



AUDIT COMMITTEE

AGENDA & REPORTS

for the meeting

Friday 18 June 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
Proxy Members	<i>Councillor Knoll [proxy for the Lord Mayor]</i> <i>Councillor Couros (Deputy Lord Mayor) [proxy for Councillor Hyde].</i>

1. 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.'

2. Confirmation of Minutes – 30/4/2021

That the Minutes of the meeting of the City of Adelaide Audit Committee held on 30 April 2021 be taken as read and be confirmed as an accurate record of proceedings.

3. Presiding Member Reports

4. Presentation

4.1. Adelaide Economic Development Agency Update [2021/00709] [Page 3]

5. Reports

5.1. Financial Capitalisation Update [2021/00216] [Page 12]

5.2. Adoption of the Strategic Asset Management Plan [2020/01521] [Page 15]

5.3. Internal Audit Plan 2021-22 [2021/00982] [Page 30]

5.4. Integrated Planning Consultation Summary [2020/01920] [Page 40]

5.5. 2021/22 Long Term Financial Plan Update [2020/01920] [Page 44]

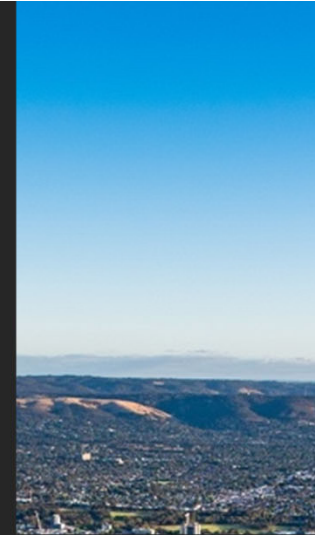
5.6. External Audit Interim Management Letter [2020/00150] [Page 48]

- 6. Emerging Key Risks**
 - 7. Independent Member Discussion**
 - 8. Other Business**
 - 9. Closure**
-

Adelaide Economic Development Agency

Audit Committee | 18.06.2021

Adelaide.
Designed for Life.



Section 42 Fully Owned Subsidiary of Council

- The Adelaide Economic Development Agency (AEDA) is an initiative within the City of Adelaide (CoA) 2020-2024 Strategic Plan
- Formally commenced operations on 18 January 2021
- Located on Level 1 of Eagle Chambers, 5 Pirie Street, Adelaide

Adelaide Economic Development Agency



Skills based board



Adelaide Economic Development Agency

Skills Based Board



Nikki Govan
Chair

Nikki is chair of the Adelaide Economic Development Agency (AEDA) board. In addition to this, she chairs both the Business SA and the South Australian Government's Events Advisory Group. Nikki is a director of the Australian Chamber of Commerce and Industry (ACCI) and owns and manages the nationally renowned Star of Greece restaurant in Port Willunga.



Craig Holden
Board Member

Craig is a long-term city resident and business owner, specialising in residential property development and investment. Craig brings a very personal understanding and appreciation of the challenges, opportunities and benefits of living, working and developing in the city of Adelaide.



Fairlie Delbridge
Board Member

Fairlie owns and operates Cminus Sustainable Spaces, an established property development and consultancy company that has an affection for innovation and disruption in the built environment. She has a breadth of experience including as general manager of strategy and innovation at Renewal SA.

Fairlie is passionate about people, places, city shaping and the economic, social and cultural development of Adelaide.



Lord Mayor Sandy Verschoor
Board Member

Sandy is the Lord Mayor of Adelaide having been elected in 2018. Prior to being elected as Lord Mayor, Sandy served as a councillor, deputy lord mayor and general manager for the City of Adelaide.

Sandy is a proud South Australian and is passionate about Adelaide's ongoing journey to become a magnet city.



Manuel Ortigosa
Board Member

Manuel is the managing director and CEO of the Global Intertrade Group of Companies. Global Intertrade, established in 1994, is a diverse group of companies with major investments in property and property development, the wine industry and media.

Spanning over 30 years, Manuel has a diverse background in both the business sector and executive government positions.



Oliver Brown
Board Member

Oliver is one of the founding partners and directors of Adelaide hospitality group, The Big Easy Group. The Big Easy Group currently co-owns and advises eight hospitality brands, five of which are in the Adelaide CBD.

Oliver thrives on working through business strategies and continuous improvement. He has extensive experience working with the City of Adelaide and key stakeholders to create activations.



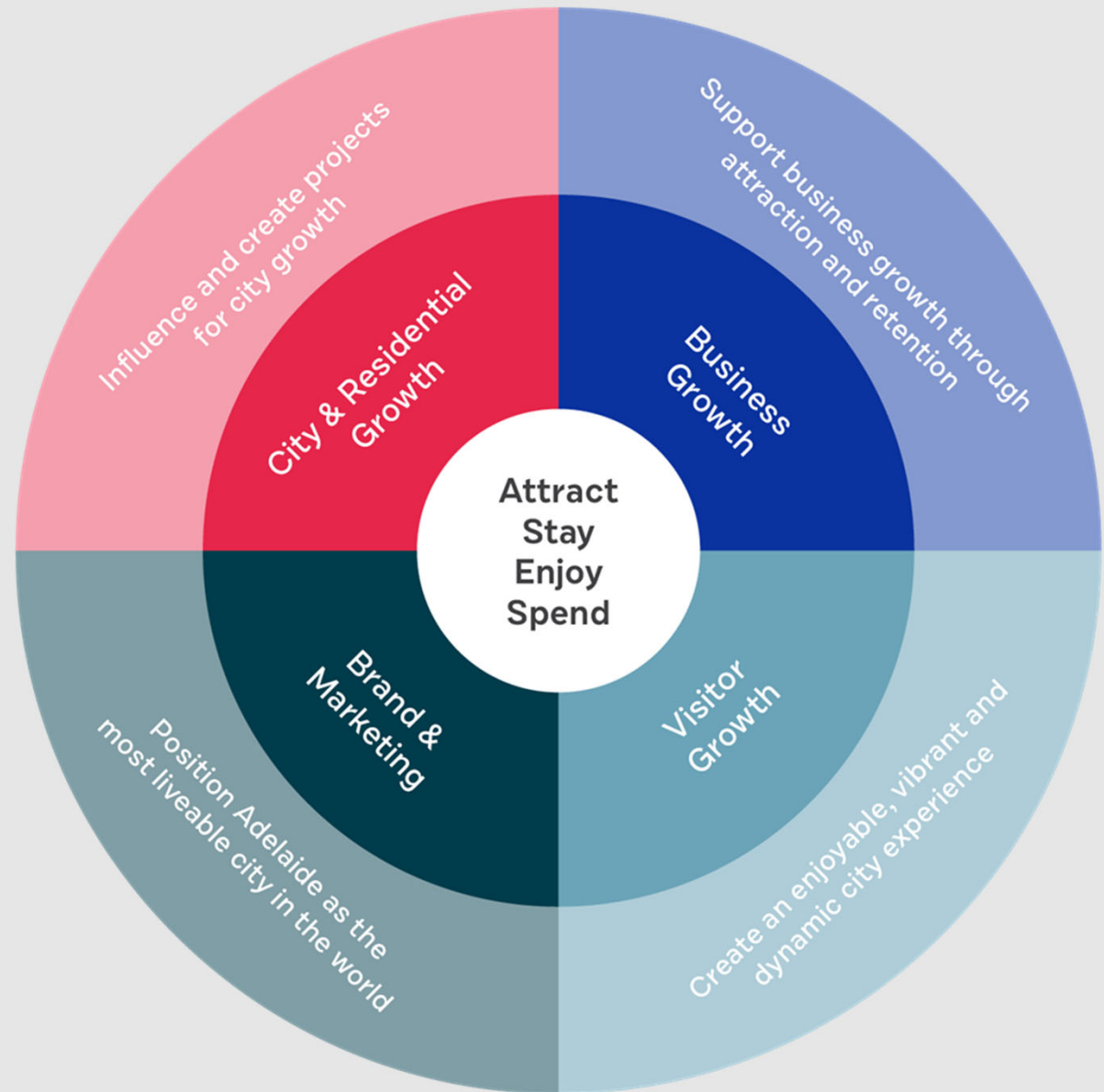
Steve Maras
Board Member

Steve is the Group Managing Director and CEO of Maras Group, a prominent commercial and retail property investment and development outfit, with over 40 years' experience, primarily in Adelaide's CBD. Steve is the inaugural Honorary Consul of Uruguay in South Australia and co-founder and chair of children's charity, Living Without Limits Foundation.

Steve is extremely passionate about the city of Adelaide and has been a prime mover over many years in the space of mainstreet and precinct building and rejuvenation.

Annual Business Plan & Budget

- The AEDA Annual Business Plan and Budget for 2021/2022 will be presented to Council for endorsement on 29 June 2021



Key Priorities and Strategies

City & Residential Growth

- Residential Growth Action Plan
- Student Growth
- Advocacy

Visitor Growth

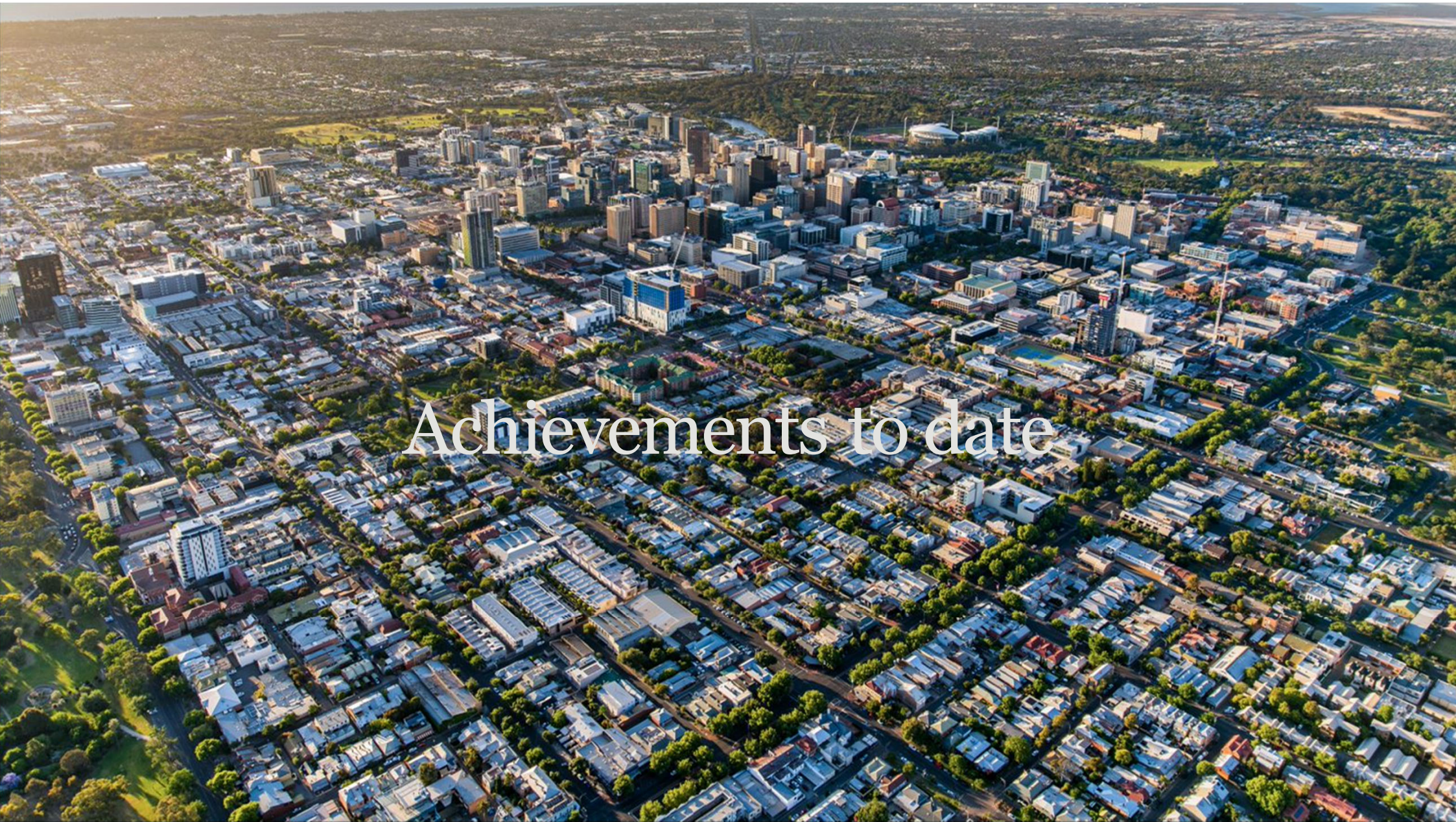
- Events, activations and experiences
- Tourism partnerships
- Campaigns to drive visitation

