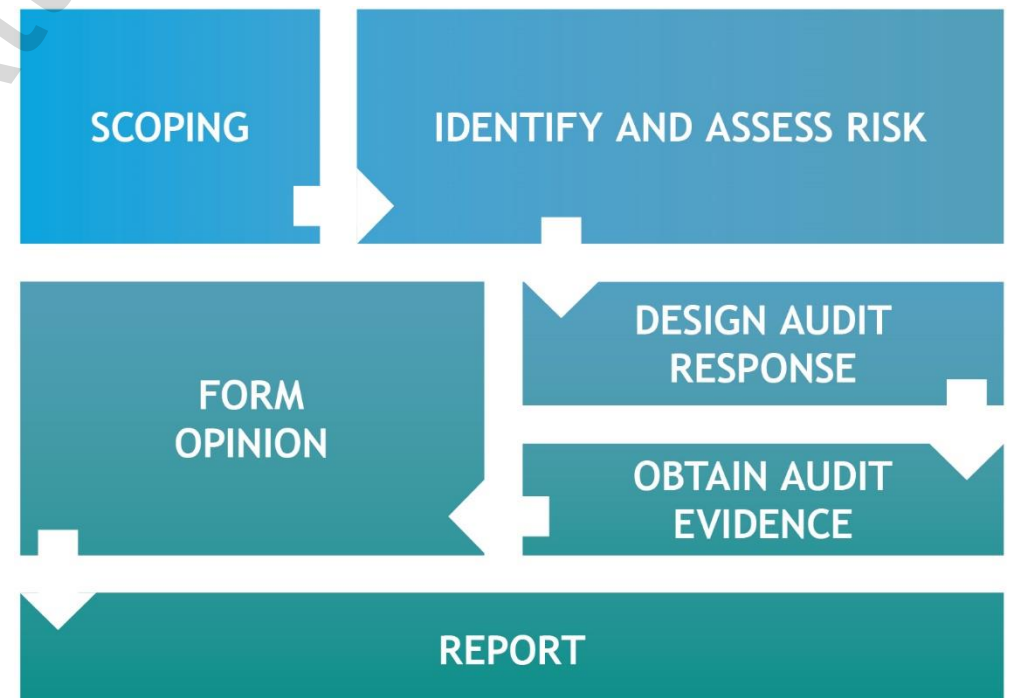
OUR APPROACH

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.

This understanding is also supported by our assessment of internal controls based on the criteria in the Better Practice Model - Financial Internal Control for South Australian Councils, to allow us to express an opinion on the matters set out in Section 129(b) of the *Local Government Act 1999*.

Any deficiencies that come to our attention during our assessment are initially communicated with management to discuss reason and potential effects of the deficiency as well as any mitigating controls.

These are reported to the Audit Committee, with recommendations and management comments, in our annual completion report that is provided at the completion of our audit.

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 2021 audit is based on 2% of forecasted total expenditure of \$220mil. Our estimated materiality levels are set out in the table below:

MATERIALITY	\$4,400,000
CLEARLY TRIVIAL THRESHOLD	\$220,000



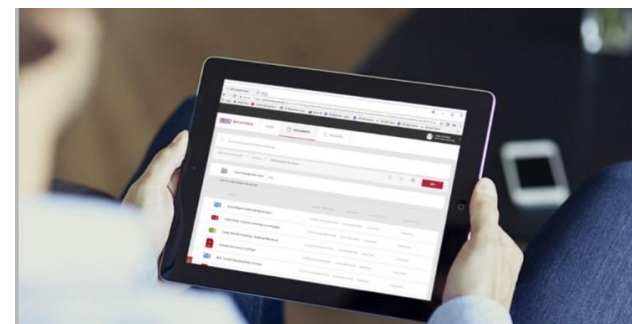
ENHANCING THE CLIENT EXPERIENCE

BDO'S CLIENT PORTAL

To enhance our communication and to reduce any potential expectation gaps, we will use the BDO Global 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
- ▶ 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 2021, and to determine which risks we will consider to be significant for the purpose of our audit.

AREAS OF FOCUS	OUR PERSPECTIVE	PLANNED RESPONSE
Revaluation, depreciation, useful lives and residual values of infrastructure assets	Council's infrastructure, property, plant and equipment is carried at valuation. There is a risk that these balances are misstated as a result of the application of inappropriate valuation methodologies, or incorrect underlying assumptions.	We will evaluate the competence, capability and objectivity of the independent valuers, obtain an understanding of their work and evaluate its appropriateness.
Accounting treatment of Capital work in progress (WIP)	There is a risk that the accounting treatment of items captured within Capital WIP may not be in accordance with Australian Accounting Standards.	We will obtain the WIP schedule and review in detail a sample of projects outstanding at the end of the year to ensure they are likely to generate assets. We will also review a sample of assets transferred out of capital WIP to ensure that the categorisation and value allocated to the relevant fixed asset class is appropriate.

