



# AUDIT AND RISK COMMITTEE

## AGENDA & REPORTS

for the meeting

Friday 4 February 2022  
at 8.30am

in the Colonel Light Room  
Adelaide Town Hall



<b>Membership:</b>	The Lord Mayor 1 Council Member 4 External Independent Members 2 Proxy Council Members
<b>Quorum:</b>	<b>4</b>
<b>Presiding Member</b>	Mr David Powell
<b>Members</b>	The Right Honourable the Lord Mayor [Sandy Verschoor] Ms Paula Davies Councillor Hyde Mr John Oliver Mr Simon Rodger
<b>Proxy Members</b>	<i>Councillor Knoll [proxy for the Lord Mayor]</i> <i>Councillor Couros (Deputy Lord Mayor) [proxy for Councillor Hyde].</i>

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## 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 – 29/10/2021

That the Minutes of the meeting of the Audit and Risk Committee held on 29 October 2021 be taken as read and be confirmed as an accurate record of proceedings.

## 3. Presiding Member Reports

## 4. Presentations

- 4.1. Planning and Performance [2020/00150] [Page 3]
- 4.2. 2022 – 2023 Business Plan and Budget [2021/00122] [Page 9]

## 5. Reports

- 5.1. AEDA Update and Rundle Mall Program Performance Review [2020/01894] [Page 18]
- 5.2. 2021-22 End of Year Financial Reporting Process & Proposed Timetable [2021/00122] [Page 62]
- 5.3. Quarter 2 Finance Report [2021/00122] [Page 92]
- 5.4. Q2 2021 – 22 Consultants Report [2021/00122] [Page 110]
- 5.5. 2022 Audit and Risk Committee Meeting Schedule and Work Plan [2019/02483] [Page 114]
- 5.6. Internal Audit Progress Update [2021/00982] [Page 119]

**6. Emerging Key Risks**

**7. Independent Member Discussion**

**8. Other Business**

**9. Item Seeking Exclusion of the Public**

**9.1.** Exclusion of the Public to Consider [2018/04291] [Page 123]:

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. Confidential Item**

**10.1.** Activities of the Strategic Risk and Internal Audit Group Meetings [2020/01604] [Page 126]

**11. Closure**

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# Planning and Performance

## Strategy, Insights and Performance

Audit and Risk Committee  
February 2022

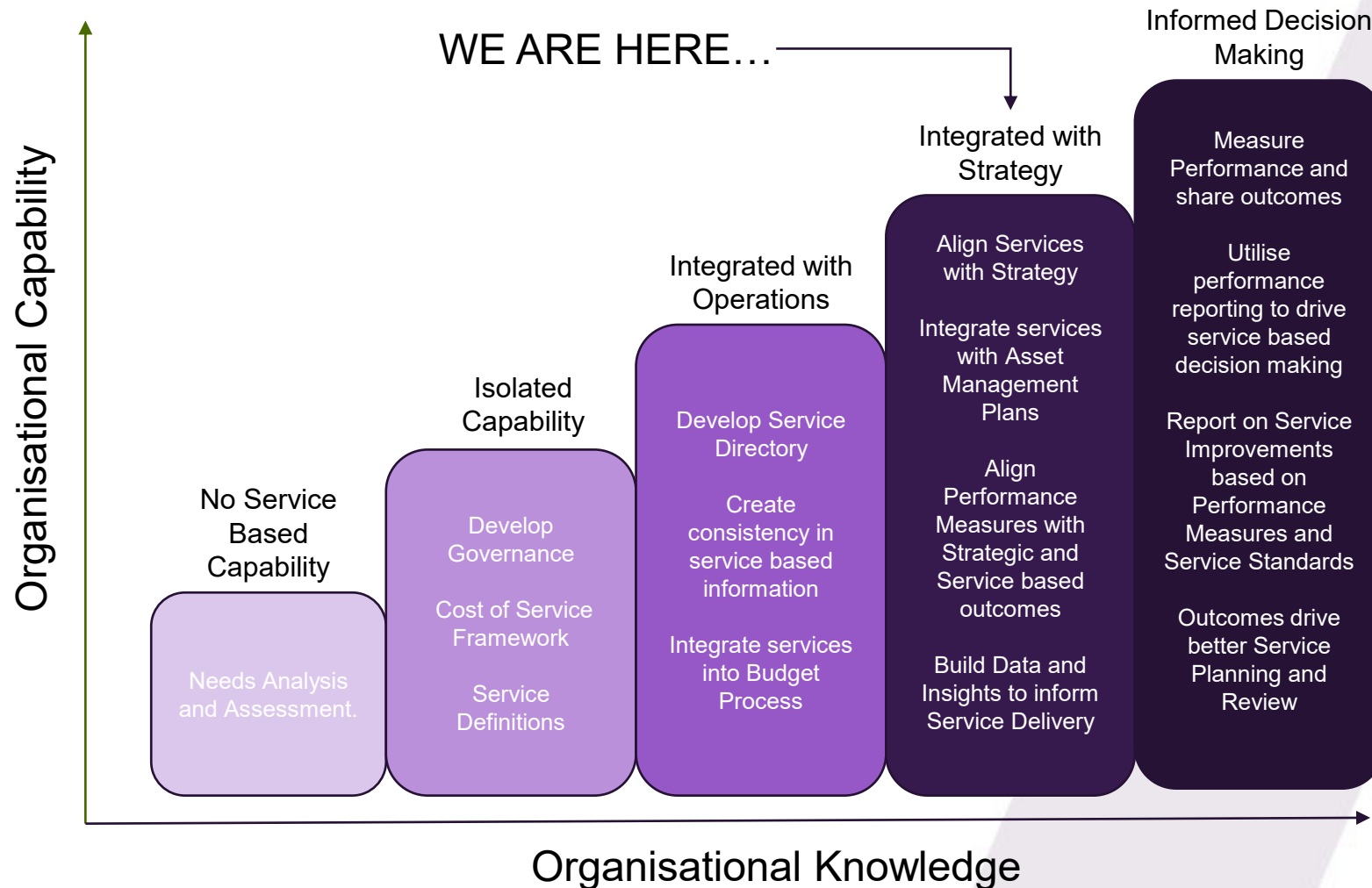
# Planning and Performance 2021 – 2022 Year in Review