Business Growth

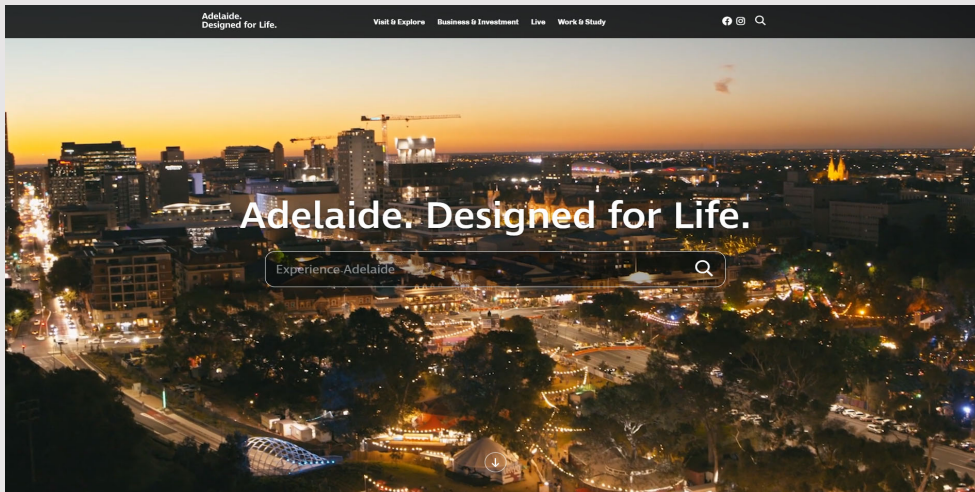
- Major City Developments
- Business Support
- Business Sustainability
- Business Events

Brand & Marketing

- 'Designed for Life' brand
- Digital and Social Media
- Marketing Campaigns and Promotions that support our focus areas



Website



Campaigns



Adelaide Long Lunch

- 45,467 consumer registrations
- 124 participating businesses
- Average spend of 2:1 and up to 10:1 on vouchers
- Voucher value redeemed: \$104,999
- Additional spend on top of vouchers \$107,633

Partnerships



Taste the Win – Rundle Mall

- Average spend per entry - \$118
- Total entries – 6,698
- Total \$ of receipts entered - \$791,040
- Spend across 469 retail stores in the Precinct



Thank You.

aedasa.com.au



Financial Capitalisation Update

ITEM 5.1 18/06/2021
Audit Committee

Strategic Alignment - Enabling Priorities

Program Contact:
Matthew Morrissey, Associate
Director, Infrastructure 8203 7462

2021/00216
Public

Approving Officer:
Klinton Devenish, Director
Services, Infrastructure &
Operations

EXECUTIVE SUMMARY

The purpose of the report is to provide the monthly financial capitalisation update to the Audit Committee Meeting.

On 5 February 2021 the Acting Chief Executive Officer gave an undertaking to provide ongoing capitalisation updates to the Audit Committee based on key performance indicators (KPIs).

This report provides an update on the Capitalisation KPI's.

1. KPI 1 - 88% of Projects capitalised within 10 Weeks (Target above 70%)
2. KPI 2 - < 10% Variance between Preliminary Year End and Annual Financial Statement

RECOMMENDATION

THAT THE AUDIT COMMITTEE

1. Notes the report.
-

IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	Strategic Alignment – Enabling Priorities
Policy	This report is in line with the Fixed Asset Guideline and Asset Accounting Policy.
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. KPI 1 - 88% of Projects capitalised within 10 Weeks
 - 1.1. Since previous report, an additional 5 projects were capitalised and all meeting the KPI.
 - 1.2. This brings the total number of projects processed to 32 with 28 meeting the KPI (88%).
 - 1.3. There were no additional projects missed this month.
2. KPI 2 - < 10% Variance between Preliminary Year End and Annual Financial Statement
 - 2.1. The final KPI can only be determine once we finalise the 2020-2021 Financial Statements. However as per the QF3 report, we improved our write-off position by \$1.95million compared to QF2. Our current year-end position is \$3.9million write-off spend in the capital ledger.
 - 2.2. The breakdown of the \$3.9m write off projection is as follows:
 - 2.2.1. Renewal \$1.9 m.
 - 2.2.2. New and significant upgrade \$2.0 m.
 - 2.3. To further improve our position the Finance and PMO Teams have reviewed general ledger spend and removed \$0.1million from general operations to capital for assets purchased.
 - 2.4. Monthly meetings are conducted between Infrastructure and Finance to review the status of WIP, monitor progress and develop actions.
 - 2.5. A working group was also created to enable notification of key projects requiring capitalisation to Team Leaders. Meetings are held fortnightly, increasing to weekly as we approach year end.
 - 2.6. Reporting on current forecast and variance is through the Quarterly Finance report.
 - 2.7. The non-capital component of projects is recognised earlier within the capitalisation process.
 - 2.8. Accrual adjustments for projects yet to be capitalised at year-end brought forward from August to early July to meet preliminary year-end deadline.
 - 2.9. As of the 31 May 2021, there are 56 projects forecasted to reach practical completion by 30 June 2021. The improvements implemented in our processes throughout the year will ensure that we have processed any write-off elements of the 56 projects within the current financial year, as well as ensuring an accurate provision for those projects commenced in the current year which are due for completion in 2021-2022.

ATTACHMENTS

Nil

- END OF REPORT -

Adoption of the Strategic Asset Management Plan

ITEM 5.2 18/06/2021
Audit Committee

Strategic Alignment - Enabling Priorities

Program Contact:
Matthew Morrissey, Associate
Director, Infrastructure 8203 7462

2020/01521
Public

Approving Officer:
Klinton Devenish, Director
Services, Infrastructure &
Operations

EXECUTIVE SUMMARY

The City of Adelaide is the custodian of assets which provide the community with services that are essential to their quality of life. These services and assets are managed through the Asset Management discipline. Asset Management is a key business function for all councils to manage their infrastructure portfolio responsibly and effectively.

The City of Adelaide coordinates infrastructure related objectives through its Asset Management Plans, per legislation Section 122 of the *Local Government Act 1999 (SA)*. The Strategic Asset Management Plan (SAMP) will specify how the City of Adelaide's strategic priorities are to be converted into asset management objectives, the approach for developing Asset Management Plans, and the role of the asset management framework in supporting achievement of the asset management objectives.

Council approved for the Draft Strategic Asset Management Plan to be released for community engagement on 9 March 2021.

Community engagement was undertaken on the Draft Strategic Asset Management Plan between 16 April 2021 and 31 May 2021.

The summary of this feedback and verbatim comments was presented to Audit Committee through 'the Consultation Summary – Draft LTFP and Draft SAMP' on 18 June 2021.

RECOMMENDATION

THAT THE AUDIT COMMITTEE

- Notes the report and the Draft Strategic Asset Management Plan contained in Attachment A to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 18 June 2021.

IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	Strategic Alignment – Enabling Priorities The development of the Strategic Asset Management Plan in consultation with the community fulfils legislative requirements of the <i>Local Government Act (SA) 1999</i>
Policy	The process to develop the Strategic Asset Management Plan has fulfilled the requirements of Council's engagement policies.
Consultation	Community engagement on the Draft Long-term Financial Plan and the Draft Strategic Asset Management Plan was undertaken between 16 April and 31 May 2021.
Resource	Not as a result of this report
Risk / Legal / Legislative	Not as a result of this report
Opportunities	The Strategic Asset Management Plan is Council's strategy to manage its assets strategically, this document together with the community consultation received will inform the development of Asset Management Plans per Asset Category.
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

Background

1. The City of Adelaide is the custodian of assets which provide the community with services that are essential to their quality of life. These services and assets are managed through the Asset Management discipline. Asset Management is a key business function for all councils to manage their infrastructure portfolio responsibly and effectively.
2. The City of Adelaide coordinates infrastructure related objectives through its Asset Management Plans, per legislation *Section 122 of the Local Government Act (SA) 1999*. The Strategic Asset Management Plan (SAMP) will specify how the City of Adelaide's strategic priorities are to be converted into asset management objectives, the approach for developing Asset Management Plans, and the role of the asset management framework in supporting achievement of the asset management objectives.
3. The purpose of the SAMP is to provide a high-level integrated framework to ensure the City of Adelaide continues to provide valued services to the community over the next 10 years and inform the development of 6 Asset Management Plans: Transport, Water Infrastructure, Open Space and Park Lands, Buildings, Urban Elements, Lighting and Electrical.
4. Council approved for the Draft Strategic Asset Management Plan (**Attachment A**) to be released for community engagement on 9 March 2021.
5. Community engagement was undertaken on the Draft Strategic Asset Management Plan between 16 April 2021 and 31 May 2021.
6. The summary of this feedback and verbatim comments was presented to Council through the Consultation Summary – Draft Long Term Financial Plan (LTFP) and Draft SAMP on 8 June 2021.

Community Feedback

7. The SAMP is Council's way to strategically manage its assets, we asked the community to provide feedback on the content of the SAMP to ensure they agree with it and also help us prioritise the key actions and strategies within it and help guide the implementation of the strategy.
8. The community were also asked questions about how our current assets are performing in their eyes to help us understand and prioritise the review of our Asset Management Plans.
9. There was general acceptance from the community on the SAMP document overall.
10. The community feedback will be implemented into the Asset Management Plans under the following themes:
11. Level of Service
 - 11.1. The community valued the importance of asset upkeep through maintenance and renewal to ensure we provide a liveable and world class city. This will be further investigated through undertaking consultation with the community regarding their desired level of service.
 - 11.2. The community provided specific feedback on their asset priorities and this will be used to commence and prioritise asset level of service discussions.
 - 11.3. We will utilise this information and commence asset modelling to understand the cost of various level of service scenarios that can be considered within Council's financial capacity.
12. Resource Allocation Strategy
 - 12.1. Resource allocation strategy was supported to ensure there is transparency with how upgrade/new projects are initiated to maximise benefit to the community.
 - 12.2. The Resource Allocation Strategy will be developed and presented to Council.
13. Environmental Sustainability
 - 13.1. Support to understand changing community needs and environmental factors which will allow Council to respond to new demands placed on our assets.
 - 13.2. This will be further investigated through community consultation on levels of service and development of the asset management plans (specifically within the demand management chapter).
14. Partnering with State/Federal Government to manage our major/significant assets
 - 14.1. The community support the exploration of external funding opportunities for major/significant assets.
 - 14.2. There was mutual support to balance increased rates and pursue external funding opportunities to improve services we provide through assets.

- 14.3. We will continue to maximise the value for the community through Asset Planning and optimisation of renewals while seeking external funding for major infrastructure.
15. Based on the feedback received we do not recommend changes to the SAMP document however, we will utilise what we have heard and build on it as we develop our category Asset Management Plans.

Development of Asset Management Plans

16. We will take the feedback we have received to inform the next stage of Asset Management Planning.
17. A detailed plan for the revision of our Asset Management Plans is being prepared and includes targeted engagement with:
 - 17.1. Council Members
 - 17.2. Residents and Community Groups
 - 17.3. Relevant industry groups
 - 17.4. Internally within the organisation
18. Each Category Asset Management plan will be brought back to Council Members at multiple stages and for adoption.

ATTACHMENTS

Attachment A – Strategic Asset Management Plan

- END OF REPORT -



CITY OF
ADELAIDE

City Of Adelaide

Strategic Asset Management Plan

2020–2024



Table of Contents

1	Introduction	2
1.1	What is Asset Management?	3
1.2	Strategic Plan objectives	4
1.3	Strategic Asset Management Plan	5
2	City of Adelaide asset portfolio	7
2.1	Our Assets	9
3	Our changing city	10
3.1	Environmental challenges	10
3.2	Population Growth and Demographic Changes	11
3.3	Technology	13
3.4	Impact of Covid19 Pandemic	13
4	How the City of Adelaide will respond	14
4.1	Community Benefit	14
4.2	Evidence-Based Decision making	14
4.3	Financial Sustainability	15
4.4	Environmental Sustainability	15
4.5	Continuous improvement	15
5	How we will fund our Asset Management Objective	16
5.1	Optimisation	16
5.2	Review of Levels of Service	16
5.3	Asset Sustainability Ratio	16
5.4	Divesting Assets and Accepting Assets	17
5.5	External Funding Opportunity	17
5.6	Resource Allocation Strategy	17
6	References	18

Kaurna Aknowlegement

The city of Adelaide and its assets are located on the traditional Country of the Kaurna people of the Adelaide Plains. 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.

1 Introduction

City of Adelaide currently owns and manages approximately \$2 billion worth of assets on behalf of our communities. These community assets range from significant structures such as roads and buildings through to park furniture and play equipment. These assets are a significant investment and require sound strategic management and planning.

The *Local Government Act 1999* requires the preparation of strategic management plans, including long term financial plans and infrastructure asset management plans. The long-term costs of owning

and operating infrastructure assets continue to be a financial challenge to local government and requires Councils to take a whole of life approach to determining the cost of owning and managing infrastructure.

We are implementing an integrated asset management approach that aims to:

- Ensure the appropriate level of service
- Ensure the asset's service is delivered in the most effective and efficient way
- Embrace environmental sustainability
- Promote economic sustainability
- Ensure our financial sustainability
- Management of risks

The strategic planning and decisions made by Council, benefit not just the local community, but often flow to all South Australians. City of Adelaide provides hundreds of services and facilities that contribute to building strong and vibrant communities, improve the community's quality of life and enhance their experiences.

City residents, business owners and visitors alike can enjoy a safe, clean and vibrant city and beautiful Park Lands and live the life of their choice. Our infrastructure assets are critical to delivering these experiences.

