



# AUDIT COMMITTEE

## AGENDA & REPORTS

for the meeting

Friday 30 July 2021  
at 8.30 am

in the Colonel Light Room  
Adelaide Town Hall



<b>Membership:</b>	The Lord Mayor 1 Council Member 3 External Independent Members 2 Proxy Council Members
<b>Quorum:</b>	<b>3</b>
<b>Presiding Member</b>	Mr David Powell
<b>Members</b>	The Right Honourable the Lord Mayor [Sandy Verschoor] Ms Paula Davies Councillor Hyde 1 vacant position
<b>Proxy Members</b>	<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 – 18/6/2021

That the Minutes of the meeting of the City of Adelaide Audit Committee held on 18 June 2021 be taken as read and be confirmed as an accurate record of proceedings.

## 3. Presiding Member Reports

## 4. Presentation

4.1. Adelaide Central Market Authority Update [2016/03926] [Page 3]

## 5. Reports

5.1. 2020-21 Preliminary Financial Position [2021/00122] [Page 12]

5.2. Presiding Member's Annual Report [2019/02483] [Page 17]

5.3. Annual Report Risk Statement [2019/02483] [Page 22]

5.4. Internal Audit Progress Report [2021/00982]

*Report to be distributed separately*

**6. Emerging Key Risks**

**7. Independent Member Discussion**

**8. Other Business**

**9. Item Seeking Exclusion of the Public (If required)**

**9.1.** Exclusion of the Public to Consider [2018/04291] [Page 26]:

For the following items seeking consideration in confidence:

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

10.2 Confidential Discussion with the Internal Auditor [s 90(3) (b)]

**10. Confidential Item (if any)**

**10.1.** Activities of the Strategic Risk and Internal Audit Group Meetings [2020/01604] [Page 29]

**10.2.** Confidential Discussion with the Internal Auditor [2021/00982] [Page 33]

**11. Closure**

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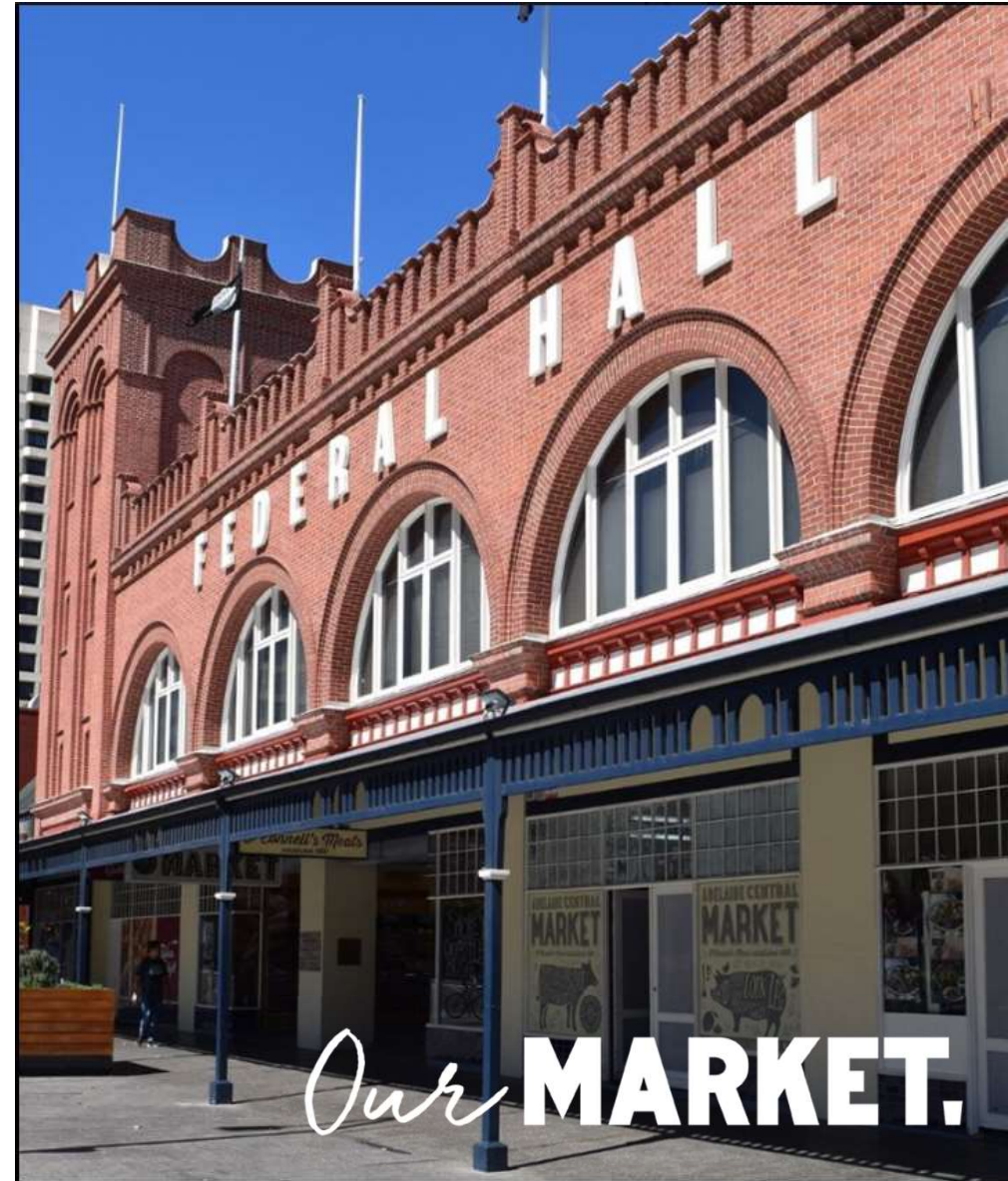
# Adelaide Central Market Authority