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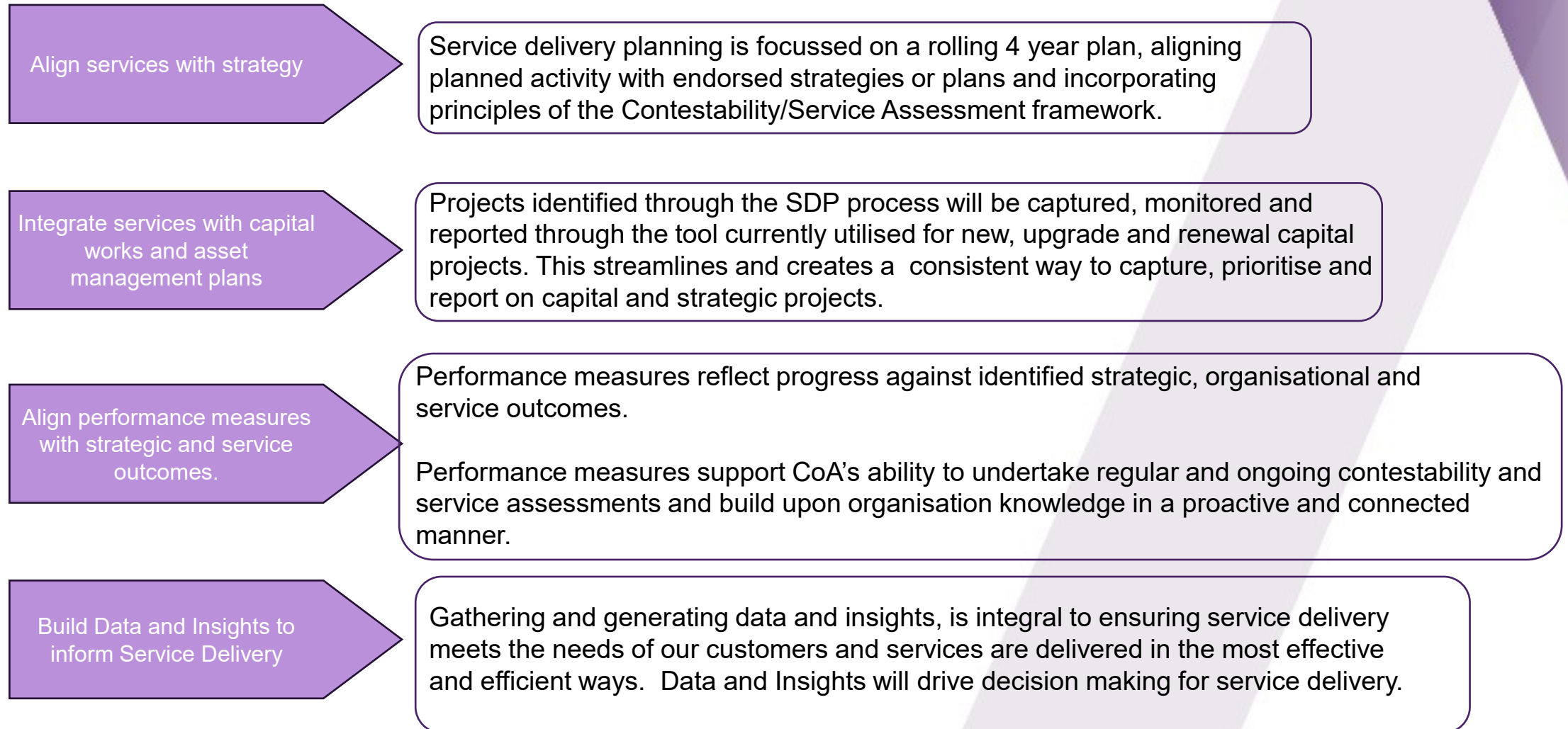
- January 2021** Reshaping Structure went live. KPMG Commenced a joint project with CoA to conduct the first stage of the Contestability Program
- Feb – March 2021** KMPG worked Collaboratively with CoA to:
- Develop a Preliminary Contestability Assessment Framework (Preliminary Service Assessment Framework) to assess high-priority services
  - Conduct a review of the cost of the service, including assessing the overhead costing methodology and cost driver analysis
  - Perform a preliminary service assessment for Adelaide Aquatic Centre, Procurement and Contract Management and On - Street Parking
- April 2021** Presentation to Audit Committee by KMPG and City of Adelaide on outcomes from engagement with CoA. Connection was made to the next phases of Service Delivery Planning and Performance Reporting to progress assessment of our services
- May 2021** Planning for Service Delivery Planning commenced. Cost Driver Analysis for Cost of Service commenced to enhance system reporting capability and governance over the methodology for Cost of Service.
- June 2021** Approach to Service Delivery Planning and Corporate Reporting including Organisation Scorecard approved by Executive.
- July 2021** Year 1 Strategic Plan update to Council – Baseline measures for Organisation Scorecard presented to Executive.
- September 2021** Service Delivery Planning process commenced, focusing on projects and business activities required to delivery upon endorsed strategies and plans relevant to the service.
- October 2021** Endorsement to develop an Insights Strategy gained from Executive, to strengthen the organisation’s ability to utilise and integrate community expectations and research into planning and decision making.
- November 2021** Approach to Planning and Reporting presented to Executive, demonstrating how Service Delivery Planning connects with an improved approach to reporting and the development of Service and Organisational Performance.
- CEO Scorecard presented to the Performance Committee for adoption.
- December 2021** Outcomes of Service Delivery Planning shared through the Council Member portal, to reflect the Draft Business Activities and Projects proposed for inclusion within the 2022- 2023 Annual Budget.

# Planning and Performance Organisational Readiness

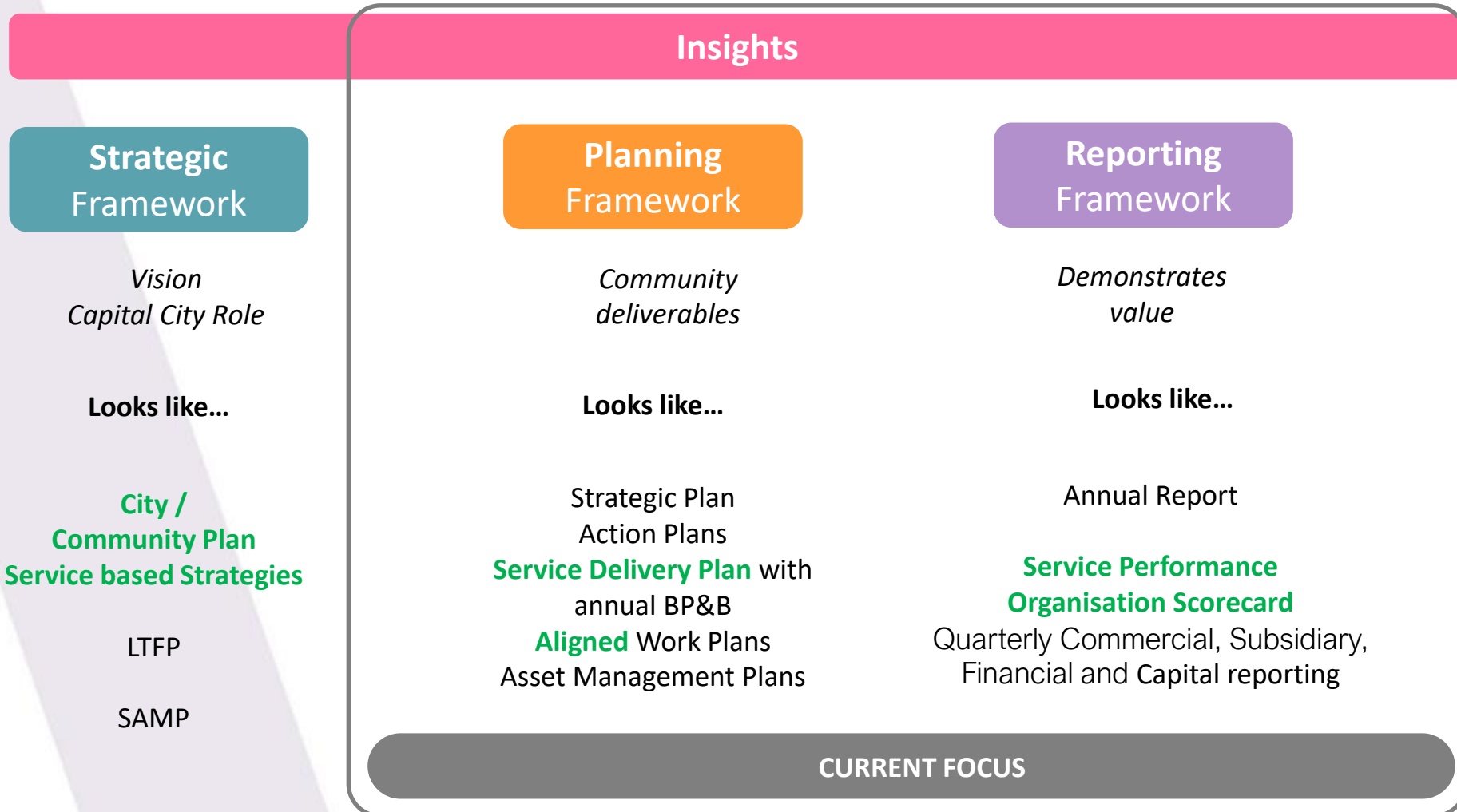
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# Integrating Planning and Performance with Strategy



# Connecting Planning and Reporting





# Next Steps

8

## Planning

February 2022	Draft Service Delivery Plan, including draft priorities and all projects
April 2022	Draft Business Plan and Budget for public consultation
June 2022	Service Delivery Plan finalised, inclusive of adopted Business Plan and Budget
July 2022	Work with the organisation to continue to updates Service Delivery Plans and update work plans

## Reporting

Dec - Feb 2022	Trial service performance measures with the Sports and Recreation service, inclusive of strategic and service level measures
February 2022	Review trial and commence build of performance measures across all services
July 2022	Commence implementation of new reporting framework
Ongoing	Support the integration and ongoing reporting