Today, like in many Australian communities, many of our assets are aging and require significant ongoing maintenance, partly because most of our assets were built decades ago. Our community has grown, and expectations have increased, as well as the demand for new and improved services. Our assets are also vulnerable to climate change impacts such as heavier localised storms, extended heatwaves and other unexpected events. At the same time, new advancements in technology and engineering need to be understood to plan for the future.

It is important that investment decisions on our infrastructure are based on the ability to fund the upfront capital costs and also include allowances for the ongoing operational, maintenance and future replacement costs.

1.1 What is Asset Management?

Infrastructure is at the heart of our economy and enriches of our community’s experience in the city. As infrastructure assets can provide services over extended periods of time, the choices we make today can impact the quality of life of future generations. Asset Management is a systematic business practice to manage and maintain infrastructure in a sound and reliable condition and is based on minimizing whole-of-life costs, it also aims to significantly reduce operating and maintenance cost, as well as long-term capital expenses.

Asset Management provides the organisation with the ability to understand the immediate, medium, and long-term impacts of decisions and provide solutions on how to mitigate the risks to the organisation.

Asset Management benefits include:

- Improve the cost efficiency by looking at the whole of lifecycle costs,
- Target critical assets to ensure performance is maintained and risk is managed,
- Understand what level of service can be achieved for different costs,
- Ensure infrastructure networks are appropriately funded for the long term and
- Improve customer satisfaction by matching the services we provide to the community’s expectations

In simple terms, asset management is about how we manage our assets throughout their lifecycle on both a day to day basis as well as in the medium to long term.

Day to day asset management requirements include the monitoring of our assets as well as operational and maintenance activities to ensure our assets are kept in a safe and serviceable condition. This includes activities like maintenance inspections, cleansing, grass mowing, graffiti removal, as well as maintenance activities such as road patching and footpath repairs.

Medium to Long term asset management requirements include planning, renewal, creation and disposal of assets. This includes comprehensive condition audits of our asset networks, stakeholder engagement, development of Asset Management Plans, development of a comprehensive five year Capital Works program, Project Design and Construction Management.

1.2 Strategic Plan objectives

Our aim is to listen, understand and respond to its community. The City of Adelaide today not only delivers traditional council services, but acts as champion, influencer, advocate and enabler to be a leader in the ways we bring benefit to the community. We work to continually develop, improve and innovate to achieve our vision. As a capital city council, the City of Adelaide has wide-ranging responsibilities. From community wellbeing to urban planning, events, lifestyle experiences to heritage, business growth to climate action. Council works across sectors and issues to ensure the best outcomes for ratepayers, residents, workers and visitors in the city.

The City of Adelaide Strategic Plan for 2020 to 2024 ensures Council Members, our people and the community can share a vision for the future and embrace the opportunities around us. The City of Adelaide 2020–2024 Strategic Plan’s vision is for Adelaide to become the most liveable city in the world.

The Strategic Plan’s guiding principles include:

- Community Benefit
- Embracing Innovation
- Accessible Participation
- Being Accountable

Key outcomes for the Strategic Plan include:

Thriving Communities

- Healthy and resilient communities
- Safe and welcoming community spaces
- Well-planned and inclusive residential population growth
- Functional zero homelessness
- A safe, affordable, accessible, well-connected city for everyone, and all transport modes
- Increase community use of and access to the Adelaide Park Lands

Strong Economies

- The lowest-cost capital city with the least red tape
- Greater digital capabilities and connectivity through Ten Gigabit Adelaide, enhancing capacity for innovation
- Attraction and retention of a broad range of businesses and investment
- Be a test bed for innovation in diverse industries
- Main streets activated for economic growth

Dynamic City Culture

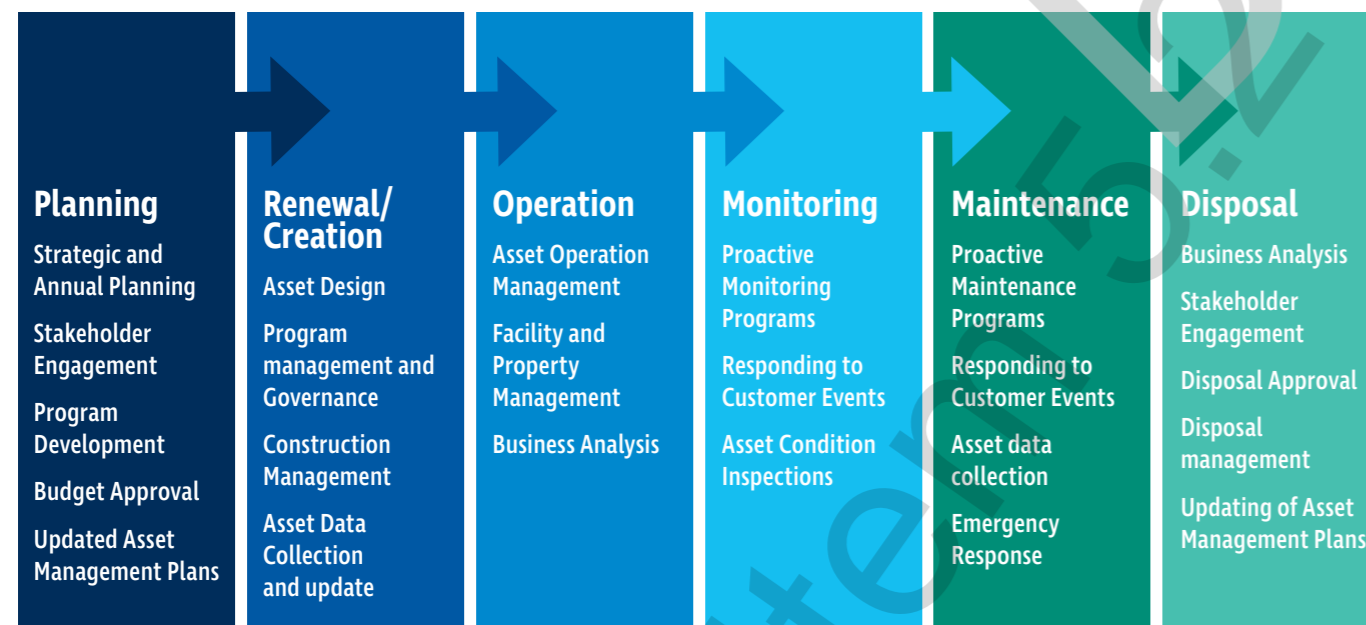
- Aboriginal people and culture strongly represented in city life
- Beautiful, surprising places
- Global connections and collaborations
- Celebration of diverse community, culture and creativity
- New cultural infrastructure
- Protection, preservation and promotion of our unique built, natural and cultural heritage

Environmental Leadership

- A city where sustainability is core
- A transition to low carbon and circular economies
- Enhanced greening and biodiversity
- A climate ready organisation and community
- Integrated and sustainable development

The Strategic Asset Management Plan provides the framework to consider all Council strategies when planning for infrastructure, as an example it supports the strategic property review’s aims to optimise the performance of the City’s property portfolio ensuring improved alignment of Council’s existing holdings with its strategic, community and financial objectives.

Asset Management Lifecycle



1.3 Strategic Asset Management Plan

The purpose of the Strategic Asset Management Plan (SAMP) is to provide a high-level integrated framework to deliver on the infrastructure needs and objectives identified in the City of Adelaide Strategic Plan 2020–2024. This will be delivered through our Asset Management Plans.

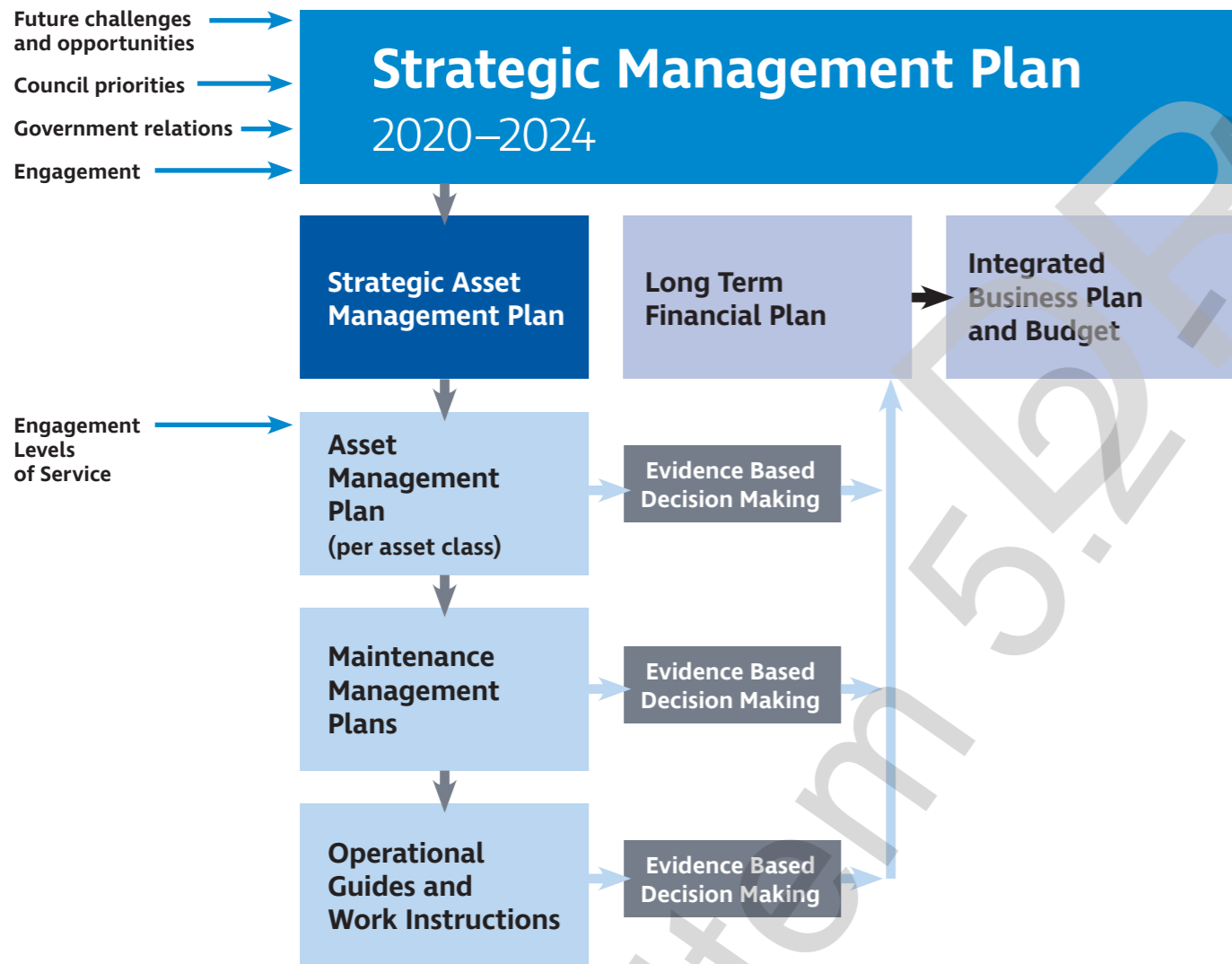
Our Asset Management Plans will be divided into six Asset Categories. Asset Management Plans for each of our six asset categories are established in consultation with our community to document a scenario that allows us to cost-effectively manage our assets to a defined level of service within risk, resource and financial constraints. These plans project the long term financial requirements of each asset category across renewal, upgrade and new, maintenance and operational expenditure streams.

Financial projections relating to each asset management plan are incorporated in the City of Adelaide's LTFP.

The Strategic Asset Management Plan provides the framework to consider all Council strategies when planning for infrastructure, as an example it supports the strategic property review's aims to optimise the performance of the City's property portfolio ensuring improved alignment of Council's existing holdings with its strategic, community and financial objectives.

The aim of this plan is to transform the way that the City of Adelaide manages assets to enable long-term sustainability. This approach will enable Adelaide to grow and prosper over the next decade without diminishing levels of service and will also ensuring intergenerational equality.