CoA Audit Committee, July 2021



# ADELAIDE CENTRAL MARKET AUTHORITY

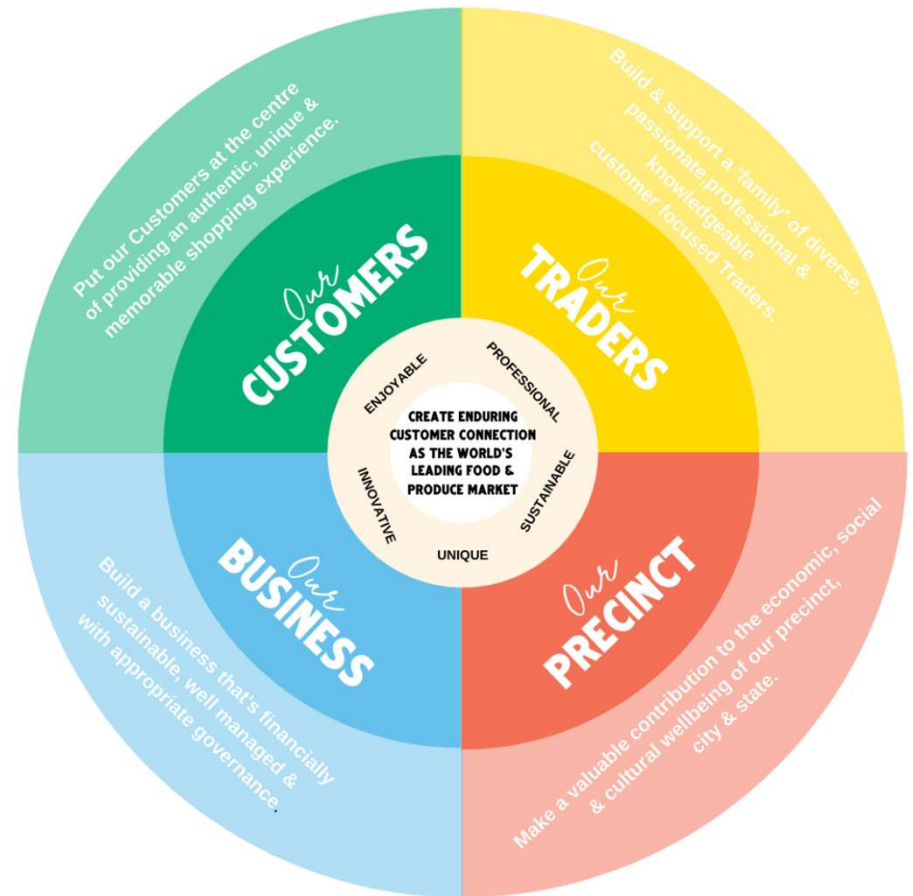
- Section 42 Fully Owned Subsidiary of Council
- Governed by a Charter (2021) and Board comprising Chairperson and 6 members including 1 Council Member
- Operating with four year Strategic Plan and annual Business Plan and Budget
- Management team of 7 including General Manager, Operations, Retail & Leasing and Marketing. Duty Manager allocated to each trading day (emergency response)



# OBJECTIVES AND PURPOSE

The primary objects and purpose as outlined in ACMA Charter (2021) are:

- Oversee the management and operation of the Market;
- To be responsible for maintaining and enhancing the iconic standing of the Market for the benefit of all stakeholders;
- To be responsible for encouraging the use of the Market by South Australian residents, visitors and the community in general and for the Market being recognised locally and internationally as a leading, vibrant, diverse and unique fresh produce market community that is commercially sustainable for Market sub-lessees and/or licensees and the Corporation of the City of Adelaide;
- Contribute to the development of the wider market district; and
- Be financially self sufficient in terms of its operations.