# Enabling Priorities

2022 - 2023 Business Plan and Budget

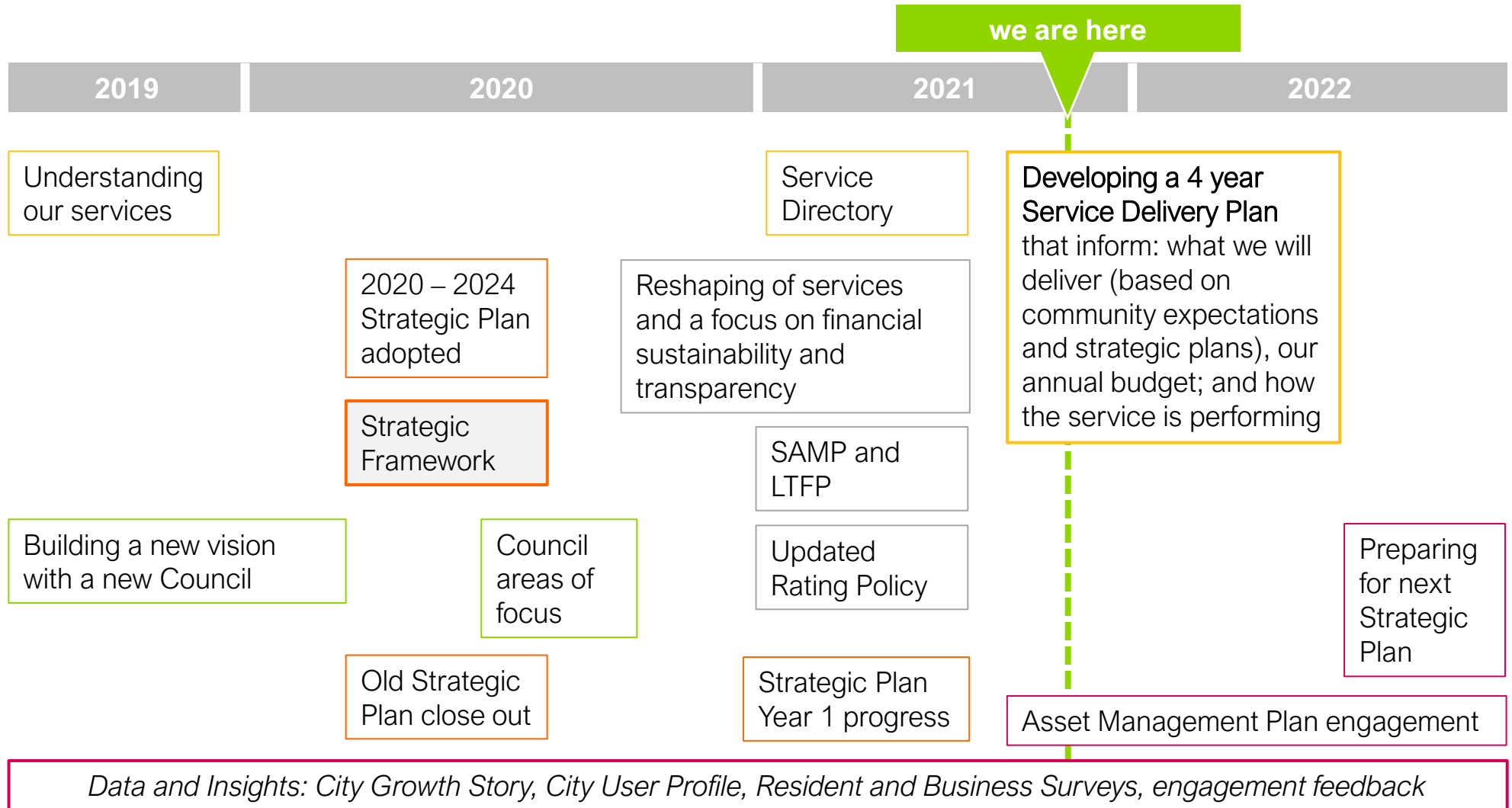


# Purpose

## Session Overview

1. Budget assumptions, providing insights into:
  - Rates revenue
  - Market assumptions (valuations)
  - Other Revenue & Base Service Delivery costs
  - LTFP updated assumptions
3. Timeframes and next steps

# OUR JOURNEY SO FAR



# BUDGET ASSUMPTIONS + PARAMETERS

## Rates Revenue

- Revenue history – shows revenue derived from – Growth and Valuation (Pricing)
- 2021/22 – Pricing movement is only due to corrections as valuations held

Year	General Rates (\$000's)	Total Movement (\$000's)		Pricing Movement (\$000's)		Growth (\$000's)	
2018 - 2019	\$101,066	-	-	-	-	2.40%	\$2,368
2019 - 2020	\$106,907	5.78%	\$5,841	4%	\$3,971	1.58%	\$1,870
2020 - 2021	\$111,898	0.68%	\$4,991	3%	\$3,508	1.39%	\$1,483
2021 - 2022	\$114,538	2.87%	\$2,640	1%	\$740	1.70%	\$1,900
2022 - 2023	\$117,118	2%	\$2,577	1%	\$1,432	1%	\$1,145
	\$117,974	3%	\$3,436	2%	\$2,291	1%	\$1,145
	\$119,120	4%	\$4,582	3%	\$3,436	1%	\$1,145
	\$120,265	5%	\$5,727	4%	\$4,582	1%	\$1,145

# BUDGET ASSUMPTIONS + PARAMETERS

## Market snapshot

### Non-Residential:

- Market Data based on 3-4 year averages are skewed due to COVID impacts
- Rating assumption will be based on unchanged valuations and holding RID
- Consistent with intention of previous Council decisions

### Residential:

- Market Data shows valuations are from 15%-45% undervalued
- Currently seeking confirmation via direct Tenancy Information requests
- Previous years held valuations and RID
- Valuations legislatively should be updated.

Lever	Residential	Non-Residential
Valuation	Amend	Hold
RID	Hold/Reduce	Hold
Rate Revenue	Variable	Hold



## Recommendation:

- Uplift residential valuations only to be more market relevant and match information received
- Seek a confirmation from Council to either grow rate revenue slightly or hold
- Result = REDUCTION in RID for residential.

# BUDGET ASSUMPTIONS + PARAMETERS

## Valuation and Residential Rate in the Dollar

### Hold

- Hold the Rate in the dollar
- 5% increase to valuations
- 5% Revenue uplift
  
- Adelaide average rate increase per week: \$1.46
- North Adelaide average rate increase per week: \$2.14
- Approximately \$1.4 million revenue uplift

### Reduce

- Reduce the Rate in the dollar
- 5% increase to valuations
- No Revenue uplift
  
- Adelaide average rate increase per week: \$0
- North Adelaide average rate increase per week: \$0
- No revenue uplift

### Reduce + CPI

- Reduce the Rate in the dollar
- 5% increase to valuations
- CPI Revenue uplift
  
- Adelaide average rate increase per week: \$0.53
- North Adelaide average rate increase per week: \$0.77
- Approximately \$0.5 million revenue uplift

# BUDGET ASSUMPTIONS + PARAMETERS

## Other Revenue & Base Service Delivery Assumptions

	LTFP Assumptions for 22/23	22/23 updated assumptions
<b>Other Revenue</b>		
Statutory Fees	1.5% (CPI ABS forecast)	1.9% (21/22 Dept of Treasury)
Non-commercial Fees and Charges	1.5% (CPI ABS forecast)	1.8% (CPI Deloitte)
<b>Costs</b>		
Utilities	1.5% (CPI ABS forecast)	1.8% (CPI Deloitte)
Operating Activities	1.5% (CPI ABS forecast)	No Increase
Grants and Sponsorship	1.5% (CPI ABS forecast)	1.8% (CPI Deloitte)
Strategic Projects	1.5% (CPI ABS forecast)	No Increase
General Materials	1.5% (CPI ABS forecast)	1.8% (CPI Deloitte) only where required
Salary and Wages	EA rates	EA rates



# BUDGET ASSUMPTIONS + PARAMETERS

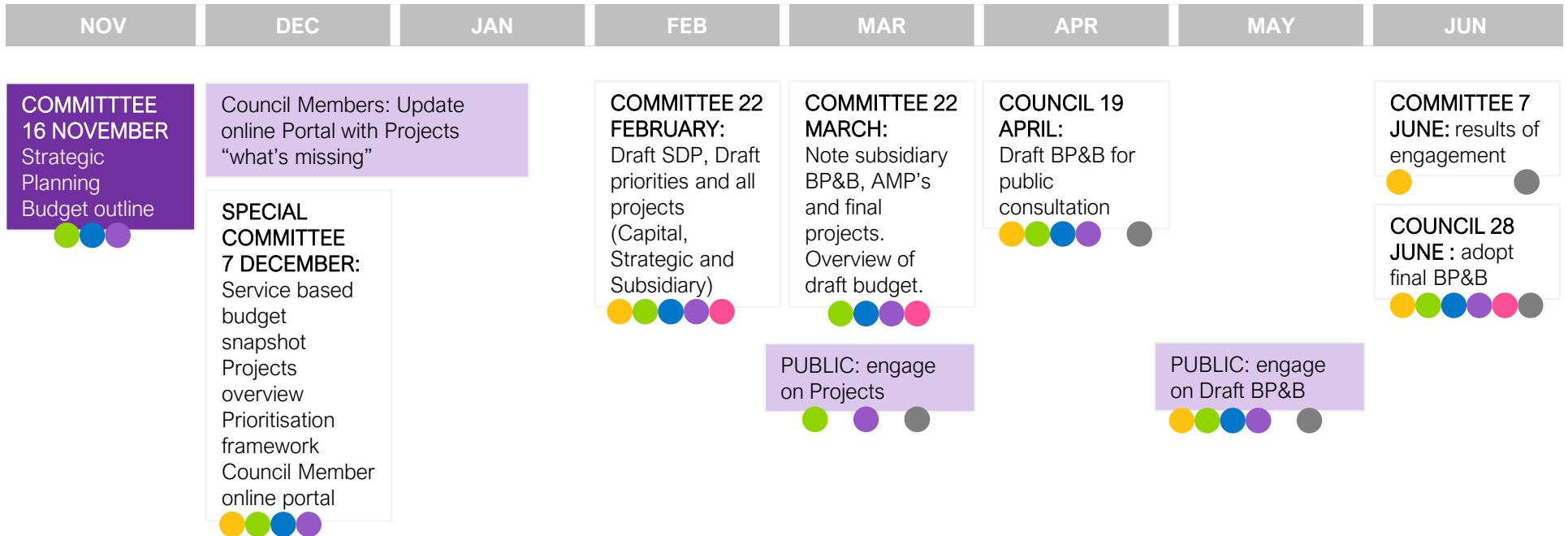
## Other Revenue & Base Service Delivery costs

Significant Item Change	LTFP Assumptions for 22/23	22/23 updated assumptions
Depreciation	Existing & Additions – No Revaluation Impact	Include Revaluation Impact \$2-3m
Commercial Operations	90% pre COVID levels	Attempt to return to 100% or more
Operating Result	\$2.2m	Surplus
Additional Revenue Streams	Nil	Advertising
AMP	Plans funded 90%	Plans funded 90%

# GOVERNANCE + NEXT STEPS

## Proposed timeframes

● Planning (service delivery) 
 ● Projects 
 ● Budget Build 
 ● Capital / Infrastructure 
 ● Subsidiary 
 ● Engagement



\*Committee is The Committee of Council with ARC engagement in accordance with the workplan.