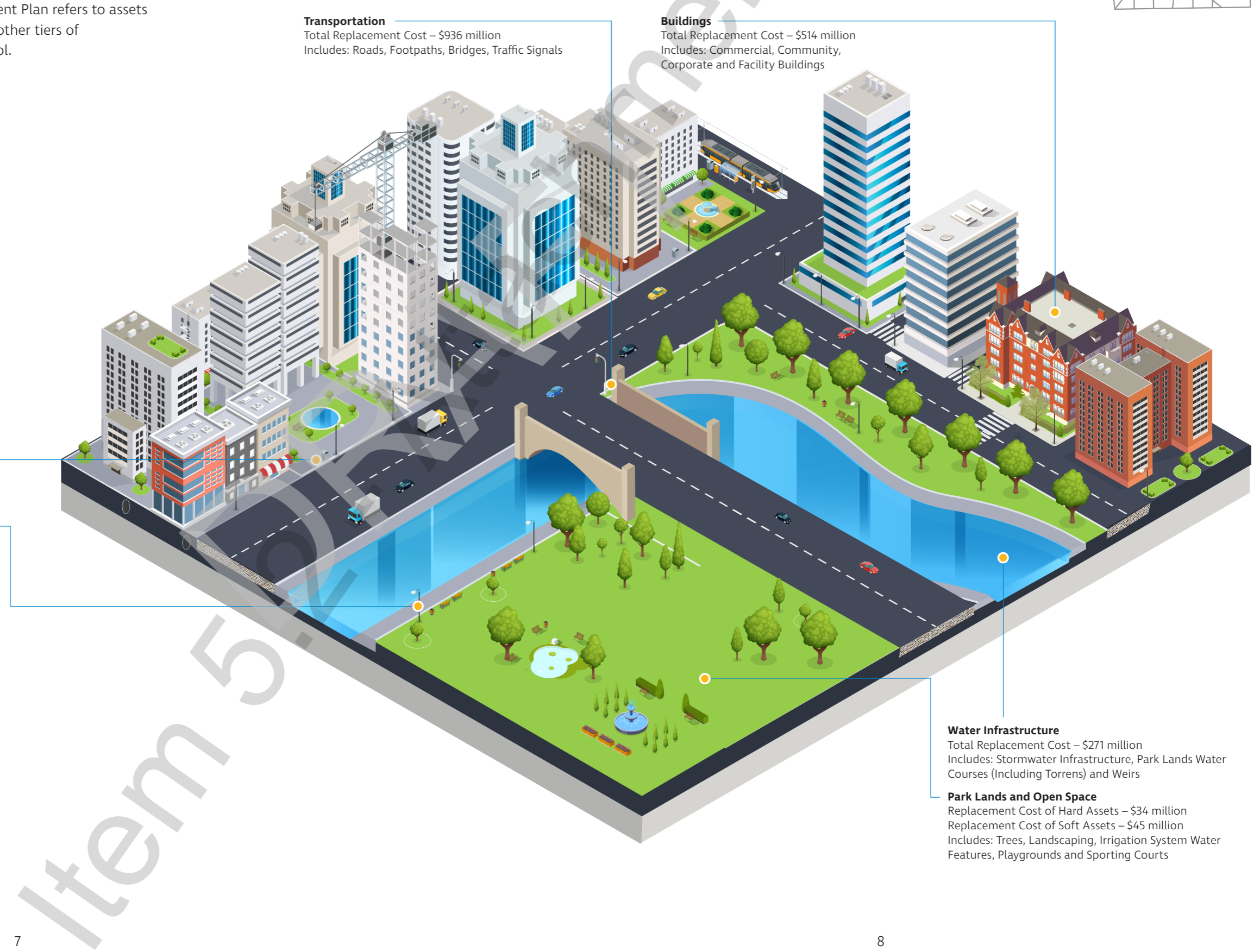
The Strategic Asset Management Plan will implement industry standard systems and processes. These will support evidence-based decision making and delivery of our infrastructure to our community in a financially sustainable way supporting a strong economy. These best practice solutions will ensure City of Adelaide is an industry leader in Asset Management.



2 City Of Adelaide Asset Portfolio

2.1 Our Assets

Our city is comprised of a vast range of assets, each of which provide specific services to our community. This Strategic Asset Management Plan relates to six specific asset categories. The Strategic Asset Management Plan refers to assets that are owned by us as well as some assets owned by other tiers of government or agencies where we have care and control.



Transportation
Total Replacement Cost – \$936 million
Includes: Roads, Footpaths, Bridges, Traffic Signals

Buildings
Total Replacement Cost – \$514 million
Includes: Commercial, Community, Corporate and Facility Buildings

Urban Elements
Total Replacement Cost – \$96 million
Includes: Street Furniture, Bins, Public Art, Monuments, Park Lands Structures

Lighting and Electrical
Total Replacement Cost – \$131 million
Includes: Public Lighting, Electricity Distribution, CCTV

Water Infrastructure
Total Replacement Cost – \$271 million
Includes: Stormwater Infrastructure, Park Lands Water Courses (Including Torrens) and Weirs

Park Lands and Open Space
Replacement Cost of Hard Assets – \$34 million
Replacement Cost of Soft Assets – \$45 million
Includes: Trees, Landscaping, Irrigation System Water Features, Playgrounds and Sporting Courts

Asset Categories:

1. Transportation

City of Adelaide's transportation assets provide safe and efficient movement of pedestrians, cyclists, commuter vehicles and public transport services throughout the City. These assets include roads, footpaths, bridges, kerb and water table and traffic signal infrastructure. With projected growth for both the City and greater metropolitan Adelaide, it is anticipated there will be increased use of public space, which will put additional demand on the transportation network.

Asset Class	Asset Subclass
Transportation	Roads
	Footpaths
	Bridges
	Kerb and Water Table
	Traffic Signals

2. Buildings

City of Adelaide's building assets provide accommodation for the civic, administrative and operational functions of Council as well as providing community services. These are services such as sporting and recreational activities which include libraries, community centres and public toilets. The building portfolio also includes several sites used for commercial (income generating) purposes.

Asset Class	Asset Subclass
Building	Commercial
	Community
	Corporate
	Facility
	Leased Building

3. Water Infrastructure

City of Adelaide's water infrastructure assets provide services to the entire city of Adelaide area. To deliver these services, the City of Adelaide manages a portfolio of water infrastructure assets including, an underground stormwater drainage network that provides flood protection for rainfall events, a network of watercourses providing amenity and supporting ecosystems and biodiversity through the Park Lands, and a group of Weirs, boat landings, earth retaining structures and environmental equipment to support the Torrens Lake.

Asset Class	Asset Subclass
Water	Stormwater Network Structure
Infrastructure	Torrens River and Creeks
	Sewer Infrastructure

4. Park Lands and Open Space

City of Adelaide's open space assets are contained within 760 ha of Adelaide Park Lands, city streets and associated public realm areas. These assets to support the vision for the Adelaide Park Lands. The Adelaide Park Lands Management Strategy and City of Adelaide Community Land Management Plans proposes a transformation of the Park Lands to meet the challenges and needs of an increasingly diverse population in and around the city. These strategies support a robust framework for future park management and development and illustrates the significant contribution that the Park Lands make to the social life of Adelaide.

Asset Class	Asset Subclass
Park Lands and Open Space	Irrigation System
	Open Space Area
	Water Feature
	Recreational Spaces

5. Urban Elements

City of Adelaide's Urban Elements asset portfolio aims to provide services and amenity to enhance the experience for those living within our community as well as visitors to the City.

Asset Class	Asset Subclass
Urban Elements	Arts and Culture
	Furniture
	Other Structures
	Parking
	Signs
	Structure
	Waste

6. Lighting and Electrical

City of Adelaide's lighting and electrical assets provide services to the entire Council area through facilitating safe access and enjoyment of the city and its amenities. These assets include the infrastructure to support the delivery of electricity to our assets to keep the city safe.

Asset Class	Asset Subclass
Lighting and Electrical	Public Lighting
	Electrical Distribution
	CCTV
	Smart Technology Assets

3 Our changing city

We have identified four key areas with the potential to significantly impact our ability to meet the community's needs. These challenges also provide opportunities which we can leverage to our advantage. These include:

1. **Environmental Challenges**
2. **Population Growth and Demographic Changes**
3. **Technology**
4. **Impact of Covid-19 Pandemic**

Demand for infrastructure is expected to continue to increase, due to urban densification and increase number of visitors per day. Population forecasts show an increase significantly over the next 20 years. The types of infrastructure required will be guided by the demographics of the developed areas. Additional demand will come from the need for public realm improvements to our centres and to cater for medium and higher density developments.

It is recognised that the type and form of infrastructure required for these areas will differ to traditional approaches, requiring high functioning assets that facilitate several uses and potentially catering for higher volumes and intensity of use.

Our current forecasting over the next 10 years indicates significant investments in asset renewals to sustain our existing assets as well as new capital projects to support city growth and other strategic objectives.

A detailed resource modelling project, which commenced in 2020, aims to analyse the resourcing impacts of demand for all services across the organisation, including demand for new and upgraded infrastructure, to further inform our demand modelling and the prioritisation of financial resources.

3.1 Environmental challenges

Adelaide's climate is projected to significantly change over the coming decades. The Millennium Drought presented a significant challenge, hotter and longer heat waves over the Summer of 2019 as well as the Adelaide Hills bushfires. An overall drying trend is predicted with a reduction in Spring rainfall, however the intensity of individual rainfall events in Adelaide is expected to increase.

Climate Data



Temperature

Annual average temperatures to increase by 1°C by 2050, +3.3°C by 2090



Rainfall

Spring rainfall to decline by 7.4% by 2050



Extreme Heat

26 days over 35°C by 2030, 47 days over 35°C by 2090 (Extreme Heat Days to double by 2090)



Extreme Rain

Rainfall intensity to increase by at least 10% by 2050



Fire Danger

Days of 'severe' fire danger rating to increase by more than 200% by 2090



Climate Fact

Adelaide experienced 17 days of temperatures above 40°C in 2019

Most of our current infrastructure was designed, built and intended to be maintained on the premise that our future climate would be similar to that in which had been previously experienced. Current scientific opinion indicates this is no longer the case. The potential risks to the our assets and infrastructure are significant. The City of Adelaide's recent climate change risk assessment identified over three quarters of risks were associated with the increase in average temperatures including increased frequency of very hot days and heatwaves; and changing rainfall patterns, extreme rainfall and flooding events.

Extensive risk assessment for council owned assets, understanding community demands and climate change adaption, can provide useful insights to support the sustainable management of assets.

Adapting our assets so they are climate ready and sustainable will require innovative solutions. New technologies are already being trialled such as roads constructed using 100% recycled materials, installation of raingardens and water sensitive urban design features, cool road surface treatments and increasing tree canopies for shading.

The City of Adelaide is striving to be one of the world's first carbon neutral cities and has already begun transforming assets. These transformations include street-lights to LED, installing solar systems on large buildings to reduce greenhouse gas emissions and purchasing renewable energy resources.

These actions will help mitigate future climate change impacts and ensure that assets are adaptive. The impact to our current assets and those planned for the future, could be immense if City of Adelaide continues to design, build and maintain without considering the potential risks posed by a changing climate.

The useful life of horticultural assets-built infrastructure and stormwater drainage systems is likely to be shortened by extreme heat, reduced rainfall and flooding events. The use of community assets will change to accommodate human impacts of climate change. Changes due to heat could include an increasing demand for 'cool refuges', less outdoor events or cancellations due to heat, and reduced open space use or pedestrian activity. There will also be an increase the mortality of trees and other vegetation on very hot days resulting in urban heat island implications. Increased frequency of extreme rain events will affect the capacity and maintenance of our

stormwater infrastructure. Increased extreme heat and rainfall will affect our road surfaces and footpaths requiring more frequent maintenance and renewal.

3.2 Population Growth and Demographic Changes

The City of Adelaide has been growing at a significant rate since 2016, and this is expected to continue. In 2016 the population was 23,552 and it is to an estimated 31,280 in 2021. This growth is expected to continue to trend up at about 5% annually to a population of 36,931 in 2026. This is based on current data available and the longer-term impacts of COVID19 is yet to be determine.

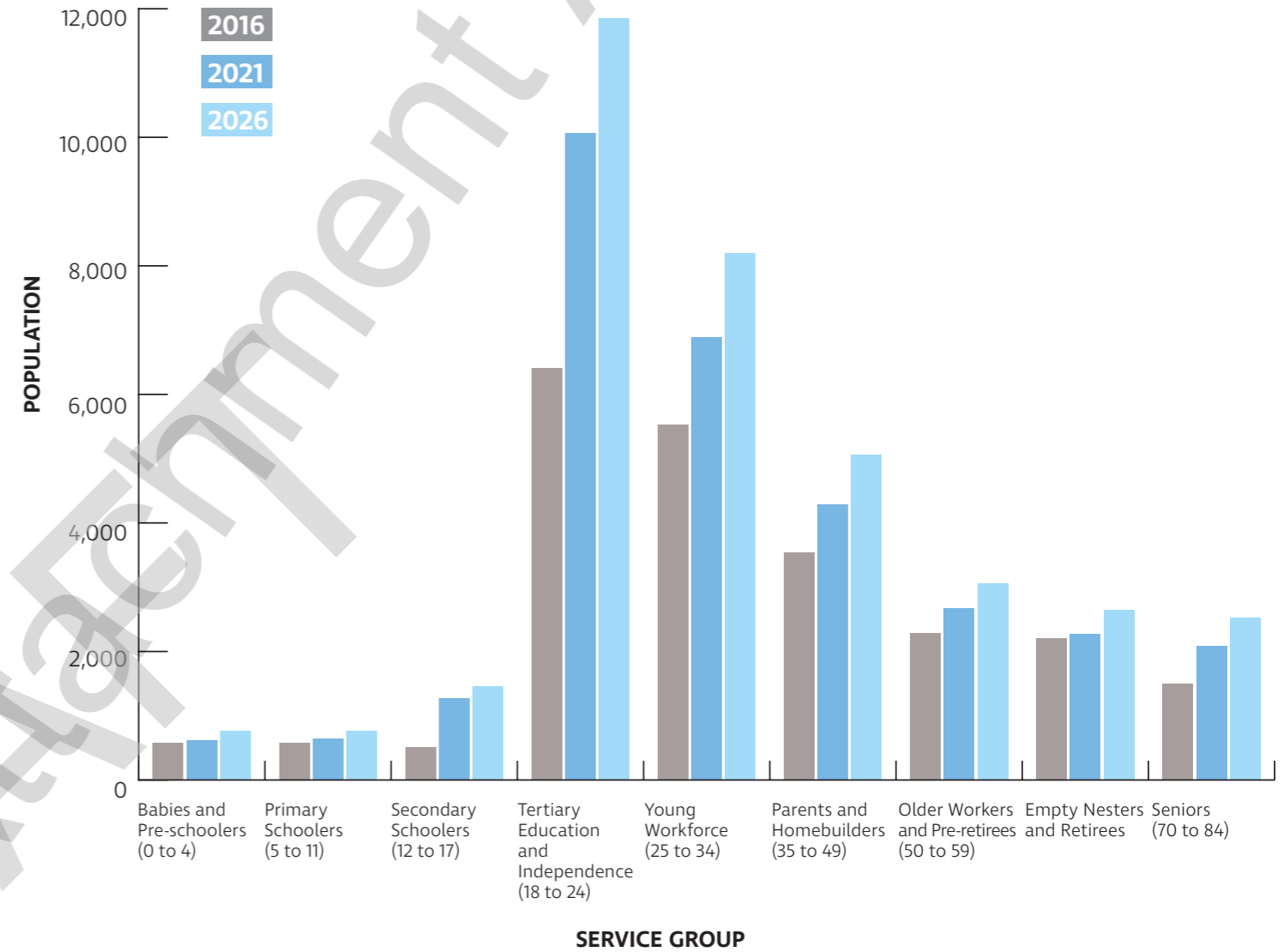
The impacts of this growth on the City of Adelaide are significant. This increase will have an impact on demand for services and infrastructure. The opportunities available for expansion and development are limited with an extremely low availability of unused public land.