# CHARTER (2021)

Updated ACMA Charter came into effect on 8 July 2021 (previously reviewed in 2014). Highlighted changes include:

- “One Market” consolidation of Arcade development under ACMA control
- ACMA is a management and marketing entity
- CoA is responsible for:
  - Asset management and investment
  - Car park management with ACMA direction
- Establishment of a Traders Representation Committee
  - Guide the Board on operations of the Market
  - Three TAG members, two Board Members and two others
  - Reporting requirements embodied
- CoA providing support services to ACMA
- Board limitation of term removed, Register of Interests now required, TAG Chair no longer automatically a member
- General Manager reports to CoA CEO
- Financial Management: Auditor of CoA is auditor of ACMA, borrowings only undertaken by CoA
- Net financial position to Council is unchanged



## RISK & FINANCIALS

- Updated Charter came into effect on 8 July 2021 and transition is underway
- 5 out of 7 Board positions filled, 2 positions are vacant
- Risk register formally reviewed biannually by the ACMA Board and presented at CoA SRIA
- Financial reports presented every month to the Board by CoA Finance team member
- Annual report and audited financial statements prepared and reported at the AGM in accordance with the ACMA Charter
- Audited Marketing Fund statements prepared and reported to Traders as per the Retail and Commercial Leases Act 1994
- Management team ensure compliance with Covid-19 restrictions







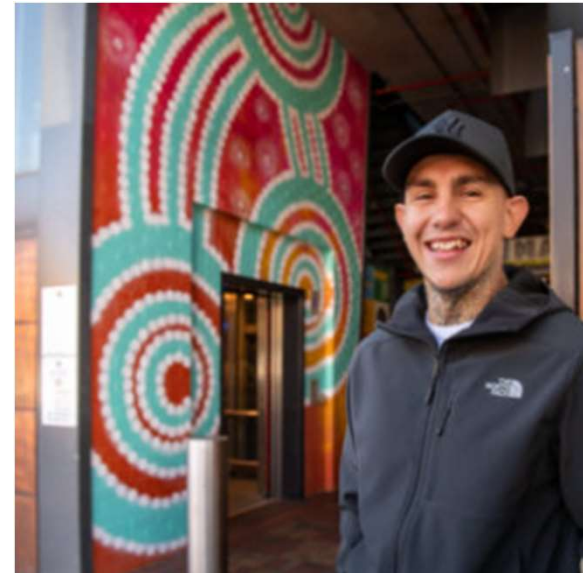
# Highlights 2020/21

# Highlights 2020/21

- Successfully reviewed and advocated on ACMA's behalf for adoption of new Charter
- Attraction of four (4) new tenants including Haigh's, Angelakis, Let Them Eat & SiSea. Nine(9) existing leases renewed and four (4) leases assignments completed. Occupancy rate at 98%.
- Completion of \$2.3M worth of Capital works including gas heating, stall structural works & Grote Street lift replacement and major infrastructure replacements underway being escalator and main switchboard.
- Delivery of The Market Stall customer service desk on the Market floor to improve customer experience and connection
- Aboriginal Art mural commissioned and delivered during Reconciliation Week
- Over \$2M in media value achieved and attraction of Foreign Correspondents Association visit
- Delivery ongoing community engagement programs including Refugee Week, school holidays, History Festival & International Women's Day
- Decisive COVID response including advocacy on behalf of traders



The Market Stall customer service desk



Aboriginal Art Mural Gouger St entrance

## Financial Summary 2020/21

	2017-18	2018-19	2019-20	2020-21	2020-21 Prelim	2021-22
<b>Budget \$'000</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Actuals</b>	<b>Budget</b>
ACMA Administration Income	40	129	39	35	35	21
ACMA Administration Expenditure	(1,744)	(1,519)	(1,276)	(1,460)	(1,204)	(1,275)
ACMA Car Park Income	4,937	4,841	4,213	4,292	5,054	-
ACMA Car Park Expenditure	(1,465)	(1,351)	(1,492)	(1,512)	(1,360)	-
ACMA Market Complex Income	4,322	4,391	4,456	4,326	4,035	4,087
ACMA Market Complex Expenditure	(2,877)	(2,757)	(2,803)	(3,058)	(2,654)	(2,866)
ACMA Market Complex – Repairs & Maintenance, Fire Protection, Air Conditioning	(316)	(239)	(238)	(285)	(246)	(258)
<b>Operating (Cash) Prior to CoA Rental</b>	<b>2,897</b>	<b>3,495</b>	<b>2,899</b>	<b>2,338</b>	<b>3,660</b>	<b>(291)</b>
CoA Head Lease	(2,801)	(2,834)	(2,334)	(2,680)	(2,742)	-
CoA Upark Management Fee	(446)	(446)	(493)	(513)	(505)	-
Arcade redevelopment priorities	-	-	-	(210)	(123)	(204)
<b>Operating Budget (Cash)</b>	<b>(350)</b>	<b>215</b>	<b>72</b>	<b>(1,065)</b>	<b>290</b>	<b>(495)</b>





**Thank You.**



# 2020-21 Preliminary Financial Position

**ITEM 5.1** 30/07/2021  
**Audit Committee**

Strategic Alignment - Enabling Priorities

2021/00122  
Public

**Program Contact:**

Grace Pelle, Manager, Finance & Procurement 8203 7343

**Approving Officer:**

Amanda McIlroy, Chief Operating Officer, Corporate Services

## EXECUTIVE SUMMARY

The 2020-21 preliminary financial position report summarises:

1. The preliminary end of year financial performance for the year ended 30 June 2021 including the final borrowing position for 2020-21 and an estimate of the operating position for 2020-21.
2. The detail of expected end of year adjustments for 2020-21 and estimates where applicable.

The adopted budget for 2020-21 was a \$36.4m deficit. This budget anticipated a significantly slower return from the impacts of COVID-19 as well as significant shift in the organisation through reshaping.