# AEDA Update and Rundle Mall Program Performance Review

**ITEM 5.1** 04/02/2022  
**Audit and Risk Committee**

Strategic Alignment - Strong Economies

**Program Contact:**  
Ian Hill, Managing Director,  
AEDA 8203 7249

2020/01894  
Public

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

## EXECUTIVE SUMMARY

The City of Adelaide (CoA) recognised the importance of accelerating economic growth in the city and as part of its 2020-2024 Strategic Plan sought to design and implement a City-Wide Business Model. This led to Council resolving to expand the objects and purpose and change of name of the Rundle Mall Management Authority (RMMA) to establish the Adelaide Economic Development Agency (AEDA) as a subsidiary of the CoA. AEDA formally commenced operating on 18 January 2021. The AEDA Charter states "The Audit Committee of the Adelaide City Council will act as the Audit Committee of the Agency." This report includes an update on the relationship between AEDA and the Audit and Risk Committee.

As part of the establishment of AEDA, the Rundle Mall Program (the Program) was incorporated into the responsibilities of AEDA with oversight by the new AEDA Board.

In response to the opportunities seen in the Rundle Mall precinct and recognising the challenges faced by business within the precinct as a result of the COVID-19 pandemic, KPMG was engaged to undertake an independent review to conduct a robust assessment of the efficiency and effectiveness of the Program. The high level recommendations to address the gaps and improve the efficiency of the Program have been presented to the AEDA Board and addressed at a session with to Rundle Mall levy payers.

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## RECOMMENDATION

### THAT THE AUDIT AND RISK COMMITTEE

1. Notes the Rundle Mall Program Performance Review as shown in Attachment A to Item 5.1 on the Agenda for the meeting of the Audit and Risk Committee held on 4 February 2022.

## IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	<a href="#">Strategic Alignment – Strong Economies</a>
Policy	Not as a result of this report
Consultation	Invitation extended to Rundle Mall Levy Payers to attend a stakeholder briefing on the outcomes of the review on 17 December 2021
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. The Adelaide Economic Development Agency (AEDA) is a fully owned subsidiary of Council under Section 42 of the *Local Government Act 1999 (SA)* (the Act).
2. The AEDA Charter advises the Objects and Purposes, Powers, Functions and Duties of AEDA. In addition, the Charter also advises responsibilities of AEDA with regard to:
  - 2.1 Strategic Management Plans
  - 2.2 Annual Business Plan and Budget
  - 2.3 Reporting
  - 2.4 Financial Management
  - 2.5 Audit
  - 2.6 Borrowings and Expenditure.
3. Clause 6.5.5 of the amended Charter states “The Audit Committee of the Adelaide City Council will act as the Audit Committee of the Agency.”
4. As a subsidiary of Council, all AEDA staff are employees of the City of Adelaide (CoA), and the CoA keeps the books of account on behalf of AEDA. AEDA therefore follows all policies of the CoA, ensures any strategic risks identified by the AEDA Board are recorded by the Strategic Risk and Internal Audit Committee and submits its audited Financial Statements to the Audit and Risk Committee for review and approval.
5. AEDA also provides a formal report to Council on a quarterly basis which outlines the activities and achievements of the subsidiary for the preceding quarter.

### Rundle Mall Program Performance Review

6. In light of the challenging and unprecedented conditions experienced by retailers in the wake of the COVID-19 pandemic, KPMG were engaged to conduct a performance review of the efficiency and efficacy of the Rundle Mall Program (the Program).
7. Presented to the AEDA Board at its meeting on 26 October 2021, the report includes:
  - 7.1 Recommendations relating to improving the efficiency and effectiveness of the Program.
  - 7.2 Insights as to what’s working well and challenges experienced by the Program’s key stakeholders based on consultation and survey results from traders and Arcade and Centre Managers.
  - 7.3 Results of the benchmarking review contrasting Rundle Mall against comparable precincts and malls.
8. The AEDA Board sought to ensure the performance review process was transparent by ensuring that stakeholders were engaged in the process and would be made aware of the outcomes. To enable the performance review findings and recommendations to be shared with key stakeholders in a timely manner, the report was circulated out of session to the Audit and Risk Committee for awareness in late November 2021.
9. At the stakeholder information session held on 17 December 2021, attendees were advised of the outcomes from the performance review and noted the Implementation Plan shown [here](#) that has been prepared addressing the recommendations of the performance review.
10. The recommendations and management actions to address the recommendations will be included within the CoA Promapp system and regularly monitored and reviewed to ensure actions are delivered. This monitoring will be included in the regular Internal Audit Progress Update reporting provided to the Audit and Risk Committee.
11. A copy of the Rundle Mall Program Performance Review is shown in **Attachment A**.

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## DATA AND SUPPORTING INFORMATION

Link 1 - Rundle Mall Program Performance Review Implementation Plan

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# ATTACHMENTS

**Attachment A** – Rundle Mall Program Performance Review

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- END OF REPORT -



# Rundle Mall Program

## Performance Review

Adelaide Economic Development Agency

October 2021



# Contents

<b>1</b>	<b>Executive Summary</b>	<b>3</b>
<b>2</b>	<b>Background and Strategic Context</b>	<b>10</b>
<b>3</b>	<b>Stakeholder Engagement</b>	<b>13</b>
<b>4</b>	<b>Program and Financial Analysis</b>	<b>19</b>
<b>5</b>	<b>Operating Model Review</b>	<b>26</b>
<b>6</b>	<b>Benchmarking Analysis</b>	<b>33</b>
<b>7</b>	<b>Recommendations</b>	<b>36</b>



# 01



**Executive  
Summary**

Item 5.1 - Attachment A

## KPMG has been engaged by the Adelaide Economic Development Agency to conduct a performance review of the efficiency and efficacy of the Rundle Mall Program

This report details the findings of the performance review and has provided a number of recommendations relating to improving the efficiency and effectiveness of the Program.

This report also contains:

- Insights as to *what's working well* and *challenges* experienced by the Rundle Mall Program's key stakeholders based upon consultation and survey results from traders and Arcade and Centre managers.
- Results of our research benchmarking review contrasting Rundle Mall against comparable precincts and malls.



### Background and key drivers

The City of Adelaide (CoA) recognised the importance of accelerating economic growth in the City, and as part of its 2020–2024 Strategic Plan sought to design and implement a City-Wide Business Model. This led to Council resolving to expand the objects and purpose and change of name of the Rundle Mall Management Authority (RMMA) to establish the Adelaide Economic Development Agency (AEDA) as a subsidiary of the CoA. The terms of office of the former RMMA Board Members ceased when AEDA formally commenced operating on 18 January 2021. The functions of the Rundle Mall program were incorporated into the responsibilities of AEDA with oversight by the new AEDA Board.

The Board received the Rundle Mall Business Plan and the full AEDA Budget at the Board meeting in June 2021. Given the timing, there was limited opportunity for the AEDA Board to contribute to the Rundle Mall Business Plan.

In response to the opportunities seen in the Rundle Mall Precinct, and in light of the challenging and unprecedented conditions experienced by retailers in the wake of COVID-19, the AEDA Board, on advice from the Managing Director, have engaged KPMG to undertake an independent third party review to conduct a robust assessment of the efficiency and effectiveness of the Rundle Mall Program. This has been done with a view to support the delivery of better services and outcomes for the Rundle Mall Precinct levy payers, including traders, Arcade and Centre managers. With a new Board structure and under new leadership, it is recognised that there is a significant opportunity to position Rundle Mall as a landmark outdoor tourist destination, capitalising on its status as the largest outdoor mall in the Southern Hemisphere and to grow its reputation as South Australia's pre-eminent retail shopping precinct.