AREAS OF FOCUS	OUR PERSPECTIVE	PLANNED RESPONSE
Management override of internal controls	Australian Auditing Standards require that we presume there is a risk that management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively.	Our responses will include a review of key internal controls at the Council to mitigate the risk of management override. We will test the appropriateness of journal entries and other adjustments made in the preparation of the financial report. We will also review accounting estimates for bias, and evaluate the business rationale (or lack thereof) of any significant transactions that are outside the normal course of business or that otherwise appear to be unusual.
Control environment	Potential deficiencies in the control environment may arise as a result of Council's corporate restructure during the year.	We will update our understanding of the control environment and key internal controls during the year.
COVID-19 impact	The economic impact of COVID-19 remains an indicator of impairment of non-current assets.	Asset balances will be audited with specific consideration given to potential impairment given the wider economic impact as a result of COVID-19.

TIMELINE

AUDIT MILESTONES

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	DATES
Audit Committee meeting and submission of Annual audit plan	BDO & Council	January & February 2021
Interim audit visit - Internal controls and financial statements	BDO & Council	17 May to 28 May 2021
Management letter for interim visit	BDO & Council	By 12 June 2021
Final audit visit commences	BDO & Council	23 August to 3 September 2021
Closing meeting with auditors	BDO & Council	3 September 2021
Submission of Audit Completion Report	BDO	25 September 2021
Financial statements presented to Audit Committee	BDO & the Council	5 October 2021
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	5 October 2021
Issue Independent Auditor's Report and Statement by Auditor in relation to Independence	BDO	5 October 2021

FEES

FEES

The fee for all services provided for the year ending 30 June 2021 is \$58,000 as per our tender response. All amounts are exclusive of GST.

AUDIT SERVICES	FY21
Financial statement audit	\$26,000
Internal financial control audit	\$22,000
Minor audits	\$10,000
Total fee	\$58,000

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 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 Part 4A of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

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 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.

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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.

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Audit Committee Terms of Reference

ITEM 5.3 05/02/2021
Audit Committee

Strategic Alignment - Enabling Priorities

Program Contact:
Rudi Deco, Manager Governance
8203 7442

2019/02483
Public

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.

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RECOMMENDATION

THAT THE AUDIT COMMITTEE RECOMMENDS TO COUNCIL

That Council

1. Adopts the Terms of Reference as included in Attachment A to Item 5.3 on the Agenda for the meeting of the Audit Committee held on 5 February 2021.
-

IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	Strategic Alignment – Enabling Priorities The role of the City of Adelaide is to uphold the values of integrity and accountability. To ensure that the Council delivers services to the community as a leader, advocate, and facilitator by maintaining a transparent decision-making process.
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
20/21 Budget Allocation	Not as a result of this report
Proposed 21/22 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
20/21 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 areas of:
 - 1.1. Financial reporting
 - 1.2. Internal controls and risk management systems
 - 1.3. Strategic Management Plans and Business Plans
 - 1.4. Service Planning and Performance
 - 1.5. Internal Audit
 - 1.6. External Audit
 2. Audit Committees provides 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 (**Attachment A**).
 3. The Terms of Reference are intended to assist the Audit Committee, Council and its community understand the mandate in relation to the Audit Committee's specific responsibilities.
 4. 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.
-

ATTACHMENTS

Attachment A – Audit Committee Terms of Reference

- END OF REPORT -

City of Adelaide

Audit Committee Terms of Reference 2021

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 seven (7) 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 reviews. 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 context 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 SA*.
- 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.

2021 Audit Committee Meeting Schedule and Work Plan

ITEM 5.4 05/02/2021
Audit Committee

Strategic Alignment - Enabling Priorities

Program Contact:
Rudi Deco, Manager Governance
8203 7442

2019/02483
Public

Approving Officer:
Mark Goldstone, Chief Executive
Officer

EXECUTIVE SUMMARY

The report proposes the Audit Committee meeting schedule and work plan for the 2021 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 26 March 2021 (finance reports only)
 - 1.2 Friday 30 April 2021
 - 1.3 Friday 18 June 2021
 - 1.4 Friday 30 July 2021
 - 1.5 Friday 1 October 2021 (finance reports only)
 - 1.6 Friday 29 October 2021
 - 1.7 Friday 4 February 2022
2. Approves the forward 2021 Work Plan as included in Attachment A to Item 5.4 on the Agenda for the meeting of the Audit Committee held on 5 February 2021 to assist the Administration in bringing forward reports as appropriate.

IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	Strategic Alignment – Enabling Priorities The role of the City of Adelaide is to uphold the values of integrity and accountability. To ensure that the Council delivers services to the community as a leader, advocate, and facilitator by maintaining a transparent decision-making process.
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.
20/21 Budget Allocation	Not as a result of this report
Proposed 21/22 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
20/21 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 5 February 2021, further amendments to the Work Plan may be required.

ATTACHMENTS

Attachment A - Forward Work Plan 2021

- END OF REPORT -

AUDIT COMMITTEE: 2021 WORK PLAN

Terms of Reference	Report	Frequency	Timing <i>*March & October meeting is for finance reporting only</i>							Legislative Ref (LG Act 1999 SA / LG (Financial Management) Regulations 2011)	Responsible Officer
			26-Mar-21	30-Apr-21	18-Jun-21	30-Jul-21	1-Oct-21	29-Oct-21	4-Feb-22		
Financial Reporting	Quarterly Finance Reports	Quarterly								Requested by Audit Committee	Manager, Finance & Procurement
	Review of the Long Term Financial Plan	Before and after consultation								LG Act s.126(4)(ab)	Manager, Finance & Procurement
	Update on the Business Plan & Budget process	Before and after consultation								LG Act s.126(4)(ab)	Manager, Finance & Procurement
	Review of the draft 2021/22 Budget	Annually								LG Act s.126(4)(ab)	Manager, Finance & Procurement
	Consideration of financial indicators and ratios	Annually								LG Act s.126(4)(ab)	Manager, Finance & Procurement
	CEO Sustainability Report	Annually								LG Act s.126(4)(ab)	Manager, Finance & Procurement
Internal Control & Risk Management	• Results of the LGA Risk Management Review (Due to Covid-19, the review was postponed from Sept 2020 to 2022)	Biennially (due in 2022)									Manager, Governance / Manager, People
	• Emergency Management	Biennially									Manager, Governance
	• Activity of Strategic Risk & Internal Audit Group	All meetings									Manager, Governance
	• Risk Statement	Annually									Manager, Governance
Review of Council Decision	• Section 270 Internal Review of Council Decisions Policy & Procedure	Biennially (due in 2021)								LG Act s.270	Manager, Governance
Internal Audit	• Strategic Internal Audit Plan	Annually								LG Act s.126(4)(c)	Manager, Governance
	• Confidential Meeting with Internal Auditors	Annually								LG Act s.126(4)(b)	Manager, Governance
	• Internal Audit Progress Report	All meetings								LG Act s.126(4)(c)	Manager, Governance
External Audit	• End of Financial Year Audit Approach & Reporting Timetable	Annually								-	Manager, Finance & Procurement
	• External Audit Interim Management Letter	Annually								-	Manager, Finance & Procurement
	• Audited Financial Statements	Annually								LG Act s.126(4)(a)	Manager, Finance & Procurement
	• Report on Financial Results	Annually								LG Act s.126(4)(ab)	Manager, Finance & Procurement
	• Confidential Meeting with External Auditors	Annually								LG Act s.126(4)(b)	Manager, Finance & Procurement
	• Matters arising from the External Audit	Annually								LG Act s.126(4)(b)	Manager, Finance & Procurement
Other Business	• Annual Report from the Presiding Member	Annually								Terms of Reference	Manager, Governance
	• Audit Committee Self-Assessment Results	Annually								Terms of Reference	Manager, Governance
	• Audit Committee Meeting Schedule and Work Plan	Annually								Terms of Reference	Manager, Governance
	• Review of the Terms of Reference	Annually								Terms of Reference	Manager, Governance
Service Planning & Performance	• Update on Service Planning & Performance	All meetings								Requested by Audit Committee	Manager, Strategy & Insights
Subsidiary update	• Adelaide Central Market Authority (ACMA) • Adelaide Economic Development Agency (AEDA)	On request		AEDA	ACMA					Requested by Audit Committee	Managing Director, AEDA / Director, City Shaping
• Other reports and presentations to be scheduled throughout the year on request of the Audit Committee		Total	2	7	5	9	4	5			

Internal Audit Progress Update

ITEM 5.5 05/02/2021
Audit Committee

Strategic Alignment - Enabling Priorities

Program Contact:
Rudi Deco, Manager Governance
8203 7442

2020/00774
Public

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.