However, the City of Adelaide has acted responsibly and is recovering quickly. A better-than-expected revenue stream and a reduction in transition costs resulted in the total Quarter 3 Operating deficit dropping from an expected \$34.1m to \$18.3m – a saving of \$15.8m.

The improvement in the Council's financial position is an outcome of identifying cost savings, working more efficiently, and focusing on what really matters for ratepayers and city users.

The preliminary end of year financial result is estimated to be a \$15m deficit. This is a strong improvement on both the adopted budget and QF3. As well as significant revenue improvements, Council reviewed its own organisational structure and discovered a number of cost saving measures and efficiencies, which saved money in our transition costs.

Reshaping the organisation after the affects of COVID-19, has created some delays in spending which present a favourable operating impact but also created a delay in capital expenditure in addition to the major projects planned to be delivered over multiple years. The adopted budget included a capital expenditure of \$67.9m and current estimates expect capital expenditure to be approximately \$37m with approximately \$20m of capital works to be delivered in 2021-22 as predicted in the 2021-22 Business Plan and Budget.

The capitalisation KPI's regarding write off and handover will be met for the 2020-21 financial year.

Expected borrowings at 30 June 2021 is \$34.7m – considerably down on the forecast \$90m due to delayed capital spending and much improved financial results. This falls within Council's Prudential Borrowing Limits and the full treasury report as required by Council's treasury policy is included in this report.

Council's strong leadership and strategic approach to its finances for 2020-21 will enable a solid foundation to achieve a break-even budget in the next financial year and work towards future operational surpluses as well as sustainable debt levels, in accordance with the Long Term Financial Plan.

## RECOMMENDATION

### THAT THE AUDIT COMMITTEE

1. Receives the 2020-21 Preliminary Financial Position report and notes results are estimates only at this stage.

## IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	<b>Strategic Alignment – Enabling Priorities</b> The preliminary result for 2020-21 is directly aligned to the delivery of year 4 of the 2016-2020 City of Adelaide Strategic Plan.
Policy	The report includes disclosure as required by Council's Treasury 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
21/22 Budget Allocation	Not as a result of this report
Proposed 22/23 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
21/22 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

### Preliminary Financial Result for 2020-21

#### Operating Result

1. Council anticipates a net operating result for the 2019-20 financial year of approximately \$15m deficit. This is favourable to the adopted budget of \$36.4m deficit and the revised budget at Quarter 3 Forecast of \$18.3m deficit. This is primarily due to:
  - 1.1. Increased fees and charges due the progressive recovery of income from the UParks, on street Parking and expiations.
  - 1.2. Reduced operational expenditure including implementation of \$20m savings program through organisational reshaping.
  - 1.3. Interest savings due to lower borrowings caused by improved operational result and the strategic divestment of assets linked to the Strategic Property Review.

\$'000s	Consolidated 2020-21 Adopted Budget	Consolidated 2020-21 Quarter3 Forecast	Consolidated 2020-21 EOY Forecast	Comments
Total Income	186,326	194,692	198,000	Increase in Fees and User Charges per 1.1 above
Total Expenses	222,737	212,968	213,000	Savings in transition costs, Early impacts of \$20m savings
<b>Operating Surplus / (Deficit)</b>	<b>(36,411)</b>	<b>(18,275)</b>	<b>(15,000)</b>	

#### Capital Expenditure Result

- 1.4. Current estimates expect final capital expenditure for 2020-21 to be approximately \$37m which is a result of delivery of the \$26m of renewals and \$11m of new and upgraded assets. The variance to the adopted budget is a result of project savings achieved over the year of approximately \$4.9m and delays in ability to deliver due to COVID, contractor availability and delays and major projects expected to be delivered over multiple years.

\$'000s	Consolidated 2020-21 Adopted Budget	Consolidated 2020-21 Quarter3 Forecast	Estimated 2020- 21 Preliminary Result	Forecasted Carry Forward into 2021-22 (per 2021-22 BP&P)	Estimated Carry Forward into 2021-22
Capital Expenditure on Renewal & Replacement of Existing Assets	(41,885)	(32,006)	(26,200)	(2,750)	(3,200)
Capital Expenditure on New and Upgraded Assets	(25,999)	(30,484)	(11,100)	(12,800)	(16,540)
<b>Total Capital Expenditure</b>	<b>(67,884)</b>	<b>(62,490)</b>	<b>(37,300)</b>	<b>(15,550)</b>	<b>(19,740)</b>

- 1.5. The 2021-22 Business Plan and Budget estimated a carry forward of \$15.5m. The anticipated increase of New and Upgraded Assets is due to the delay of Whitmore Square Greening, Skate Park and other minor projects (inclusive of resources costs) that were unable to be completed due to contract delays or inclement weather. The detail of these works and their values align in the majority to those projects included in the Business Plan & Budget and detail will be provided to Council via the quarterly budget review.
- 1.6. The increase in carry forward for Renewals is due to Information Management and commercial operations projects unable to be completed by 30 June 2021.