### What did we do?

KPMG was engaged by the AEDA Board and Managing Director to conduct a Performance Audit of the Rundle Mall Program. Our scope has included assessing the efficiency and effectiveness of the following:

- The alignment of the Rundle Mall Program and the 2021 Annual Business Plan to AEDA's management roles and activities.
- The process for communicating the strategy of the Rundle Mall Program and the 2021 Annual Business Plan to AEDA Management and staff, and the co-ordination of administration activities and operations of AEDA.
- Performing an efficiency analysis of operations leveraging available data. This included a high-level comparative analysis against KPMG's Better Practice Operating Model and Governance Model.
- The adequacy and relevance of reporting to the AEDA Board and Management, **as it relates to the Rundle Mall Program.**
- Reviewing the means by which the Board provide oversight and evaluate the performance of management functions and activities **as it relates to the Rundle Mall Program.**
- Providing a report detailing the results of our analysis, and providing high level recommendations to address gaps and improve the efficiency and effectiveness of the Rundle Mall Program.

OUR APPROACH AND METHODOLOGY 26

**Our approach in conducting the Performance Audit has involved the following phased approach, which during Phase 2 has included a focus on engagement with key stakeholders. Leading practice considerations have also played an important role in the development of the recommendations. Below is a summary of the key activities that have contributed to the development of the findings and recommendations in this report.**

**▶ Key activities of Phase 1**

- A **kick-off meeting** was held with AEDA Leadership to understand the strategic vision for the Rundle Mall Program and areas of focus for the review.
- **Desktop review** of information relating to the Rundle Mall Program, including the AEDA Charter, Rundle Mall strategies, business plans and budgets, expenditure, Board papers, Annual reports, Council reporting and relevant data sets.
- Conducted **benchmarking analysis** across comparable precincts and shopping malls within Australia and globally to understand current trends, opportunities and differences in approach and strategy.

**▶ Key activities of Phase 2**

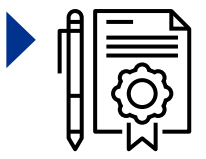
- **Consultation with a sample of nine traders and Arcade/Centre managers (of approx. 1500 Rundle Mall levy payers)**, to understand pain points and expectations, areas working well, and opportunities for improvement.
- **A survey was distributed to gather quantitative indicators** on the performance of the Rundle Mall Program and AEDA services.
- **1 on 1 interviews** were held with AEDA Board Members and the City of Adelaide (CoA) Executive Management team to understand what is working well, key pain points and areas for improvement. The Rundle Mall Program Manager was also interviewed to understand the structure of current operations.

**▶ Key activities of Phase 3**

- A **financial analysis was performed to assess the efficiency and effectiveness of the deployment of funds.** As part of this review, particular focus was placed on the basis of internal recharges.
- An analysis of the AED's governance and operating model against KPMG better practice frameworks was performed to identify strengths, weaknesses and opportunities for improvement.

**▶ Key activities of Phase 4**

- **Analysis and review of key findings** with AEDA Management was performed.
- Development of the report and **key recommendations** were determined.
- **Next steps** outlined to inform the roadmap forward.



*Final report with recommendations*

**Relevant KPMG Frameworks utilised**

**KPMG Operating Model**

**KPMG Governance Framework**

## What's working well?

- A high level of cleanliness, including the additional cleansing response to COVID-19 was noted by many levy payers.
- Some levy payers noted having a really collaborative and great relationship with the Rundle Mall team.
- Others commented that they were very happy with the way the Rundle Mall team has been including them in their social media activities.
- Many levy payers benefit directly and indirectly from the events and activations, with extra foot traffic throughout the Mall and surrounding areas.
- Internally the Rundle Mall team work collaboratively across a wide range of functions and services.

### Strategy and governance

- The composition of the **AEDA Board would be strengthened** by having skillsets specific to contemporary retail knowledge.
- **There are opportunities to improve Board reporting** to include more detailed insight into retail trends and opportunities for growth.
- More **insightful strategic planning** for the Rundle Mall Program is required, noting greater input from external key stakeholders and the need to strengthen the linkage to other City areas.
- A **well coordinated curation approach** would be beneficial to drive greater activation of the Precinct.
- The Rundle Mall Business Plan would benefit from articulation and inclusion of **clear and insightful key performance indicators (KPIs), measures and targets**.

### Operating model

- Rundle Mall personnel are primarily focussed on marketing and event services to deliver the Program events calendar.
- The Rundle Mall Program could benefit from **greater strategic planning expertise** to drive the strategic long term Program plan.
- The current foot-traffic information shared with external stakeholders **could be enhanced to provide more insightful data** to assist businesses to make better informed decisions.
- There is a **need to better utilise key data for effective decision making and reporting**, particularly in relation to competitors, consumers, spend, demographics and visitation.
- There is a **risk of duplication** and synergies being missed as a result of AEDA and the CoA having their own Marketing and Events functions.

### Program and financial delivery

- Financial reporting could be enhanced by assessing **overall category spend across the whole Program** (e.g. total consultant or digital expenditure) rather than on an individual events basis.
- A review of CoA recharges to assess the appropriateness of fees has not been performed for a number of years. As a result, there is an opportunity to analyse the **costs and service levels of the activities provided by the CoA** to the Rundle Mall Precinct to align with stakeholder needs.
- The Rundle Mall Business Plan was observed as consistent with previous years.

### Stakeholder engagement

- Levy payers noted that **engagement on the development of the Business Plan could be improved**, and they were unaware how previous input provided has been utilised.
- Levy payers felt **further clarity is needed over the Program expenditure and prioritisation**, and how the levy payment is distributed across the Program and activities.
- Several levy payers and internal stakeholders viewed paid and easily accessible **parking as a key issue for their customers**, and the need for greater consumer insights into the barriers that need to be addressed.
- Other issues raised by levy payers included:
  - A need to collect and formally distribute **relevant data** to levy payers
  - **A lack of security presence**.

### Benchmarking analysis

- **Stakeholder engagement that incorporates regular collaboration and transparency** is key to the Program's success. Stakeholders should be considered in every facet of the Program's development and regular progress updates prioritised.
- **Curation plans should be utilised throughout strategic and business planning**. The Curation Plan should strategically align with business objectives to assist a coordinated approach to tenancy placement and activation spaces for the Precinct.
- The **business and marketing plans must be customer-centric** and ensure the objective is seeking to improve customer experience within the Precinct.
- Board credentials that expand expertise within retail, data analytics, and food and beverage are valuable in providing key strategic direction.

**The recommendations driven by this review, supplemented with our experience of better practice, will positively contribute to the Rundle Mall Program. Delivery of prioritised initiatives should be underpinned by AEDA setting a clear vision for the Rundle Mall Precinct in the context of the City's economic growth, and capitalising on the strengths of having Australia's largest open air shopping mall.**



### Customer experience improvement

- Apply a more transparent and inclusive approach to levy payer engagement and communications.
- Undertake a full customer experience review to understand the end-customer journey, pain points and opportunities to improve the customer experience of people who visit the Precinct across all facets.
- Provide stakeholders with relevant and more insightful data to help them to make better informed decisions about their business.
- Further investigate sustainable car parking and concierge service incentives with providers to encourage greater visitation.



### Strategy and Business Plan improvement

- Adapt a strategic curation approach to Precinct design and tenancy placement, to improve activation and economic activity throughout the Mall.
- Undertake extensive stakeholder engagement and research to review and determine the future Rundle Mall Precinct Strategy and Roadmap.
- Consider establishing a performance measurement framework and restructuring measures to align with desired ROI and strategic outcomes.
- Provide greater transparency by including the KPI targets in the Business Plan and Annual Report.
- Realign the Rundle Mall Program and budget to provide better clarity on how funds are allocated to activities in the Plan.



### Governance improvement

- Review the current mix of expertise on the Board and consider appointment of a new member with proven and extensive retail experience.
- Increase Board awareness of the Rundle Mall Program and oversight of key activities.
- Provide greater oversight of budget management and decisions regarding material changes to budgets and planned activities.
- Consider additional reporting avenues to supplement AEDA Board reporting, such as Executive Management reporting channels that provide the detailed analysis on Program delivery progress, expenditure, outcomes, and risk management.



### Ways of working

- Appoint a visionary Rundle Mall leader who can drive a clear strategic approach for the Precinct and be the key voice for levy payers, key stakeholders and customers.
- Undertake a service review of the Rundle Mall function including skills and capabilities and any changes required to drive the function going forward.
- In collaboration with the CoA, consider efficiency opportunities to centralise some of the activities performed by different teams involved in the marketing and event planning and management processes across the CoA and AEDA.
- Review and revise outsourced service provider arrangements to ensure service levels and outputs meet AEDA and levy payers expectations.

The key recommendations have been categorised for ease of reference into strategic and operational initiatives. The table below outlines three key *strategic* initiatives proposed for priority planning, development and implementation consideration.