The demographic profile of the city of Adelaide will also change over the next six years, and with it, the service and assets needs of the community.

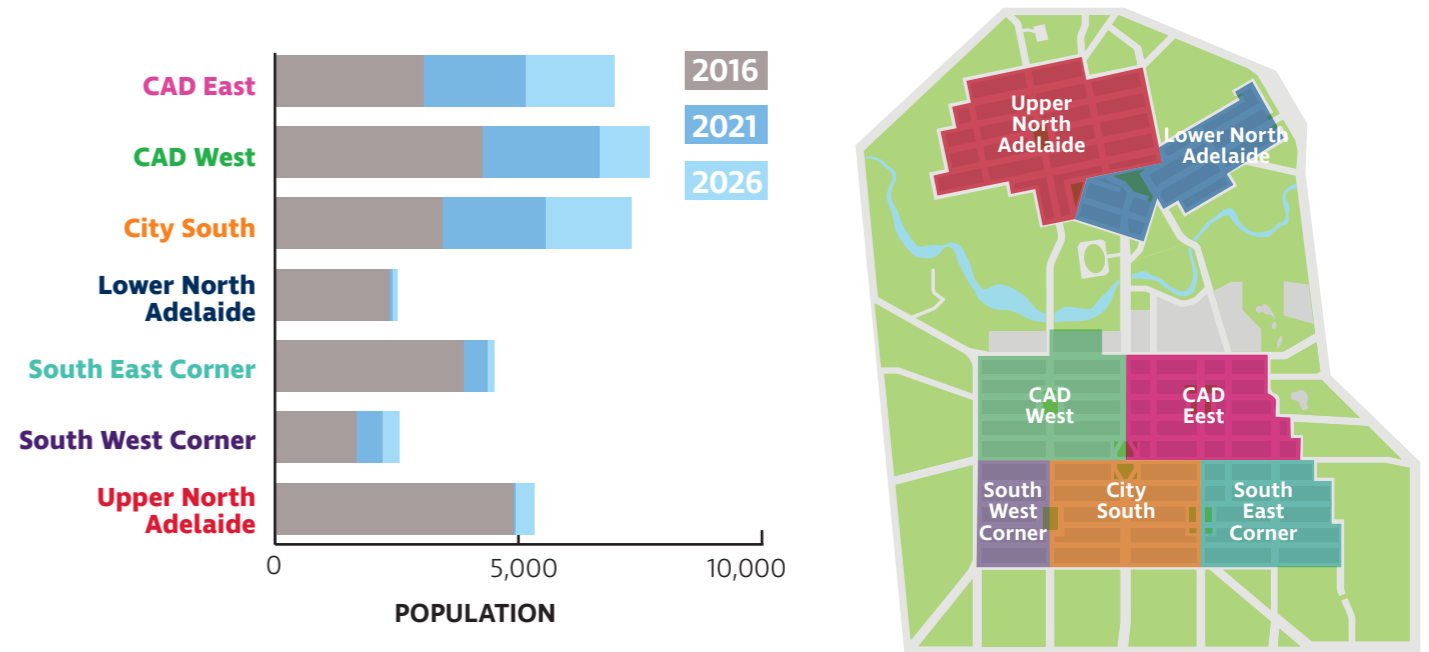
The biggest change comes in the number of residents in the 'Tertiary Education and Independence (18 to 24)' service group, growing from 6,412 in 2016 to 11,858 by 2026. A slight decrease across the other service age groups is currently expected. The 18 to 24 service group are densely populated in the CAD East (49.3% of area population) & West (53.8% of area population).

The other major demographic for the City of Adelaide is the 'Young Workforce (25 to 34)' who, when combined with the 18 to 24 service group, project to account for 54% of the population. Metropolitan growth projections and increased number of people coming into the City to work, study, tourism and leisure, putting additional demand on services we provide and associated assets.

Demographic changes



Estimated changes to population in specific areas of the City of Adelaide



3.3 Technology

Advancements in technology are reshaping the way the city operates. These changes affect the way City of Adelaide plans and delivers its services, and by extension assets to the community. These advancements also change the way in which our community engages with us.

The changes in technology challenge the City of Adelaide to ensure it keeps pace with new technologies, but also provide an opportunity for our asset management systems.

Data is becoming the key component to linking the community, our assets and the City of Adelaide. Data analysis is what helps to inform many of our asset decisions such as our strategic planning and long-term capital renewal planning.

The development of new technologies open up new and exciting ways of obtaining data and turning it into wisdom and knowledge through sharing and collaboration. These technologies include cloud-based services, the Internet of Things, smart phones, smart meters, people movement and other sensors.

Access and understanding of the data available and systems to support this, will enable the City of Adelaide to better understand our asset performance and model our future requirements. This data will allow us to better engage with our community and allow them to participate in prioritising and making asset decisions.

3.4 Impact of Covid19 Pandemic

In the first half of 2020 during the early stages of the COVID-19 pandemic the way in which people used the city changed. While too early to fully understand the impacts of social distancing, temporary health advisory signage, increased cleaning regimes and reduced commuter traffic all have implications on the city's infrastructure. All decision making will consider the impact the situation has on the assets and how they are managed.

4

How City of Adelaide will respond

The City of Adelaide is committed to sustainable asset management which involves managing the levels of service, risk and investment on infrastructure assets in an optimal manner throughout their lifecycle. As such, Council adopted the Asset Management Policy in February 2019, which includes the principals to develop and maintain consistent Asset Management Policy, which are:

1. Community benefits:

Development of service levels and standards to ensure an appropriate balance of expectations and the objectives and requirements of the City of Adelaide.

2. Financial sustainability:

Investment decisions for new and upgraded infrastructure will consider costs of constructing, operating and maintaining to ensure adequate funding is allocated in the long-term financial plan.

3. Environmental sustainability:

Efficient use of resources and protection of the natural environment will be embedded into asset lifecycle planning to support the environmental sustainability objectives of the city.

4. Continuous improvement:

Commitment to advancing the practice of asset management including the use of smart technology to optimise decisions, performance and reporting.

5. Evidence based decision making:

Development and maintenance of an asset management information system that will underpin effective asset lifecycle analysis and sound financial management to enable accountability and sustainable management of infrastructure assets and services.

The City of Adelaide aims to ensure alignment with any key international standards, including the International Asset Management Standard (ISO 55000) and both the International Infrastructure Management Manual and International Infrastructure Financial Management Manual, associated Guidance Documents and Practice Notes. These are proven industry standards to achieve best outcome for the organisation and the community.

4.1 Community Benefit

By working with the community City of Adelaide will develop levels of service that are needs based and easily understood.

Actions:

- Together with the community, use community-based levels of service to inform our strategic objectives.
- Align City of Adelaide's Strategies to identify future opportunities and ensure better community outcomes.
- Utilise Council-endorsed prioritisation methods and levels of service to determine the feasibility of projects and biggest impact to the community.
- Effectively adapt and respond to community needs without adversely impacting the asset management plans and agreed level of service.

4.2 Evidence-Based Decision making

Evidence Based Decision-Making is critical to ensure that there is a line of sight between proposed investments and requirements associate with levels of service, risk management and strategic objectives.

This will allow us to effectively and accurately demonstrate the ongoing renewal and maintenance requirements for our existing assets as well as the investments needed for new and upgrade infrastructure. This evidence comes in several forms, but most common is digital data. System and data management is critical to build an organisations knowledge base over time.

Actions:

- Develop a data governance policy and procedures to ensure that data and information are sufficiently accurate, reliable and secure. Then use the information to determine, measure and monitor key indicators to demonstrate the organization's performance.

- b. Undertake optimised scenario modelling to identify impacts of funding and/or service levels, risk profiles and investment strategies on our assets over the long term. Then model that prioritised expenditure across all of our asset portfolio and Capital Works Program.
- c. Make all data needed available to the relevant people to make the right decision at the right time.
- d. Use information to better understand the whole of lifecycle benefits and costs of our assets.

4.3 Financial Sustainability

A council's long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services. City of Adelaide will manage assets to deliver the organisation's objectives through effective asset lifecycle management at the lowest cost to the community.

Actions:

- a. Maintain a strategic approach to the delivery of all services and capital works programmes with a sustainable 10 year Long Term Financial Plan to achieve Council's long-term strategic objectives.
- b. Model investment requirements associated with different level of service scenarios.
- c. Work with industry to leverage opportunities for innovative techniques with cost saving opportunities
- d. Identify opportunities to partner or to secure grant and other government funding to support our infrastructure.
- e. Ensure there is fairness between generations of rate payers and Adelaide remains an affordable and attractive city to work, live and experience into the future.

4.4 Environmental Sustainability

City of Adelaide will ensure the challenge presented by a changing climate is taken into account when planning and managing assets.

Actions:

- a. Consider 'green' over 'grey' infrastructure where appropriate, cost effective and deliver the same level of service.
- b. Investigate and implement sustainable infrastructure solutions.
- c. Consider projected environmental changes when planning and implementing infrastructure solutions today
- d. Promote and support sustainable procurement strategies
- e. Minimise impacts to the natural environment.
- f. Recycle and minimise waste to landfill where appropriate and re-purposing of existing assets to meet changing community needs.

4.5 Continuous improvement

Community's expectation can change over time. The challenge is to be able to anticipate these changes, while still providing services. Improving our asset management capability will give us greater ability to adapt to changing community requirements.

Actions:

- a. Systems – Develop or enhance data processes and systems capability to ensure accurate, consistent, complete data is available.
- b. Capability – Develop improvement programs to advance and mature our Asset Management capabilities.
- c. Process - Develop reporting capability to determine whole of lifecycle benefits and costings to enable better decision making.

5 How we will fund our Asset Management Objectives

Asset Management Plans will project the long-term financial requirements of each asset category, and consider funding requirements to monitor, maintain and renew our existing assets, as well as identify the requirement for new and upgraded assets. Financial projections relating to each asset management plan are incorporated into the Long-Term Financial Plan (LTFP). The LTFP seeks to ensure that we can deliver services, maintain assets and achieve its strategic objectives in a financially sustainable manner. It provides guidance to support decision making and confirms that we have the financial capacity to meet our longer-term commitments.

With consideration of our current financial position following the covid-19 pandemic, during our recovery it is critical that we look to reduce whole-of-life costs associated with the management of our asset portfolio. To do this, a number of 'levers' can be considered moving forward to inform the development of asset management plans and the associated LTFP. These levers include:

- Optimisation of Renewals
- Review of Levels of Service
- Asset Sustainability Ratio
- Divesting Assets and Accepting Assets
- External Funding Opportunities
- Resource Allocation Strategy

5.1 Optimisation of Renewals

Utilising predictive modelling, a number of asset investment strategies can be modelled with consideration of level of service, cost and risk. Rather than assets being replaced through the conventional 'worst first' approach, various other management strategies can be modelled and considered.

Optimisation through predictive modelling allows specific treatments to be identified for specific assets to ensure works are prioritised to reduce the whole-of-life costs of an asset network. In the long term this will allow optimisation of both level of service outcomes as well as renewal and maintenance expenditure.

Optimisation of asset renewals would be considered through the development of Asset Management Plans and reviewed on an annual basis to align with the Capital Works program that informs the Business Plan and Budget.

5.2 Review of Levels of Service

Levels of service describe the objectives that we intend to deliver to our community through assets, with consideration of quality, function and capacity.