#### Borrowings Impact

- 1.7. Reduction in budgeted capital spend presents a favourable impact on borrowings. The savings in capital will translate to a direct reduction in borrowings while the delay in capital has already been factored into the budgeted debt for 2021/22 per the Business Plan and Budget.
- 1.8. Further detail on the balance of borrowings at 30 June 2021 are provided in the Treasury section of this report.

## Financial Capitalisation Update

2. KPI 1 – Target above 70% of Projects capitalised within 10 Weeks
  - 2.1. With the end of financial year all projects completed will be handed over and capitalised prior to the external audit which is commencing on 23<sup>rd</sup> August 2021.
  - 2.2. Working to this time frame 100% of projects that were completed by 30 June will be capitalised within 10 weeks.
3. KPI 2 - < 10% Variance between Preliminary Year End and Annual Financial Statement
  - 3.1. 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.
  - 3.2. The breakdown of the \$3.9m write off projection is as follows:
    - 3.2.1. Renewal \$1.9 m.
    - 3.2.2. New and significant upgrade \$2.0 m.
  - 3.3. The improvements implemented in our processes throughout the year have ensured that we have processed any write-off elements of the capital projects within the current financial year.
  - 3.4. Preliminary write off for 2020-22 is estimated to be \$3.6m which is slightly less than the \$3.9m provision at QF3. This includes an updated provision for those projects commenced in the current year which are due for completion in 2021-2022.

## Proposed adjustments

4. The preliminary results are estimates only at this stage. There are a number of items to be completed which will still impact the final number presented for the external audit.
5. Items impacting the operating result include, but are not limited to:
  - 5.1. Provisions and accruals for any items not invoiced prior to 30 June 2021.
  - 5.2. Impairment of major assets such as 88 O'Connell (\$0.3m), UPark Gawler and Frome held as right of use assets (\$TBC), Adelaide Aquatic Centre (impairment assessment required vary between \$3m and \$6m).
6. Items impacting the balance sheet include, but are not limited to:
  - 6.1. Asset revaluations on buildings and public art.
  - 6.2. Grant income recognition as a result of older projects impacted by early adoption of AASB 15.
  - 6.3. Assets held for sale

## Treasury Report

7. As per the requirements set out in the Treasury and Cash Investment Policy, the borrowing and cash investment performance for as at 30 June 2021 is reported below.
8. Borrowings as at 30 June 2021 were \$34.7m.

Borrowings Facility	Available	Interest Type	Interest Rate	Borrowing(s) Amount as at 30 June 2021	Change since previous report	Maturity Date	CAD Interest Rate
LGFA CAD 554	\$30m	Variable	1.35%	\$30m	\$0.0m	16/12/2023	1.35%
LGFA CAD 555	\$70m	Variable	1.35%	\$4.7m	-\$8.1m	15/06/2033	1.35%

\* Note CAD facilities are flexible and allows Council to convert all or part of it into a fixed rate interest only loan for a maximum of 5 years.



9. The Prudential Limits as at 30 June 2021 based on borrowings of \$34.7m are below:

Prudential Limit Ratio	Comments	Limits	YTD Actual to Jun-21
Interest Exp Ratio	Measures the affordability of Councils debt and articulates the proportion of Councils general rate income that is being used to service debt.	Maximum: 10% of general rates revenue	0.6%
Leverage Test Ratio	Provides a consistent basis to measure capacity to repay borrowings relative to general rates revenue.	Maximum: 1.5 years of general rates revenue	0.30
Asset Test Ratio	The percentage of total borrowings to Council's saleable property assets.	Maximum: 50% of saleable assets	10%

10. The net interest expense for the 2020-21 financial year was \$0.7m. This was \$0.2m favourable to the Quarter 3 Forecast of \$0.9m, primarily due to lower interest rates and the delay and deferral of projects and infrastructure works.

	Quarter Apr - Jun		Jun YTD		Annual	Administration Comments
	Actual	Budget	Actual	Budget	Budget	
Interest						
Revenue	\$4,536	\$7,300	\$16,432	\$29,200	\$29,200	Interest revenue consists of interest earned on operating monies held in the NAB operating account.
Expense	(\$133,898)	(\$274,245)	(\$673,075)	(\$893,888)	(\$893,888)	Interest expense consist of LGFA CAD facility.

### Preliminary Financial Statements and Long Term Financial Plan

- The approved workplan of the Audit Committee requested a CEO Statement on Financial Sustainability. This is a mandatory document required by the Financial Management Regulations and has been included in the final version of the Long Term Financial Plan as adopted by Council on 29 June 2021. This can be found on the Council website [here](#)
- Council's Long Term Financial Plan will be updated to reflect the final result for 2020-21 as a part of the 2021-22 budget review for quarter one.

## ATTACHMENTS

Nil

- END OF REPORT -

# Presiding Member's Annual Report

**ITEM 5.2 30/07/2021**  
**Audit Committee**

Strategic Alignment - Enabling Priorities

**Program Contact:**

Mick Petrovski, Manager,  
Governance 8203 7119

2019/02483

Public

**Approving Officer:**

Amanda McIlroy, Chief Operating  
Officer, Corporate Services

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## EXECUTIVE SUMMARY

The Presiding Member's Report summarises the activities of the Audit Committee during the 2020/21 financial year.