Ref	Strategic Initiative	Description
S1	Develop a Rundle Mall Precinct Strategy and Roadmap.	<p>To transform and drive the Precinct in order to increase activation and economic benefits, the development of a successful long term strategy should consider:</p> <ul style="list-style-type: none"> <li>• Extensive stakeholder engagement with levy payers and other key City stakeholders.</li> <li>• Research into how best to position the Rundle Mall Precinct with a winning value proposition that clearly differentiates it from competitors and will attract people to stay, enjoy, and spend, including prominent Food and Beverage options.</li> <li>• A full customer experience review to really understand the end-to-end customer journey and the different personas who utilise the Precinct, their needs, pain points, and opportunities for improvement across all facets.</li> <li>• A strategic curation approach to Precinct design and tenancy placement.</li> <li>• A coordinated approach with key stakeholders to sustainable car parking and transport options (a recognised major deterrent to Precinct visitation).</li> <li>• Incentives to encourage longer visitation and spend, such as concierge services.</li> </ul>
S2	Establish a performance measurement framework and restructure the Rundle Mall Business Plan (and future strategy) measures to align with desired ROI and strategic outcomes.	<p>It is recommended that the Rundle Mall Program take a fresh view and overhaul the current measures, with reference to good practice and the following considerations:</p> <ul style="list-style-type: none"> <li>• Focus on the services, investments and key drivers that impact stakeholders and the Rundle Mall levy payers.</li> <li>• Develop an updated set of measures and a supporting performance reporting framework.</li> <li>• These measures should be aligned to the Rundle Mall Strategy and key desired strategic initiatives.</li> <li>• Identify and establish mechanisms to capture the right data to measure performance against defined targets.</li> <li>• Provide data analytics and supporting reporting for timely, accurate and relevant information on an ongoing basis, to facilitate decision-making and drive business actions and insightful decision making.</li> </ul>
S3	Undertake a service review of the AEDA Rundle Mall function.	<p>The review of the AEDA Rundle Mall function should include the following considerations:</p> <ul style="list-style-type: none"> <li>• Establishment of an agreed service review framework and approach up-front.</li> <li>• The roles, capabilities, and experience required to drive and deliver the Rundle Mall Program and services.</li> <li>• Opportunities to utilise the broader AEDA team and centralise some marketing activities performed by AEDA and the CoA.</li> <li>• Service model options that consider factors such as experience, capability, internal capacity and budget.</li> </ul>

## To supplement the strategic initiatives, the review also identified 11 *operational* initiatives – requiring lower effort to implement – for consideration by AEDA.

Ref	Operational Initiative	Proposed Approach
O1	Apply a more inclusive approach to stakeholder engagement and communications.	<ul style="list-style-type: none"> <li>Initiate more formalised and regular meetings with a wider group of levy payers.</li> <li>Include more opportunities for levy payers to contribute to the planning of events and activations in the Precinct.</li> </ul>
O2	Provide levy payers with relevant and more insightful data to help them to make better informed decisions about their business.	<ul style="list-style-type: none"> <li>Share more detailed level data and insights and in written form with levy payers.</li> <li>Seek advice from levy payers as to the types of data they are interested in and source.</li> </ul>
O3	Provide KPI targets in the Business Plan and Annual Report.	<ul style="list-style-type: none"> <li>Include associated KPI targets in the 2021/22 Rundle Mall Business Plan quarterly progress reports provided to the AEDA Board and key stakeholders.</li> <li>Include associated KPI targets in the next published 2022/23 Rundle Mall Business Plan and Budget.</li> </ul>
O4	Ensure the Rundle Mall Program and budget provide clarity on how funds are allocated to activities in the Plan.	<ul style="list-style-type: none"> <li>Provide a financial view that clearly shows the budget and expenditure associated with the key Business Plan activities and outcomes.</li> </ul>
O5	Review the current mix of expertise on the Board and consider appointment of a new member with proven and extensive contemporary retail experience.	<ul style="list-style-type: none"> <li>Progress the appointment of an additional Board member with extensive retail experience to help drive and support the Rundle Mall Program.</li> </ul>
O6	Increase Board awareness of the Rundle Mall Program and oversight of key activities.	<ul style="list-style-type: none"> <li>Include a detailed summary of key Program progress and performance in the AEDA Board reports.</li> </ul>
O7	Provide greater oversight of budget management, in particular the internal controls and decisions regarding changes and movements between budget lines.	<ul style="list-style-type: none"> <li>Implement processes to ensure appropriate approvals and oversight by the AEDA Managing Director and Board of Program expenditure.</li> </ul>
O8	Consider additional reporting avenues to supplement AEDA Board reporting.	<ul style="list-style-type: none"> <li>Introduce Executive Management reporting channels that provide regular detailed analysis on Program delivery progress, expenditure, outcomes, and risk management.</li> </ul>
O9	Appoint a Rundle Mall Manager as the key driver and voice of the Precinct for levy payers, key stakeholders and customers.	<ul style="list-style-type: none"> <li>Progress with filling the Rundle Mall Manager vacancy with a person who has exceptional communication, negotiation, and collaboration skills, combined with extensive retail and commercial business experience.</li> </ul>
O10	Provide greater clarity of roles and responsibilities across the AEDA functions and how resources can be leveraged more effectively via AEDA.	<ul style="list-style-type: none"> <li>Pursue greater integration of the Rundle Mall Program so that levy payers benefit from the full gamut of AEDA resources and expertise.</li> </ul>
O11	Review and revise outsourced service provider arrangements to ensure service levels and outputs meet AEDA, levy payer, and customer expectations.	<ul style="list-style-type: none"> <li>Review current contracts/arrangements with service providers and address any service level gaps (such as security) as part of any renewal.</li> </ul>

# 02

## Background and Strategic Context

*The purpose of this section is to provide further context for the need to review the Rundle Mall Program.*



**The vision of the Rundle Mall Plan is to be renowned as Adelaide's vibrant beating heart and premier shopping destination that connects people to new retail, property and place experiences.**

The **AEDA Board** sets the strategic direction for delivering a range of initiatives to improve economic outcomes and a growth agenda for the CoA.

AEDA's mission is to accelerate economic growth in the city by attracting investment and supporting businesses, growing the visitor economy, supporting residential growth, growing an annual events calendar and marketing the city as a whole. AEDA's key functions include **Rundle Mall**, Visitor Experience, Marketing, and Business Investment.

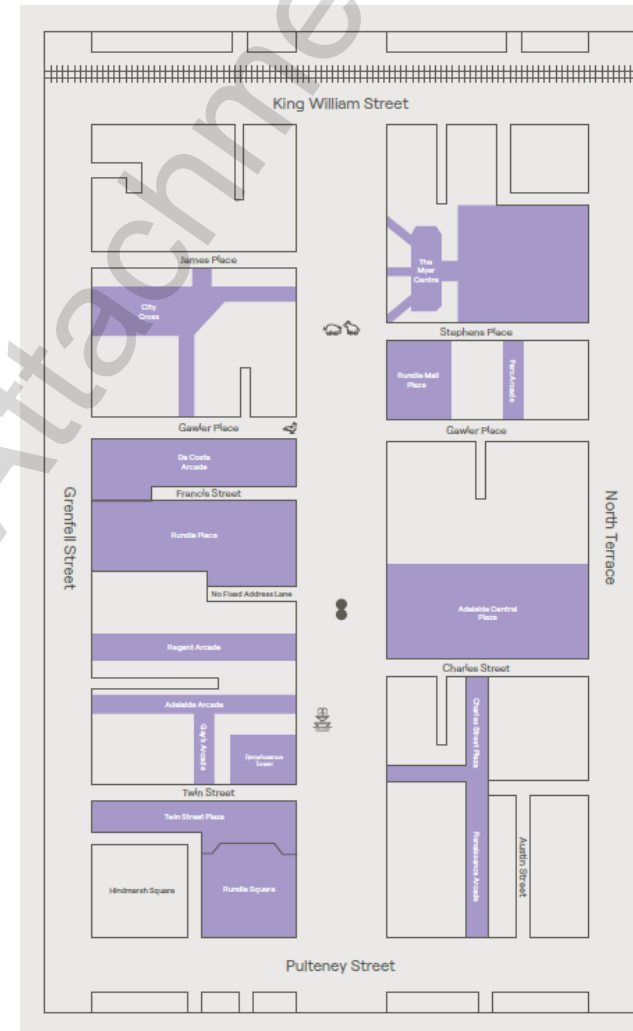
Up until the formation of AEDA, the Rundle Mall Management Authority (RMMA) was responsible for developing, managing and delivering the Rundle Mall Strategy and annual Business Plan and Budget.

The **Rundle Mall Business Plan** encompasses the **Rundle Mall Precinct** which is bound by North Terrace, King William Street, Grenfell Street and Pulteney Street. The Precinct hosts 16 arcades and centres, more than 700 retailers, and also includes a mix of hospitality, commercial, educational, and residential offerings.

The Rundle Mall Precinct also forms the **Rundle Mall Levy Area**, with funds being raised through a separate rate on rateable land declared by the CoA. These funds are provided to AEDA and must be expended by the Agency in accordance with the annual Rundle Mall Business Plan and Budget.

The area which is covered by the Rundle Mall Program is shown to the adjacent.