Levels of service are the building blocks of asset management and establishing levels of service is a key requirement to effectively provide services from assets.

To ensure assets are managed in a sustainable manner, it is important that levels of service are periodically reviewed to understand the financial impacts associated with a reduction, maintenance or increase in an assets service provision.

A review to Levels of Service would be undertaken in consultation with the community as well as with Council through workshops in the leadup to the development of Asset Management Plans. Considerations would include:

- Material palettes and design standards, including where they are utilised within the City
- Intervention criteria for undertaking renewal and maintenance works on our assets
- Responsiveness to reactive maintenance activities (e.g. repairing a pothole in a road)
- Frequency of planned operational and maintenance activities (e.g. street sweeping and lawn mowing)
- Functionality and capacity of assets to meet community needs.

5.3 Asset Sustainability Ratio

The Asset Sustainability Ratio indicates whether we are renewing our assets at the same rate that they deteriorate. Adhering to an asset sustainability ratio of between 90-110% ensures that we are sustainably managing the current state of our assets. Where an asset sustainability ratio falls to less than 90% over the medium-long term, it indicates that the state of our assets will deteriorate over time and level of service objectives will not be met. It is important that our assets are sustainably managed over the medium-to-long term to ensure that the cost to maintain and replace them does not become a burden for future ratepayers.

Through reviewing our levels of service, optimising asset renewals and considering asset investment strategies to inform the development of asset management plans, there is an opportunity to ensure we are able to sustainably manage our assets into the future at a reduced cost.

5.4 Divesting Assets and Accepting Assets

A number of our assets provide services not only for our local community, but also the greater metropolitan Adelaide. With consideration of these services, there is opportunity to strategically reconsider ownership and management responsibilities between City of Adelaide, State Government and other interested parties. Through strategically divesting specific assets that may be underperforming or not in our interest to continue to own and operate, the value of our overall asset portfolio would decrease as well as the ongoing lifecycle management costs, allowing funding to be reallocated towards other priorities. Divestment and partnership opportunities for impacted assets would be workshopped with Council. Through deeds and agreements, we regularly accept gifted assets from State Government and developers through third-party projects. Understanding and assessing the ongoing maintenance, operating and replacement costs of these gifted assets is critical to ensure that they can be accommodated within our financial capacity and allow us to continue to sustainably manage our asset portfolio.

5.5 External Funding Opportunities

Leveraging off external funding opportunities for projects will allow us to maintain and enhance the quality of the service we provide through assets, while reducing financial pressures through the efficiencies in an increased revenue. We will continue to work in partnership with both the State and Federal Governments to pursue these opportunities for both renewal and significant upgrade/new projects.

5.6 Resource Allocation Strategy

Implementing a Resource Allocation Strategy will provide a governance structure and line of sight regarding how project initiatives are prioritised and delivered through the Annual Business Plan and Budget. The Resource Allocation Strategy would create a score and ranking for each project initiative, with consideration of the criteria below:

- Strategic Plan Alignment
- Asset Management Plan Alignment
- Demand on Assets
- Community Expectations
- Contribution to Economic Growth
- Environmental and Financial Sustainability
- Project Readiness

The intent is that new project initiatives would be scored, ranked and considered through annual reviews of Asset Management Plans and the LTFP.

6 References

6.1.1 Strategic Asset Management Implementation Program (ACC2020/122266)

6.1.2 National State of the Assets 2018 – Australian Local Government Association cdn.alga.asn.au/wp-content/uploads/2018-National-State-of-the-Assests-1.pdf

6.1.3 Key documents and related processes

Plan or process	Input from AMP	Output to AMP
Corporate and strategic planning		
Strategic Plan 2020–24 and related strategic management plans	Consolidation of strategic asset management implications and requirements	Confirms key strategies and directions as detailed within the strategic management plans informing asset management planning and priorities. Strategies, directions and required functions to be facilitated or delivered through provision of assets
Council Policy		Council policy refers to sustainability and Council's role as owner/custodian and service provider
Asset Management Policy	Life cycle asset requirements including Service Levels, sustainability and financial implications	Endorsed asset management framework and key processes
Financial Planning		
Long Term Financial Plan and Funding Policy	Financial forecasts modelling and sustainability impacts	Endorsed and forecast funding levels
Annual Business Plan and Budget	New assets, asset renewal, operating and maintenance requirements, budgets and programs	Resulting endorsed budgets are then included in the AM planning process
Project and Capital Works (PCW)	Proposed programs and input to the PCW planning process including definition of requirements, pressures and issues for each category	Endorsed prioritised and scheduled works programs and forecasts
Operational Planning		
Business Plans (local work area plans, Project Register)	Service levels, work programs, processes and budgets defined in asset management plans are incorporated into business plans as activity budgets, management strategies and performance measures	Business plans provide schedule and resource information for inclusion in asset management planning
Service specifications and standards	Required service delivery specifications and resulting intervention levels	Resource requirements and capacity issues
Works programs – (PCW, maintenance and operational)	Programs defined by asset management planning and PCW	Program completion and changes provide input to AM planning
Specific studies, strategic and planning documents		Studies, strategic and tactical planning documents are required as input to the asset management planning process
Other		
Contracts	Service levels, strategies and information requirements contained in the asset management plans are incorporated into contract specifications	Contracts provide for the provision of required asset management data

Internal Audit Plan 2021-22

ITEM 5.3 18/06/2021
Audit Committee

Strategic Alignment - Enabling Priorities

Program Contact:
Kerry Loughhead, Manager,
Governance 8203 7014

2021/00982
Public

Approving Officer:
Amanda McIlroy, Chief Operating
Officer, Corporate Services

EXECUTIVE SUMMARY

This report contains the proposed one-year Internal Audit Plan (the Plan) for the City of Adelaide (CoA). The Plan was drafted in consultation with the Executive, the members of the Strategic Risk and Internal Audit Group (SRIA) and CoA's internal audit provider in consideration of CoA's strategic risks and key priorities.

RECOMMENDATION

THAT THE AUDIT COMMITTEE RECOMMENDS TO COUNCIL

That Council

1. Approves the City of Adelaide one-year Internal Audit Plan, contained in Attachment A to Item 5.3 on the Agenda for the meeting of the Audit Committee held on 18 June 2021.
-

IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	Strategic Alignment – Enabling Priorities
Policy	Alignment with the City of Adelaide Risk Management Operating Guideline
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	Sound risk and opportunity management enables well informed decision making and supports the delivery of the Strategic Plan
Opportunities	Sound risk and opportunity management enables well informed decision making and supports the delivery of the Strategic Plan
20/21 Budget Allocation	Not as a result of this report
Proposed 21/22 Budget Allocation	\$30,000 Additional \$40,000 requested as of QF1 adjustment for 2 x Strategic audits
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 one-year (2021/22) Internal Audit Plan (the Plan) for the City of Adelaide (CoA) was drafted in consultation with the Executive, the members of the Strategic Risk and Internal Audit Group (SRIA) and CoA's internal audit provider in consideration of CoA's strategic risks and key priorities within the Strategic Plan.
2. Due to the financial impacts of COVID-19 the Plan for 2021/22 includes a number of audits that can be facilitated utilising existing CoA resources. External providers will be utilised for strategic and compliance audits where specialised skills and expertise are required. The intent of this approach is to ensure that appropriate assurance is provided to the Council in a way that achieves the best value for money, leveraging in-house capability.
3. The Plan covers a one-year period – 2021/22.
4. The following items are recommended in the Plan for 2021/22: -
 - 4.1. Legislative Compliance Framework
 - 4.2. Review of North Adelaide Golf Course financial processes
 - 4.3. Planning, Development, and Infrastructure Act 2016 Implementation
 - 4.4. Purchase Card Industry Audit
 - 4.5. Fleet Management
 - 4.6. Workforce Planning and Staff Retention
 - 4.7. Record Keeping
 - 4.8. Post Audit Implementation Review
5. A brief draft scope for each review is included in **Attachment A**. A more comprehensive scope will be developed and presented to SRIA for approval prior to the audit being undertaken.

ATTACHMENTS

Attachment A – Internal Audit Plan 2021-22

- END OF REPORT -

INTERNAL AUDIT PLAN

2021-2022

June 2021

ACKNOWLEDGEMENT OF COUNTRY

The City of Adelaide acknowledges that we are located on the traditional Country of the Kaurna people of the Adelaide Plains and pays respect to Elders past, present and emerging.

We recognise and respect their cultural heritage, beliefs and relationship with the land. We also extend that respect to visitors of other Aboriginal Language Groups and other First Nations.

DOCUMENT PROPERTIES

Contact for enquiries and proposed changes

If you have any questions regarding this document or if you have a suggestion for improvements, please contact:

Contact Officer: Jess Dillon
Title: Team Leader Corporate Governance
Program: Governance
Phone: (08) 8203 7168
Email: J.Dillon@cityofadelaide.com.au

PURPOSE

The purpose of this document is to provide the City of Adelaide's (CoA) Executive and Strategic Risks and Internal Audit (SRIA) members and subsequently the CoA's Audit Committee (AC) a proposed one-year Internal Audit (IA) Plan (plan). The plan has been presented to the SRIA for endorsement prior to being submitted to the AC for approval. The IA Plan relates to all areas of CoA including the subsidiaries.

A detailed project scope document will be developed prior to the commencement of individual projects. This is not a static document and the IA plan will be periodically re-assessed to recognise CoA's changing risks, controls and internal audit requirements. Regular risk monitoring and communication with Executive and SRIA will be undertaken to keep key stakeholders informed of any potential changes to organisational risks profiles and facilitate the on-going alignment of Internal Audit activities with organisational objectives. IA is reported monthly to SRIA which includes new scopes, outcomes and a report on current or outstanding actions.

WHY HAVE AUDITS BEEN SELECTED?

The intention of the audits detailed in the IA plan are aligned to deliver value within CoA's context of its values, culture, customer service objective and Strategic Plan. The internal audits have been selected not to enable disciplinary action but rather as genuine opportunities in these areas to deliver value and internal audit will be a mechanism to help improve the likelihood of success.

It is envisaged that these internal audit projects, which are oriented towards opportunities to enhance Council services and the internal organisations services, will assist to contribute to achievement of strategic objectives, improving the risk culture at CoA and overall, assist CoA to deliver a better experience for the people living and working in the City of Adelaide.

Due to the financial impacts of COVID-19 the IA Plan for 20/21 includes a number of audits that can be facilitated utilising existing in-house CoA resources. External providers will be utilised for strategic and compliance audits where specialised skills and expertise are required.

TYPE OF AUDIT

Three types of Audit	
Operational	To review the robustness of systems, policies and processes
Strategic	To provide an independent examination of the strategic objective a program, function, operation or the management systems and procedures of council to assess whether the administration is achieving value for money, efficiency and effectiveness
Compliance	To provide comfort that contractual or legislative / regulatory obligations are being met.

CoA STRATEGIC RISK REGISTER

Strategic risk	Risk description
Relationships	Ineffective or weakened relationships with the City of Adelaide community and with the three tiers of government - Federal - State - Local Ineffective relationship management with the private sector
Economic Outlook	Downturn in economic outlook of the country, state and city resulting in reduced Council revenue impacting delivery of strategic objectives, rates, vibrancy of the city, population, growth targets etc.
Service Delivery	Projects and services being undertaken without consideration of stakeholders, project context and/or risk management, resulting in poor decision making and failure for successful service delivery. Balancing probity, quality, equity and compliance; whilst being innovative.
Compliance	Ensuring compliance with an understanding of Council policies and legislative requirements. Risk of failing risk culture due to the fear of escalating risks throughout the organisation. Work Health Safety compliance and risk management to people safety.
Organisational Culture	Poor organisational culture may contribute to loss of productivity, high employee turnover and missed innovative business opportunities.
City Emergency	Insufficient preparation on emergency situations that could affect the City; from large incidents, such as earthquakes to smaller incidents such as a medical episode at a community event.
Reputation	Loss of community faith and/or trust due to negative reputation of the City of Adelaide. Media, poor performance, not meeting strategic objectives and not delivering successful projects and services could increase the risk. Sovereign risks of CoA's portfolio including asset management.
Financial Sustainability	Building efficiencies in city operations and understand where the City of Adelaide can add value. Long term financial sustainability to meet projects and visions in the Strategic Plan and deliver these for the community.
Climate Change	The climate is changing and will continue to change, in ways that will increasingly impact operations, infrastructure, services and the community at large.
Technological	Inefficiencies with the delivery of City of Adelaide's operations (internal processes and commercial businesses) due to a lack of a modern, integrated and secure digital environment.