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## RECOMMENDATION

### THAT THE AUDIT COMMITTEE

1. Receives and notes the Presiding Member's Annual Report for the 2020/21 financial year as included in **Attachment A** to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 30 July 2021.
-

## IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	<b>Strategic Alignment – Enabling Priorities</b> The role of the City of Adelaide is diverse and complex. Our core role is to deliver services to the community as a leader, service provider, regulator, advocate, facilitator and owner of assets.
Policy	Pursuant to the Audit Committee Terms of Reference, the Presiding Member shall report annually to Audit Committee and Council summarising the activities of the Committee during the previous financial year.
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	Open, transparent and informed decision making
21/22 Budget Allocation	Not as a result of this report
Proposed 22/23 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
21/22 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 City of Adelaide Audit Committee was first established in September 2005.
2. This report presents Council with the City of Adelaide Audit Committee Presiding Member's report for the 2020-21 financial year (**Attachment A**).
3. During the 2020/21 financial year, the Audit Committee met for 7 ordinary meetings.
4. Substantive issues dealt with by the Audit Committee during the previous financial year included (but were not limited to):
  - 4.1. Financial Statement
  - 4.2. Activities of the Strategic Risk and Internal Audit Group
  - 4.3. Internal Audit Program Updates
  - 4.4. Internal Controls
  - 4.5. 2021-22 Budget, Financial Reporting Indicators, Long Term Financial Plan and Strategic Asset Management Plans
  - 4.6. Audit Committee Terms of Reference

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## ATTACHMENTS

**Attachment A** – Presiding Member's Annual Report for the 2020/21 financial year

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- END OF REPORT -

## City of Adelaide Audit Committee

### Presiding Member's Report

I am pleased to present the Presiding Member Report for the City of Adelaide Audit Committee for the year ended 30 June 2021.

The Audit Committee met 7 times for the 2020/2021 year with meeting attendance as follows:

- |   |     |
|---|-----|
| • David Powell (Presiding Member)       | 7/7 |
| • Ross Haslam (Deputy Presiding Member) | 7/7 |
| • Paula Davies (Independent Member)     | 6/7 |
| • Lord Mayor Sandy Verschoor            | 6/7 |
| • Councillor Alex Hyde                  | 4/7 |
| • Councillor Franz Knoll (proxy)        | 0/0 |
| • Councillor Mary Couros (proxy)        | 2/2 |

The substantive issues that were dealt with during the year were:

- A review and update of the Terms of Reference of the Audit Committee and recommendation to Council
- A review of the Council's Internal Controls and Risk Management Statement for inclusion in the financial statements
- A review of the Council's Strategic Risk and Internal Audit Group
- A review of the 2020 financial statements and the accounting policies that are adopted
- A review of Audit Committee meeting schedule and work plan
- A review of the end of year financial reporting process and proposed timetable to ensure compliance with the legislative requirements
- A review of the scope and methodology of the external audit undertaken and review of the implementation of recommendations proposed
- A review of the progress of the internal audit program, detailed internal audit reports and implementation of the recommendations on a regular basis:
  - ICAC – Evaluation of Policies, Practices and Procedures
  - Event Funding
  - Parklands Expenditure
  - Legislative Compliance
  - Social Media
  - Post Audit Implementation
  - Project Management Review
  - Employee Gifts and Benefits
  - PCI Compliance
  - Training and Development Internal Processes
  - Software Licences
  - Management of Leave Entitlements
- Continuous review of the risk management procedures of Council and the administration; and
- Workshopped Service Contestability

Presentations to the Audit Committee during the year have included:

- Service Planning & Performance
- Corporate Climate Change Risk Assessment
- Capitalisation Update
- Strategic Asset Management Plan
- Adelaide Economic Development Agency

The Audit Committee has worked closely with the Administration in the area of Financial Management including the following:-

- Review of quarterly Budget Reviews, including improving reporting
- Input to the 2021/2022 budget process
- Review of Asset Management Framework
- Review of Long Term Financial Plan
- Review of Capital Work in Process and KPIs to ensure projects are capitalised within 10 weeks of completion

The Audit Committee considered 12 matters in confidence and applied 9 confidential orders. I am satisfied that these were an appropriate use of the provisions of Section 90 and 91 of the *Local Government Act 1999 (SA)*.

I would like to express my appreciation to the members of the Committee for their participation in the Committee's deliberations, and to management and staff of the Council for their assistance and clarifications where required. I would particularly like to acknowledge the 15 year contribution of Ross Haslam to the Audit Committee who retired at the June 2021 meeting.



David Powell

Presiding Member

Date: 30 June 2021

# Annual Report Risk Statement

**ITEM 5.3 30/07/2021**  
**Audit Committee**

Strategic Alignment - Enabling Priorities

**Program Contact:**  
Mick Petrovski, Manager,  
Governance 8203 7119

2019/02483  
Public

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

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## EXECUTIVE SUMMARY

Pursuant to section 7.2 of its Terms of Reference, the Audit Committee shall review and, where appropriate, recommend the approval of statements to be included in the Annual Report concerning internal controls and risk management.