The Rundle Mall Budget operates to a net zero position, with income generated by a levy paid by Precinct businesses along with pop-up activation and sponsorship income. For the current 2021/22 financial year, levy income was \$3.84 million. Expenditure for the Program is in line with the strategic priorities of the Rundle Mall Business Plan, with the budget approved by the AEDA Board.



## RUNDLE MALL BUSINESS PLAN

### KEY FOCUS AREAS

1. **INFORMATION** – be the Hub of Precinct information.
2. **VISITOR EXPERIENCE** – support an easy and enjoyable customer experience.
3. **ADVOCACY** – influence projects for Precinct growth and minimise negative impacts.
4. **BRAND** – position Rundle Mall as the premier retail destination in South Australia.

## Retail sector challenges and macro economic challenges

2020 was a turbulent time for retailers in Australia. COVID-19 rapidly accelerated digital disruption and while some retailers produced record financial results as they pivoted their business to online and took advantage of a wave of Government measures to support businesses through the pandemic, others struggled through some of the harshest trading conditions since WW2.

2021 has further created new challenges and opportunities for retailers as Government initiatives have been unwound and key customer behaviours developed during COVID-19 have become a permanent feature of the market.

For many shopping centres and precincts, it is noted that significant amounts of rental assistance has been provided. This includes a total of \$1.6 billion in rental assistance and private sector commitment to helping small business across Australia. Through the disruption a number of emerging trends have occurred, including:

- **Business models and partnerships** including a pivot for a number of retailers to leveraging and creating online shopping platforms
- **Declining margins and productivity** with limited ability to influence key levers to reduce the cost of doing business
- **A focus on purpose and brand reputation** with customers expecting more from brands, including a focus on sustainability and higher purpose
- **Customer power** including the ability for customer's to hunt for value through online shopping, and expectations for a more highly personalised customer experience to be provided.

Recent statistics from Australia Post – Inside Australian Online Shopping have noted key drivers for shopping online include being quicker and more convenient (49%), access to a greater range of products (44%) and access to bigger discounts (39%, and an increase of 8% from 2020).

All of these factors have created a very challenging environment for Rundle Mall Precinct businesses, and critically a need to focus and ensure that the customer experience in the Precinct is vibrant, inviting and accessible.

## CURRENT CHALLENGES

- ➔ COVID-19 impacts and uncertainty including a reduction in foot traffic with less tourists and students, more flexible working arrangements, and people shopping local
- ➔ Vacancy rates rising, with retail market share further diverting consumers to online
- ➔ City traders and consumers cite car parking as a major deterrent to visit the CBD due to cost and inconvenience

## KEY CONSIDERATIONS for AEDA

*How can we differentiate Rundle Mall to incentivise and **attract people to stay, enjoy, and spend?***

*What programs and services will add the most value in the short and long term, to activate the Rundle Mall Precinct and boost the economy?*

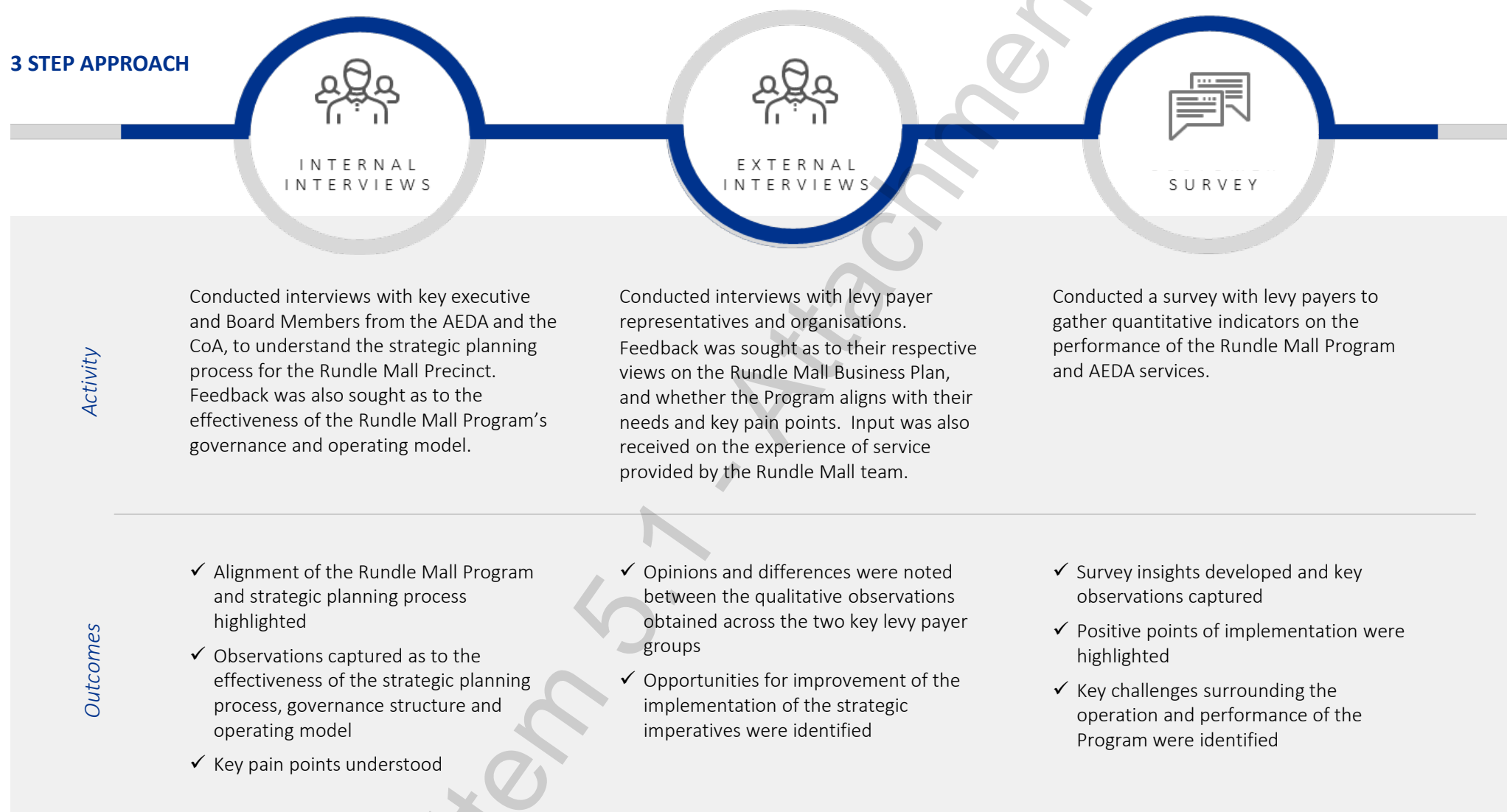
**Now more than ever, it is critical that AEDA invest Rundle Mall Program funds in activities and services that bring people back to the Precinct, and ensure that Rundle Mall is recognised for a high end, unique shopping experience.**

# 03

## Stakeholder Engagement

*The purpose of this section is to provide insight into the findings of the levy payer and internal consultation and the opportunities for improvement.*

We undertook a consultative approach by conducting in-depth interviews with internal and external stakeholders and a levy payer survey to understand the current challenges, opportunities, and aspirations for the Rundle Mall Precinct.



## What's working well?

"The Rundle Mall team did a brilliant job managing the COVID situation to ensure the environment was safe for people and to encourage spend"

"Activations and events benefit different levy payers, but as long as people pass your door then you also benefit"

"I have a really collaborative and great relationship with the Rundle Mall team"

"I'm happy with the way Rundle Mall social media has been including us in their activities"

"We are open to working collaboratively with AEDA – we can't let it fail!"