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RECOMMENDATION

THAT THE AUDIT COMMITTEE

1. Notes the Internal Audit Progress Update report.
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IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	Strategic Alignment – Enabling Priorities The role of the City of Adelaide is to uphold the values of integrity and accountability. To ensure that the Council delivers services to the community as a leader, advocate, and facilitator by maintaining a transparent decision-making process.
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.
20/21 Budget Allocation	\$70,000
Proposed 21/22 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
20/21 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 11 February 2020, 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) and inhouse advice. At the request of the Audit Committee, full copies of all completed audit reports are included – view link 1 [here](#).
3. The Internal Audit Plan (the Plan) 2020/2021 was endorsed by Audit Committee at its meeting on 19 June 2020. The Audit Committee can at all times consider an amendment to the plan in context of operational needs and priorities.
4. A summary of internal audits (IA), strategic reviews (SR) and internal investigations (II) for the period October 2020 to January 2021 is provided below:

Completed projects:	Post Audit Implementation Employee Gifts and Benefits PCI Compliance Project Management Review
Continuing projects:	-
Projects commenced:	-

5. Recommendations arising from Internal Audit and Strategic Reviews are reported to the executive Strategic Risk and Internal Audit Group (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.
6. 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.
7. Since the last Internal Audit Progress Update reported to the Audit Committee at its meeting on 5 February 2021, twenty-one (21) internal audit recommendations have been completed and eighty-eight (88) recommendations are in progress – view link 2 [here](#), 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	9	9
Moderate	Issue represents a control weakness which could have or is having a moderate effect on the ability to achieve process objectives. Requires a detailed plan of action to be put in place within 90 days with an expected resolution date and a substantial improvement within 6-9 months.	3	27	30

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	11	23	34
	Total	14	59	73
N/A	Improvement Opportunity	0	15	15

DATA AND SUPPORTING INFORMATION

Link 1 – Completed Audit Reports

Link 2 – Progress Summary of Recommendations Report

ATTACHMENTS

Nil

- END OF REPORT -

Exclusion of the Public

ITEM 9.1 05/02/2021
Audit Committee

Program Contact:
Rudi Deco, Manager
Governance 8203 7442

2018/04291
Public

Approving Officer:
Mark Goldstone, Chief
Executive Officer

EXECUTIVE SUMMARY

Section 90(2) of the *Local Government Act 1999 (SA)* (the Act), 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 section 90(3) of the Act.

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.

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

The Order to Exclude for Item 10.1

1. Identifies the information and matters (grounds) from section 90(3) of the Act 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 – section 90(3) (b), (d) or (j) of the Act - how information open to the public would be contrary to the public interest.

ORDER TO EXCLUDE FOR ITEM 10.1

THAT THE AUDIT COMMITTEE

1. Having taken into account the relevant consideration contained in section 90(3) (i) and section 90(2) & (7) of the *Local Government Act 1999 (SA)*, this meeting of the Audit Committee dated 5 February 2021 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 or council.

2. Pursuant to section 90(2) of the *Local Government Act 1999 (SA)* (the Act), this meeting of the Audit Committee dated 5 February 2021 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 section 90(3) (i) of the Act.
-

DISCUSSION

1. Section 90(1) of the *Local Government Act 1999 (SA)* (the Act), directs that a meeting of a Council Committee must be conducted in a place open to the public.
2. Section 90(2) of the Act, 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 section 90(3) of the Act.
3. Section 90(3) of the Act prescribes the information and matters that a Council may order that the public be excluded from.
4. Section 90(4) of the Act, advises that in considering whether an order should be made to exclude the public under section 90(2) of the Act, it is irrelevant that discussion of a matter in public may -
 - (a) *cause embarrassment to the council or council committee concerned, or to members or employees of the council; or*
 - (b) *cause a loss of confidence in the council or council committee; or*
 - (c) *involve discussion of a matter that is controversial within the council area; or*
 - (d) *make the council susceptible to adverse criticism.'*
5. Section 90(7) of the Act requires that an order to exclude the public:
 - 5.1 Identify the information and matters (grounds) from section 90(3) of the Act 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.
 - 5.3 In addition identify for the following grounds – section 90(3) (b), (d) or (j) of the Act - how information open to the public would be contrary to the public interest.
6. Section 87(10) of the Act has been utilised to identify in the Agenda and on the Report for the meeting, that the following matter is submitted seeking consideration in confidence.
 - 6.1 Information contained in Item 10.1 - Update on Activities of the Strategic Risk and Internal Audit Group Meetings
 - 6.2.1 Is not subject to an Existing Confidentiality Order
 - 6.2.2 The grounds utilised to request consideration in confidence is section 90(3) (i) of the Act
Section 90(3)(i) of the Local Government Act 1999 (SA) [litigation]
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 10.1

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

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

Pages 102 to 105