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## RECOMMENDATION

### THAT THE AUDIT COMMITTEE

1. Approves the statement to be included in the Annual Report, as outlined in Attachment A to Item 5.3 on the Agenda for the meeting of the Audit Committee held on 30 July 2021.
-

## IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	<b>Strategic Alignment – Enabling Priorities</b> The role of the City of Adelaide is diverse and complex. Our core role is to deliver services to the community as a leader, service provider, regulator, advocate, facilitator and owner of assets.
Policy	Alignment with the Audit Committee Terms of Reference
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
21/22 Budget Allocation	Not as a result of this report
Proposed 22/23 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
21/22 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. At its meeting on 11 December 2018 Council noted the continuing operation of the City of Adelaide Audit Committee for the 2018-2022 Council term.
  2. At its meeting on Tuesday 9 February 2021 Council endorsed the Audit Committee's Terms of Reference.
  3. Pursuant to section 7.2 of the Audit Committee's Terms of Reference, the Audit Committee shall:
    - 3.1. Keep under review the effectiveness of the Council's internal controls and risk management systems.
    - 3.2. Review and recommend the approval, where appropriate, of statements to be included in the Annual Report concerning internal controls and risk management.
  4. The statement to be included in the Annual Report (**Attachment A**) outlines the Council's Risk Management Operating Guideline including internal and external audits, risk identification and assessment, and internal controls.
  5. The statement is only a brief overview for the purpose of the Annual Report.
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## ATTACHMENTS

**Attachment A** – Risk Management Statement for the Annual Report

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- END OF REPORT -

## **Risk Management Operating Guideline**

The Audit Committee was established pursuant to Section 126 of the *Local Government Act (SA) 1999*, to assist the Council discharge its responsibilities. Reporting to City of Adelaide, the Audit Committee provides advice and recommendations on matters relevant to its Terms of Reference in order to facilitate decision making by Council in regard to financial reporting, internal controls, risk management, management plans and business plans, service planning and performance, internal audit and external audit.

City of Adelaide maintains an Internal Audit function which reports to Management and the Audit Committee. The role of the Internal Auditor is to identify more efficient and effective processes and to assist Council and the Chief Executive Officer meet their assurance obligations. The Internal Audit function is contracted to KPMG for a period of 3 years, expiring in 2022. The Internal Audit plan is reviewed and endorsed by the Audit Committee and the Committee is presented with internal audit report findings bimonthly.

Pursuant to Section 128 of the *Local Government Act (SA) 1999*, the External Auditors appointed by Council are BDO Audit Partnership (SA). To maintain the highest standards of corporate governance in relation to auditor independence, the External Auditors are excluded from providing non-audit services to Council. Non-audit services are defined as any service provided by the External Auditors under engagement with the Council outside the scope of the external audit. The Audit Committee reviews the scope and progress of the annual audit in accordance with its Terms of Reference.

### **Enterprise Risk Management**

City of Adelaide manages strategic, emerging, project, operational, and financial risks through its Enterprise Risk Management Framework which has been developed in accordance with International Standard ISO 31000:2018.

The framework ensures risks are identified, assessed and properly managed and reported on. Such a process ensures that Council is able to achieve its strategic goals and that the Lord Mayor and Councillors fulfil their legislative roles.

The success of the Enterprise Risk Management model is a result of a strong Executive involvement through monthly reporting of risk and internal audit matters to the Executive Strategic Risk and Internal Audit Group, and quarterly reporting to the Audit Committee.

### **Internal Control Framework**

Pursuant to Section 125 of the *Local Government Act (SA) 1999*, Council must ensure that appropriate policies and procedures of internal controls are implemented and reviewed to assist Council to carry out its activities in an efficient manner to achieve its strategic objectives. Council's Internal Controls are processes for assuring Council's achievement of objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. Internal Controls include a range of activities such as approvals, delegations, security of assets and segregation of duties.

## Exclusion of the Public

**ITEM 9.1** 30/07/2021  
**Audit Committee**

**Program Contact:**  
Mick Petrovski, Manager  
Governance 8203 7119

2018/04291  
Public

**Approving Officer:**  
Clare Mockler, Acting Chief  
Executive Officer

## EXECUTIVE SUMMARY

Section 90(2) of the *Local Government Act 1999 (SA)* (the Act), states that a Council Committee may order that the public be excluded from attendance at a meeting if the Council Committee considers it to be necessary and appropriate to act in a meeting closed to the public to receive, discuss or consider in confidence any information or matter listed in section 90(3) of the Act.

It is the recommendation of the Acting Chief Executive Officer that the public be excluded from this Audit Committee meeting for the consideration of information and matters contained in the Agenda.

- 10.1** Activities of the Strategic Risk and Internal Audit Group Meetings [section 90(3) (i) of the Act]
- 10.2** Confidential Discussion with the Internal Auditor [section 90(3) (b) of the Act]

The Order to Exclude for Items 10.1 and 10.2:

1. Identifies the information and matters (grounds) from section 90(3) of the Act utilised to request consideration in confidence.
2. Identifies the basis – how the information falls within the grounds identified and why it is necessary and appropriate to act in a meeting closed to the public.
3. In addition, identifies for the following grounds – section 90(3) (b), (d) or (j) of the Act - how information open to the public would be contrary to the public interest.