INTERNAL AUDITS PREVIOUSLY COMPLETED

2020 / 2021	2019 / 2020	2018 / 2019	2017 / 2018
Record Keeping Audits	Budget Management	Rates Revenue Review	Procurement Compliance
Management of Leave Entitlements	Section 7 Statements	Records Management	Child Protection Framework
Software Licence Review	Employee Travel Expenditure	Credit Card Compliance	Stakeholder Relationship Management / Advocacy
Training and Development Internal Processes	Fraud Prevention	Environmental Health	Community Land Leasing (Parklands)
PCI Compliance	Events Sponsorship	Customer Focus	Legislative Compliance
Employee Gifts and Benefits	Social Media	Stores Management	Insurance Audit
Project Management Review	Park Lands Review	Confidentiality Orders Review	Cyber Security & Data Management
Legislative Compliance Framework	Legislative Compliance	Employee Reimbursements	
Post Audit Implementation Review		Post-Audit Implementation	

PROPOSED INTERNAL AUDITS FOR 2021/22

Name of Audit	Strategic Risks	Portfolio	Type of Audit	In-house/ provider	Commencement Date
Legislative Compliance Framework	Service Delivery Compliance Organisational culture	All	Compliance	In-house	July 2021
On-going assessment of CoA's legislative compliance work plan, auditing one Act at a time with actions monitored and managed in Promapp.					
Name of Audit	Strategic Risks	Portfolio	Type of Audit	In-house/ provider	Commencement Date
Review of North Adelaide Golf Course (Golf Links) financial processes	Service Delivery Compliance Financial Sustainability	City Shaping	Compliance	In-house	September 2021
This review will assess the processes in place with the North Adelaide Golf Link financial daily operations including payment of fee's by Members and the general public, end of day security of cash and other day to day transactions.					
Name of Audit	Strategic Risks	Portfolio	Type of Audit	In-house/ provider	Commencement Date
Planning, Development and Infrastructure Act 2016 Implementation	Compliance Reputation	Infrastructure & Operations	Strategic	Provider	October 2021
An audit on the process and procedures that have been implemented to ensure compliance with the new Act					
Name of Audit	Strategic Risks	Portfolio	Type of Audit	In-house/ provider	Commencement Date
PCI Compliance	Compliance Reputation	Corporate Services	Compliance	Provider	November 2021
The objective is that CoA requires a review of its compliance with the Payment Card Industry Data Security Standard (PCI DSS) and to report on this compliance by presenting its acquiring bank with a completed Self-Assessment Questionnaire (SAQ). This internal audit will provide CoA with an understanding of the level of PCI DSS compliance associated with the payment processing facilities, and to provide guidance in areas of required remediation following the assessment. The audit is required once a year.					

Name of Audit	Strategic Risks	Portfolio	Type of Audit	In-house/ provider	Commencement Date
Fleet Management	Financial Sustainability Compliance	Infrastructure & Operations	Operational	In-house	February 2022
<p>This audit will consider CoA's policies and/or operating guideline, processes and practices of fleet management including fuel cards. The review will assess the adequacy of systems and controls with respect to fleet vehicles assigned to employees.</p> <p>Previously audited in 2007/08</p>					
Name of Audit	Strategic Risks	Portfolio	Type of Audit	In-house/ provider	Commencement Date
Workforce Planning and Staff Retention	Reputational	All	Strategic	Provider	February 2022
<p>The scope of this project will focus on each Council's workforce planning strategies and initiatives in the context of Councils strategy and matching of workforce capabilities and resourcing to future needs/aligned to each Council's strategic plan. It will focus on how council proactively manage staff retention strategies.</p>					
Name of Audit	Strategic Risks	Portfolio	Type of Audit	In-house/ provider	Commencement Date
Record Keeping Audits	Compliance	Corporate Services	Compliance	In-house	April 2022
<p>This internal audit will perform a random check on recordkeeping by sampling a selection of staff from each portfolio. This audit will be developed and facilitated in conjunction with Information Management as per requirements in the Record Keeping Operating Guideline</p>					
Name of Audit	Strategic Risks	Portfolio	Type of Audit	In-house/ provider	Commencement Date
Post Audit Implementation Review	Service Delivery Compliance	All	Compliance	In-house	May 2022
<p>This internal audit will focus on previous audits and how effectively controls have been managed and implemented. This will provide a level of comfort to Leadership and identify any gaps and/or delays in the implementation of controls.</p>					

Integrated Planning Consultation Summary

ITEM 5.4 18/06/2021
Audit Committee

Strategic Alignment - Enabling Priorities

Program Contact:
Grace Pelle, Manager, Finance & Procurement 8203 7343

2020/01920
Public

Approving Officer:
Amanda McIlroy, Chief Operating Officer, Corporate Services

EXECUTIVE SUMMARY

The City of Adelaide consulted on the Draft Business Plan and Budget (BP&B), the Draft Long Term Financial Plan (LTFP) and the Draft Strategic Asset Management Plan (SAMP) for nine weeks, starting on the 28 March 2021 and closing at 9am 31 May 2021, as follows:

- Draft Rating Policy (Stage 1 of the Draft BP&B) 28 March to 9am 19 April 2021
- Draft BP&B (Stage 2, full draft document) 16 April to 9am 10 May 2021
- Draft LTFP and Draft SAMP 16 April to 9am 31 May 2021

The Draft Rating Policy consultation provided ratepayers an opportunity to have their say on the four proposed changes that Council adopted in February 2021. These included a discount for upfront payment of rates, changes to vacant land rating, and concessions.

The BP&B consultation focused on recovery and growth and included the presentation of a balanced budget. Our community were given an opportunity to have their say on proposed recovery priorities, projects, and services. The budget proposed was provided in alignment with our Service Categories and for the first time, incorporated full costs for each service – including proposed resources, operating activities, strategic projects and infrastructure expenditure.

This was the first time that the City of Adelaide had developed a standalone LTFP and a SAMP. As such, the consultation that was undertaken concurrently with the Draft Business Plan and Budget consultation, to provide a connection between our annual planning documents to our longer-term strategic management plans. The LTFP and SAMP consultation were combined to demonstrate the inherent connection between the SAMP and its influence on the assumptions that make up our LTFP. Our community were asked to provide their feedback on these long-term planning documents and were provided Draft copies, alongside fact sheets which broke down key components. We sought input from the community on components such as the SAMP Strategic Actions, to the financial assumptions in the LTFP.

A single online portal was built for the community to have easy access to these documents and to provide a single point of contact for the consultation undertaken. At the close of the 9 weeks of consultation 360 responses were received via surveys, quick polls or written submissions. There were over 2,700 unique visitors to the webpage and over 1,500 document downloads.

RECOMMENDATION

THAT THE AUDIT COMMITTEE

1. Notes the summary of the consultation undertaken on the City of Adelaide Rating Policy, Draft 2021 – 2022 Business Plan and Budget, Draft Long Term Financial Plan and Draft Strategic Asset Management Plan.

IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	Strategic Alignment – Enabling Priorities Consultation undertaken supports the Strategic Plan (Enabling Priorities) community outcome that 'community consultation underpins everything we do'
Policy	Consultation on the Draft Rating Policy will inform Council's adoption of the finalised Policy
Consultation	Consultation occurred from 28 March 2021 to 31 May 2021 and included ratepayers, residents, business, precinct and resident groups, key stakeholders and interested parties.
Resource	Not as a result of this report
Risk / Legal / Legislative	Consultation on the Draft BP&B, Draft LTFP and Draft SAMP are bound by minimum requirements as set out in the <i>Local Government Act (SA) 1999</i>
Opportunities	To apply the outcomes of the consultation on the Draft BP&B, Draft LTFP and Draft SAMP.
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. Council approved the Draft Rating Policy in February 2021, the Draft Strategic Asset Management Plan in March 2021 and the Draft 2021 – 22 Business Plan and Budget and the Draft Long Term Financial Plan in April 2021, for community consultation.
2. Community consultation on these draft documents occurred from 28 March 2021 to 9am 31 May 2021. During this time:
 - 2.1. Over 2,700 unique visitors were recorded on the YourSay Adelaide consultation webpage.
 - 2.2. Over 1,500 documents were downloaded.
 - 2.3. 360 responses were received via surveys, quick polls or written submissions.
 - 2.4. Eight comments were received over social media, with the value of these posts being in them reaching over 7,500 people and resulting in over 120 engagements with the consultation.
3. The consultation was advertised through:
 - 3.1. Legislatively required public notices in the South Australian Government Gazette, The Advertiser public notices, and City of Adelaide (CoA) website.
 - 3.2. Corporate EDMs, including the YourSay Adelaide and AEDA databases.
 - 3.3. Over 7,600 direct emails were distributed providing direct links to the survey, including:
 - 3.3.1. Resident Groups and Precinct Groups, creative stakeholders, youth groups and organisations, entrepreneurs, indigenous stakeholders, individuals who were part of the Strategic Plan consultation, Government departments, and other key stakeholders and interested parties.
 - 3.3.2. Direct email to those users who registered in Stage 1 in regards to Stage 2 and the Draft LTFFP and SAMP.
 - 3.3.3. All e-rate ratepayers were notified over email and all ratepayers were notified via Quarter 4 rates notice.
 - 3.4. Notifications at Council's Customer Centre, libraries, and community centres.
 - 3.5. Council's digital and social media assets including Facebook, LinkedIn and Twitter and our online engagement portal.
 - 3.6. Posters at libraries, community centres and the customer centre.
 - 3.7. Sharing of consultation by external key partners, including the UDIA who promoted the consultation via their database.
4. Numerous opportunities to provide feedback were offered and included:
 - 4.1. A quick, easy to complete survey on the Your Say Adelaide engagement hub (no registration required).
 - 4.2. Formal submissions through Your Say Adelaide (no registration required – opportunity to provide further details).
 - 4.3. Written submissions through post and email.
 - 4.4. Social Media channels, i.e. direct comments on Facebook posts.
 - 4.5. An online presentation and question and answer forum.
 - 4.6. An online Q&A monitored by City of Adelaide employees.
 - 4.7. Hard copies of the survey were always available at various locations including the Customer Centre, libraries and community centres.
 - 4.8. Seven informal 'drop-in' sessions were held at the North Adelaide Library, City Library, Hutt Street Library, and the Pirie Street Customer Centre. These provided the community a chance to talk to staff and receive assistance in completing surveys.
 - 4.9. Through staff attendance at a Urban Development Institute of Australia (UDIA SA) Infrastructure Committee member meeting (in attendance were SA Water, SA Power Networks, Department of Infrastructure and Transport (DIT), APA, NBN, OptiCom, Various property developers, legal firms and consulting engineering firm representatives) on 13 May requesting feedback on the SAMP and LTFFP and directing them to the survey.

- 4.10. Government and industry forum was scheduled and organised with invitations sent to representatives from Local Government Association, Local Government Finance Authority, Office of Local Government, Property Council, Business SA, UDIA and DIT. Due to few registrations this forum was cancelled and individual meetings for registered attendees were offered.
 - 4.11. Precinct forum was scheduled and organised with invitations sent direct to all precinct groups this event received interest from the Adelaide West End Association and was merged with community forum due to low level of interest.
 5. Council was provided a copy of the Stage 1 and 2 (Rating Policy and Draft BP&B) consultation summary, including survey data, analysis and all verbatim comments at a Special Council Meeting on the 18 May 2021 and is available to [download here](#).
 6. Council was provided a copy of the Draft LTFP and Draft SAMP consultation summary, including survey data and all verbatim comments at the Council Meeting on the 8 June 2021 and is available to [download here](#).
 7. At a meeting of Council on 8 June 2021 the Rating Policy will be considered for endorsement by Council factoring in feedback from consultation and seek their decision on whether to proceed with proposed changes regarding removal of pensioner rebate, increase in the special discretionary rebate, introduction of 1% upfront payment discount and introduction of a long-term vacancy differential rate.
 8. At a meeting of Council on 29 June 2021 the BP&B, LTFP and SAMP will be considered for endorsement by Council factoring in feedback from consultation.
-

ATTACHMENTS

Nil

- END OF REPORT -

2021/22 Long Term Financial Plan Update

ITEM 5.5 18/06/2021
Audit Committee

Strategic Alignment - Enabling Priorities

2020/01920
Public

Program Contact:
Grace Pelle, Manager, Finance &
Procurement 8203 7343

Approving Officer:
Amanda McIlroy, Chief Operating
Officer, Corporate Services

EXECUTIVE SUMMARY

The Draft 2021/22 Long Term Financial Plan was approved for public consultation by Council in April 2021. The public consultation took place from 16 April to 31 May 2021 in accordance with the *Local Government Act 1999 (SA)* (the Act) and the Public Consultation Policy. A summary of the feedback received during the consultation was provided at a meeting of Council on 8 June 2021 and at a meeting of the Audit Committee on 18 June 2021.

The purpose of this report is to provide the Audit Committee an update on the finalisation of the City of Adelaide 2021/22 Long Term Financial Plan and a separate report is being presented as Item 5.4 to this meeting of the Audit Committee.

RECOMMENDATION

THAT THE AUDIT COMMITTEE

1. Notes the update on the finalisation of the City of Adelaide 2021/22 Long Term Financial Plan to be presented to Council for final adoption on 29 June 2021.

IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	<p>Strategic Alignment – Enabling Priorities</p> <p>The Long Term Financial Plan (LTFP) is a 10 year forecast of Council's financial performance and position based on its strategic plans, anticipated service levels and social, economic and political indicators. It provides guidance to support Council decision making and confirms that Council has the financial capacity to deliver services, maintain assets and achieve its strategic objectives in a financially sustainable manner.</p>
Policy	Not as a result of this report
Consultation	A public consultation process on the draft 2021-2022 LTFP was held from 16 April 2021 to 31 May 2021. Results of this consultation were provided to Council on 8 June 2021.
Resource	Not as a result of this report
Risk / Legal / Legislative	Council's LTFP is developed in accordance with section 122 of the Act, and section 5 of the Regulations.
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 10 year Long Term Financial Plan sets the high level financial parameters that guide the development of service levels, revenue levels and budgets in line with long term strategies and objectives in a financially sustainable manner.
2. To achieve financial sustainability the Long Term Financial Plan takes the current financial position and builds on this with future information based on Asset Management Plan, Council Strategic Plan, continued service delivery, anticipated growth of the City and any other assumptions as relevant.
3. The Audit Committee reviewed the draft LTFP for public consultation at its meeting on 30 April 2021, inclusive of a summary description of changes made to the draft LTFP as a result of Council decisions at a meeting of Council on 13 April 2021.
4. It is important to note that these motions are action only to the extent that they change the assumptions in the LTFP. Legislatively Council is not able to commit future Councils to future decisions and as such the intent shown regarding Adelaide Aquatic Centre and UPark Rundle operations and asset treatment will be subject to future decisions of Council. The amendments to the LTFP for these motions simply change the base assumption of asset renewal but do not reflect change in operations.
5. At the meeting of 30 April 2021 an undertaking was made to:
 - 5.1. Liaise with the external auditors to seek their view on whether having a negative balance in the Future Fund Reserve is appropriate from an Accounting Standards perspective.
 - 5.2. Review and tidy up the wording on page 13 of the Long Term Financial Plan
 - 5.3. Provide the Audit Committee members with the consultation summary for the Business Plan and Budget
6. As a result, the external auditors have reviewed the LTFP during the interim audit visit and provide the following commentary regarding the future fund:
 - 6.1. We have been briefed by management on the set-up of the 'Future Fund Reserve' within the Equity Section of Statement of Changes in Equity, with the intention of quarantining proceeds from the sale of Council assets to fund the future purchase(s) of new income generation assets or new capital projects of a strategic nature.
 - 6.2. From an accounting perspective, all gains or losses from asset disposal are recognised initially through profit or loss, so the transfer in and out of the reserve will be through accumulated surpluses. AASB 101 Presentation of Financial Statements requires an entity to:
 - Provide a description of the nature and purpose of each reserve within equity, and
 - Present a reconciliation between the carrying amount at the beginning and at the end of period, separately (at a minimum) disclosing changes resulting from profit or loss, other comprehensive income and transaction with owners in their capacity with owners.
 - 6.3. Management advised that based on Council's current projected sale of assets, the reserve may be negative for a number of years. Though this is unusual, it is not prohibited by the standards as long as appropriate disclosures are made to the financial statements to explain the reason.
7. Review of wording on page 13 of the LTFP has been conducted and will be amended in the final version for adoption by Council on 29 June 2021.
8. A summary of consultation on the draft LTFP is provided at Item 5.4 to this meeting of the Audit Committee.
9. Post consultation, the following amendments to the LTFP will be put to Council for decision and inclusion in the final version of the LTFP for adoption:
 - 9.1. The budget for 2020-21 updated to reflect the results approved for QF3 by Council at its meeting on 11 May 2021.
 - 9.2. Consideration of the advice from BDO regarding the future fund and the "unusual" nature of negative equity, reversal of the funding of the Central Market Arcade Redevelopment from the future fund to avoid the fund going into a negative balance.
 - 9.3. Inclusion of any latest information received regarding grant funding up to and before the date of adoption.

ATTACHMENTS

Nil

- END OF REPORT -

External Audit Interim Management Letter

ITEM 5.6 18/06/2021
Audit Committee

Strategic Alignment - Strong Economies

Program Contact:
Grace Pelle, Manager, Finance &
Procurement 8203 7343

2020/00150
Public

Approving Officer:
Amanda McIlroy, Chief Operating
Officer, Corporate Services

EXECUTIVE SUMMARY

Under Section 129 of the *Local Government Act (SA) 1999* the Auditor must provide to Council a report on matters arising from the audit and specifically identify in the report, any irregularity in the Council's accounting practices or the management of the Council's financial affairs identified by the Auditor during the course of the audit.

BDO Chartered Accountants (BDO) completed their interim audit during the period 17 May 2021 through to 12 June 2021. As is normal practice and based on their work to date BDO have provided an "Interim Report on the 2021 External Audit" to the Presiding Member of the Audit Committee, Mr David Powell per **Attachment A**.

BDO's Interim Report notes they have identified no material deficiencies in internal controls which would impact audit testing or expose the Council to risk of material misstatement of results for the year ended 30 June 2021. A final report on matters arising from the audit will be provided to the Audit Committee on 8 October 2021.

RECOMMENDATION

THAT THE AUDIT COMMITTEE

1. Notes the report and the Interim Report on the 2021 External Audit as per Attachment A to Item 5.6 on the Agenda for the meeting of the Audit Committee held on 18 June 2021.

IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	Strategic Alignment - Strong Economies Financial sustainability is critical to achieving our vision and Council will carefully manage its revenue, costs, debt and assets.
Policy	Not as a result of this report
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	Section 126(4)(c) of the <i>Local Government Act (SA) 1999</i> identifies the functions of an Audit Committee as: <i>“Reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis”.</i>
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 external auditors for the Council are BDO Chartered Accountants (BDO). The role of the external auditor is to provide an opinion to Council with respect to the audited financial statements. In planning the audit, the auditor considers the internal controls in order to determine their audit procedures for the purpose of expressing their opinion on the financial statements and the effectiveness of the financial control environment.
2. Under Section 129 of the *Local Government Act (SA) 1999* the auditor must provide to Council a report on particular matters arising from the audit and specifically identify in the report, any irregularity in the council's accounting practices or the management of the council's financial affairs identified by the auditor during the course of the audit.
3. At the meeting of the Audit Committee on 5 February 2021, the Audit Committee endorsed the proposed 2020-21 End of Year financial reporting process and external audit timetable. The associated report highlighted that BDO had scheduled to carry out their audit in two parts with the interim audits conducted in May 2021 and the final phase of the audit concentrating on the Corporation's draft financial statements to be carried out at the end of August 2021.
4. BDO have provided an "Interim Report on the 2021 External Audit" to the Presiding Member of the Audit Committee, per **Attachment A**.
5. At the time of the "Interim Report on the 2021 External Audit" BDO had not completed testing of all the core controls identified in this document because some relate to annual processes and consequently will not occur until the end of the financial year, or others are more closely aligned to testing we would normally conduct after year-end.
6. The controls to be tested did not yield exceptions in the prior year nor does current internal reporting indicate significant issues.
7. Based on the work-to-date, BDO's Interim Report notes they have identified no material deficiencies in internal controls that would lead to a qualification to the audit report on internal controls.
8. Key issues identified during the audit planning process included:
 - 8.1. Revaluation, depreciation, useful lives and residual values of Infrastructure, Land and Building Assets.
 - 8.2. Accounting treatment of Capital Work in Progress.
 - 8.3. Management override of internal controls – standard compliance check.
 - 8.4. Potential deficiencies in the control environment – impact of new organisational structure.
 - 8.5. Update on audit opinion in relation to internal controls.
 - 8.6. Assessment of impairment associated with the COVID-19 impact.
 - 8.7. Accounting for ongoing lease modifications and reassessment.
 - 8.8. Accounting treatment of Future Fund Reserve.
 - 8.9. Financial impact of the India case legal dispute.
9. It is appropriate that the Audit Committee notes the Interim Report on the 2021 External Audit.
10. In accordance with the agreed timetable endorsed by the Audit Committee at the 5 February 2021 meeting, BDO will present a final report on matters arising from the audit to the Audit Committee on 8 October 2021.

ATTACHMENTS

Attachment A - Interim Report on the 2021 External Audit

- END OF REPORT -



Mr David Powell
 Presiding Member - Audit Committee
 The Corporation of the City of Adelaide
 GPO Box 2252
 ADELAIDE SA 5001

9 June 2021

Dear Mr Powell

INTERIM REPORT ON THE 2021 EXTERNAL AUDIT

We are pleased to provide the members of the Audit Committee an update on the 2021 External Audit.

We have conducted our interim audit visits, in line with our audit plan delivered at the Audit Committee meeting on 5 February 2021. Our work to date has covered:

- Our annual assessment of risk and potential implications for the audit of the financial report.
- Our annual assessment of risk and potential implication for the audit opinion on internal controls.
- A review of internal controls and determination of those which will be relied upon and tested as part of our audit strategy for the audit of the annual financial statements.
- Interim testing of internal controls for the audit opinion on internal controls.
- Interim testing of a sample of transactions recorded in revenue, operating expenditure and payroll expenditure.
- Analytical review of interim results to identify any unusual trends or items which might require additional audit attention.
- Review of interim testing to ensure that there are no underlying deficiencies in internal controls or matters which would require additional attention as part of our audit on the financial report.

We have also updated our understanding in relation to key financial reporting issues that were identified in our audit planning process, as follows;

- Revaluation, depreciation, useful life and residual value of Infrastructure Assets,
- Accounting treatment of Capital Work In Progress (WIP),
- Management override of internal controls,
- Potential deficiencies in the control environment; and
- Assessment of impairment associated with the COVID-19 impact.

Subsequent to the presentation of our audit plan, we also note an additional audit risk in relation to the accounting for ongoing lease modifications and reassessment in accordance with AASB 16 *Leases*.

Status update on key issues

Revaluation, depreciation, useful life and residual value of Infrastructure, Land & Building Assets

Council revalue all material asset classes on a regular basis such that the carrying values are not materially different from fair value. These revaluations are carried out on a rotational basis by Council's employees in conjunction with independent valuers. This year, we have been briefed by management that there will be a revaluation of land and buildings, and urban elements.



It is expected that the revaluation work will be completed as part of the year end reconciliation process and this will be available to us by our final visit commencing 23 August 2021.

Capital Work In Progress

We have been briefed on the progress in relation to capital work in progress in particular the capitalisation and/or expensing of items and the handover process of completed capital projects during the year. It is expected that the underlying asset records and associated reconciliations will be updated after year end and completed before the commencement of the year-end visit.

Management override of internal controls

Our interim testing has not identified any evidence of management override of internal controls. We will revisit this during our year-end visit, complete our testing and report our findings accordingly.

Potential deficiencies in the control environment

We have been provided with the new organisational structure and updated our understanding of the control environment and key internal controls operating during the year. We have considered this in conjunction with our work on internal controls and provide an update for this in the *Update on our audit opinion in relation to internal controls* section of this report.

Assessment of impairment associated with the COVID-19 impact

The economic impact of COVID-19 remains an indicator of impairment of non-current assets.

We have been briefed by management on the financial impact the current economic environment is having on the Council. We have this discussion into consideration as part of our audit planning process and ensured that our audit procedures reflect the associated economic impacts.

Lease accounting

Council adopted AASB 16 in the prior year, which resulted in significant balances of right-of-use assets and lease liabilities recognised in the statement of financial position. There continues to be a risk of material misstatement in relation to the accounting for ongoing lease modifications and assessment, as well as new leases entered into during the year. We made initial inquiries with management in relation to changes made to the lease portfolio and will revisit the matter during our year-end visit.

Update on our audit opinion in relation to internal controls

We have commenced planning and testing of internal controls for the purpose of providing an audit opinion on Council's internal controls. Specifically that controls exercised by the Council in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with legislative requirements.

Our assessment of internal controls is based on the criteria in the *Better Practice Model - Financial Internal Control for South Australian Councils* as issued by the Local Government Association of South Australia.

At the time of this report we have not completed testing of all the core controls identified in this document because some relate to annual processes and consequently will not occur until the end of the financial year, or others are more closely aligned to testing we would normally conduct after year end. The controls to be tested did not yield exceptions in the prior year nor does current Promapp reporting indicate significant issues.



Other matters

Future Fund Reserve

We have been briefed by management on the set-up of the 'Future Fund Reserve' within the Equity Section of Statement of Changes in Equity, with the intention of quarantining proceeds from the sale of Council assets to fund the future purchase(s) of new income generation assets or new capital projects of a strategic nature.

From an accounting perspective, all gains or losses from asset disposal are recognised initially through profit or loss, so the transfer in and out of the reserve will be through accumulated surpluses. AASB 101 *Presentation of Financial Statements* requires an entity to

- Provide a description of the nature and purpose of each reserve within equity, and
- Present a reconciliation between the carrying amount at the beginning and at the end of period, separately (at a minimum) disclosing changes resulting from profit or loss, other comprehensive income and transaction with owners in their capacity with owners.

Management advised that based on Council's current projected sale of assets, the reserve may be negative for a number of years. Though this is unusual, it is not prohibited by the standards as long as appropriate disclosures are made to the financial statements to explain the reason.

Financial impact of the India case legal dispute

We have been briefed by management and understand that though the matter has progressed throughout the year, façade works are still going through the legal process. Additional information will be expected to become available before our commencement of the final visit and we will revisit the matter and report accordingly.

Based on the work to date, we have not noted any material exceptions that would lead to a qualification to the audit report on internal controls. We will continue our work on internal controls at the year-end visit and will report to Council accordingly.

Please contact me if you have any questions or need any further information.

Yours faithfully

BDO Audit (SA) Pty Ltd

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

Paul Gosnold
Director