## ORDER TO EXCLUDE FOR ITEM 10.1

### THAT THE AUDIT COMMITTEE

1. Having taken into account the relevant consideration contained in section 90(3) (i) and section 90(2) & (7) of the *Local Government Act 1999 (SA)*, this meeting of the Audit Committee dated 30 July 2021 resolves that it is necessary and appropriate to act in a meeting closed to the public for the consideration of Item 10.1 [Activities of the Strategic Risk and Internal Audit Group Meetings] listed on the Agenda.

#### Grounds and Basis

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

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

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

2. Pursuant to section 90(2) of the *Local Government Act 1999 (SA)* (the Act), this meeting of the Audit Committee dated 30 July 2021 orders that the public (with the exception of members of Corporation staff and any person permitted to remain) be excluded from this meeting to enable this meeting to receive, discuss or

consider in confidence Item 10.1 [Activities of the Strategic Risk and Internal Audit Group Meetings] listed in the Agenda, on the grounds that such item of business, contains information and matters of a kind referred to in section 90(3) (i) of the Act.

## ORDER TO EXCLUDE FOR ITEM 10.2

### THAT THE AUDIT COMMITTEE

1. Having taken into account the relevant consideration contained in section 90(3) (b) and section 90(2) & (7) of the *Local Government Act 1999 (SA)*, this meeting of the Audit Committee dated 30 July 2021 resolves that it is necessary and appropriate to act in a meeting closed to the public as the consideration of Item 10.2 [Confidential Discussion with the Internal Auditor] listed on the Agenda in a meeting open to the public would on balance be contrary to the public interest.

This Item in the discussion could reasonably be expected to confer a commercial advantage on a person with whom the Council is conducting or proposing to business.

The disclosure of information discussed may adversely impact the commercial position of the Council.

#### Public Interest

The Audit Committee is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of this information may result in release of information of 'commercial advantage' of the person conducting business with Council.

2. Pursuant to section 90(2) of the *Local Government Act 1999 (SA)* (the Act), this meeting of the Audit Committee dated 30 July 2021 orders that the public (with the exception of members of Corporation staff and any person permitted to remain) be excluded from this meeting to enable this meeting to receive, discuss or consider in confidence Item 10.2 [Confidential Discussion with the Internal Auditor] listed in the Agenda, on the grounds that such item of business, contains information and matters of a kind referred to in section 90(3) (b) of the Act.

## DISCUSSION

1. Section 90(1) of the *Local Government Act 1999 (SA)* (the Act), directs that a meeting of a Council Committee must be conducted in a place open to the public.
2. Section 90(2) of the Act, states that a Council Committee may order that the public be excluded from attendance at a meeting if the Council Committee considers it to be necessary and appropriate to act in a meeting closed to the public to receive, discuss or consider in confidence any information or matter listed in section 90(3) of the Act.
3. Section 90(3) of the Act prescribes the information and matters that a Council may order that the public be excluded from.
4. Section 90(4) of the Act, advises that in considering whether an order should be made to exclude the public under section 90(2) of the Act, it is irrelevant that discussion of a matter in public may -
  - (a) *cause embarrassment to the council or council committee concerned, or to members or employees of the council; or*
  - (b) *cause a loss of confidence in the council or council committee; or*
  - (c) *involve discussion of a matter that is controversial within the council area; or*
  - (d) *make the council susceptible to adverse criticism.'*
5. Section 90(7) of the Act requires that an order to exclude the public:
  - 5.1 Identify the information and matters (grounds) from section 90(3) of the Act utilised to request consideration in confidence.
  - 5.2 Identify the basis – how the information falls within the grounds identified and why it is necessary and appropriate to act in a meeting closed to the public.
  - 5.3 In addition identify for the following grounds – section 90(3) (b), (d) or (j) of the Act - how information open to the public would be contrary to the public interest.
6. Section 87(10) of the Act has been utilised to identify in the Agenda and on the Report for the meeting, that the following matters are submitted seeking consideration in confidence.
  - 6.1 Information contained in Item 10.1 – Activities of the Strategic Risk and Internal Audit Group Meetings
    - 6.1.1 Is not subject to an Existing Confidentiality Order.
    - 6.1.2 The grounds utilised to request consideration in confidence is section 90(3) (i) of the Act
      - (i) Information relating to the actual litigation, or litigation that the council or council committee believes on reasonable grounds will take place, involving the council or an employee of the council.
  - 6.2. Information contained in Item 10.2 – Confidential Discussion with the Internal Auditor
    - 6.2.1 Is not subject to an Existing Confidentiality Order.
    - 6.2.2 The grounds utilised to request consideration in confidence is section 90(3) (b) of the Act
      - (b) information the disclosure of which –
        - (i) could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct business or to prejudice the commercial position of the council; and
        - (ii) would, on balance, be contrary to the public interest.

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## ATTACHMENTS

Nil

- END OF REPORT -

# Confidential Item 10.1

Activities of the Strategic Risk and Internal Audit Group Meetings

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

Pages 29 to 32

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# Confidential Item 10.2

Confidential Discussion with the Internal Auditor

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

Pages 33 to 35

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