"There is extra cleaning after big events which is good"

"We feel lucky to be where we are in the city and are doing ok"

"I thought the extra seating areas in the Mall were good during COVID to get people to the mall"

"The Mall is definitely clean – if something is broken it gets fixed"

## What's not working well?

"A \$4m levy is not going to save the Mall, it needs a much larger investment to make a difference"

"I asked why cleaning and security costs are so high and how these figures are derived but no answer as yet – this needs to be more transparent"

"The fundamental issue I hear a lot is restrictions around parking and costs of parking when you can go somewhere else for free"

"A curation strategy is lacking to get the right types of businesses in the mall area to ensure best activation and mix"

"I don't get to attend the Rundle Mall management forums and presentations as they are on when I'm working"

"The only input I had to the annual event calendar was after its development at the presentation by Rundle Mall Management"

"Need to leverage key moments"

"Businesses are in big trouble and the rent is unsustainable"

"Verbal data provided by Rundle Mall management (on visitation numbers) has been erratic and not correlating to what we are seeing"

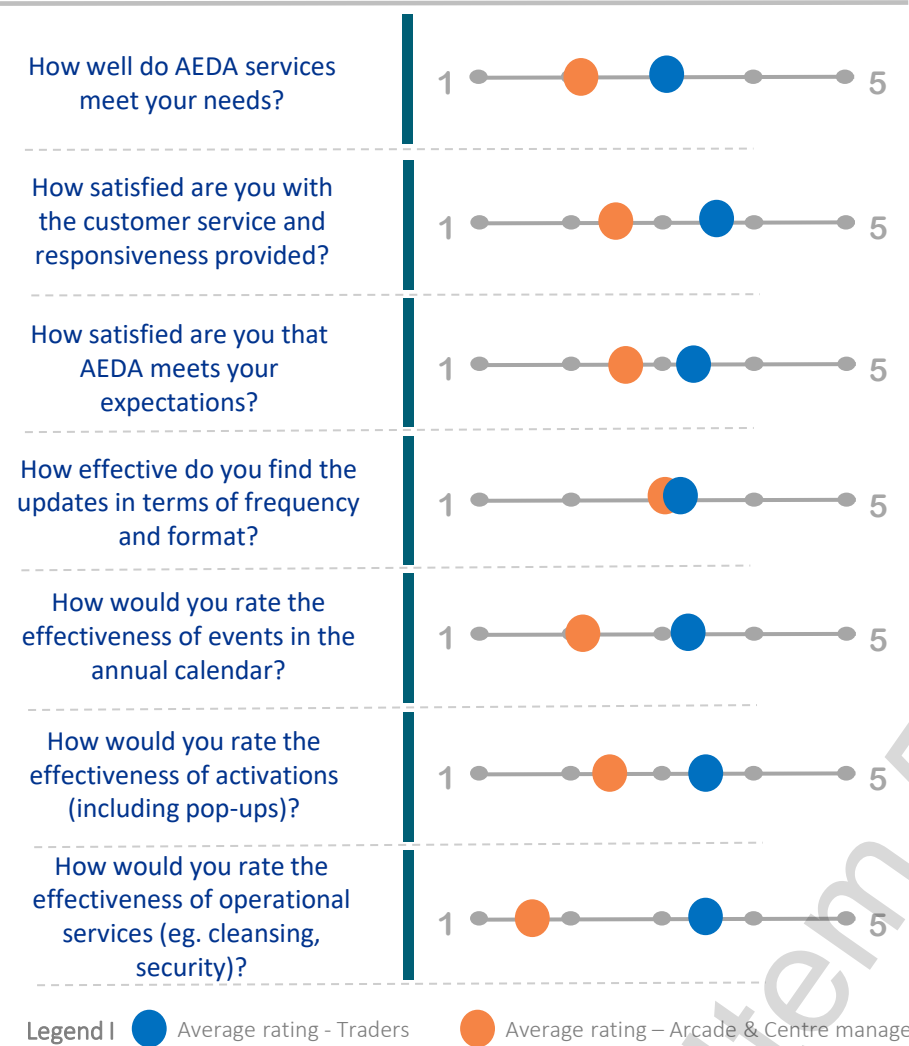
"Car parking is a major issue"

"The measures in the Business Plan are useless"

"More unique brands are needed in the Mall, that are only present in Adelaide"

Quantitative data was also gathered to supplement the findings. Nine levy payers completed the survey and were asked to respond to seven questions that aimed to gauge levy payer experience, using a rating scale of 1 (not at all) to 5 (very satisfied).

### Survey Results



### Survey Insights

#### Key themes from the survey results

- Provide me with transparency of Program services and activities.
- Empower me with the right information at the right time.
- Help provide my customers with a great Precinct experience.
- Work with me so that together we can focus on the right things.

“Progress updates are inconsistent and general. They look pretty but say little. I would prefer they look dull but say a lot.”

#### Key insights

- Respondents results varied depending on their relationship to AEDA. This included Arcade and Centre managers reflecting a more negative view, with an average rating of 2.5 across the entire Program. Contrarily, traders had a 3.4 average rating, highlighting a more positive experience.
- Of the Arcade and Centre manager responses to the survey, the effectiveness in the frequency and format of updates provided by the Rundle Mall team rated the highest with an average of 3.3. Traders rated satisfaction with the service levels and responsiveness the highest, with a 3.6 average rating.
- Effectiveness of operational services (i.e. cleansing and security) was the lowest rated result for the Arcade and Centre managers at a 1.8 average rating. Stakeholder consultation further noted that a majority of the Arcades and Centres have their own facilities management, marketing and events. These stakeholders also expressed frustration for the requirement to pay for additional services that are not sufficient in facilitating their operational requirements.

It was noted that survey results may be impacted based on the level of understanding of the specific levy fee allocation and what services this levy covers.

## Our research uncovered four key themes that relate to opportunities for improving the future experience for the Rundle Mall Precinct.

Theme

### Theme 1



Provide me with transparency of Program services and activities

Concerns were raised on the level of transparency surrounding the Program's expenditure and how spending has been prioritised.

*"I have no idea what the budget is spent on or the campaign costs"*

– Levy payer representative statement

This includes levy payers not being clear on how the levy payment is being distributed across the Rundle Mall Program, and prior year's expenditure successes and failures not provided, or if the Program is spending money on the right things.

*"I asked why cleaning and security costs are so high and how these figures are derived but no answer as yet – this needs to be more transparent."*

– Levy payer representative statement

### Theme 2



Empower me with the right information at the right time

A lack of relevant data is captured and formally supplied to the levy payers.

*"The measures in the Business Plan are useless."*

– Levy payer representative statement

Information was advised as being verbally shared and too high-level for traders to find relevant and useful for supporting their business operations.

*"The quarterly highlights reports are a waste of time and money, the data lacks context and is too high level to be useful."*

– Levy payer representative statement

### Theme 3



Help provide my customers with a great Precinct experience

Issues were raised regarding limited security presence and responsiveness levels.

*"...I called Security but they said they were too busy and to call the Police."*

– Levy payer representative statement

Multiple stakeholders viewed paid and accessible parking as a strong barrier/issue for their customers.

*"The fundamental issue I hear a lot is restrictions around parking and costs of parking, when you can go somewhere else for free."*

– Levy payer representative statement

### Theme 4



Work with me so that together we can focus on the right things

Engagement on the development of the Business Plan was noted as being limited. Specifically, informal verbal discussions and an annual retailer survey are conducted to inform the future year's Business Plan, with stakeholders unaware of how their input has been utilised.

*"It would be nice to have a follow up email or communication to let me know my feedback has been received and how they intent to use it."*

– Levy payer representative statement

It was noted that consultation is conducted via information sessions once the Plan has already been established.

*"The only input I had to the annual event calendar was after its development at the presentation by Rundle Mall management."*

– Levy payer representative statement

Supporting insights

## The AEDA Board and the CoA executives cite Board expertise, curation strategy, car parking, and customer experience as being key challenges.

### Curation strategy and tenancy placement



A well considered and strategic curation approach is not in place for the Precinct. The lack of curation is further highlighted when comparing the Precinct to other successful areas of the city like Adelaide's East End and the Burnside Village.

#### Improvement opportunity

A formal gap analysis should be undertaken to explore curatorial opportunities and best practice strategies.

*"Why go to the Mall? The mall needs to find it's own niche and experience. What is the value proposition?"*

– Stakeholder representative statement

### Customer experience of Precinct



Stakeholders felt the Precinct is lacking activation and amenities which create great experiences and entice customers to stay longer, including more prominent and high end food and beverage options in the Mall.

#### Improvement opportunity

Further research and pilot projects should be utilised to clearly articulate the customer journey and the current pain points they experience to determine opportunities for improvements.

*"People don't come to Adelaide to shop, they come to experience what South Australia has offer, the surrounding landscape, wine and festival culture"*

– Stakeholder representative statement

### Car parking and transport strategy



Car parking was noted by internal stakeholders as a major issue when engaging with external stakeholders. Issues noted include parking rates and the customer's desire for reduced parking costs. The CoA currently offers varied parking promotions on select UPark locations, however these promotions are not aligned or are associated to the Program, and do not include externally owned Precinct car parks such as Wilson, Rundle Place Secure Parking or the Myer Centre. Stakeholders also noted this to be a major pain point for people to experience Rundle Mall.

#### Improvement opportunity

Consideration for a coordinated car park strategy should encompass both the CoA and privately owned carparks for maximised benefit. The strategy should incorporate consumer insights into barriers to address to deliver effective solutions.

### Composition of Board and skills

Noted in consultations was the need for greater expertise in retail, fashion (including luxury fashion) and tourism within the current credentials of the AEDA Board, specifically with the view to drive the future development and operations of the Rundle Mall Precinct.

*"More experience is needed on the Board"*

– Stakeholder representative statement



### Composition of Rundle Mall team

Views from Senior internal leadership noted the Rundle Mall team lack program management capability, as the majority of their experience is within marketing and events expertise. Further noted was the need for skills and experience in strategic planning and specific expertise in Precinct operations.

Internal stakeholders also expressed the need for a visionary leader who can drive a clear strategic approach, while keeping the Rundle Mall team and AEDA activities well aligned and efficient, engaged and motivated.



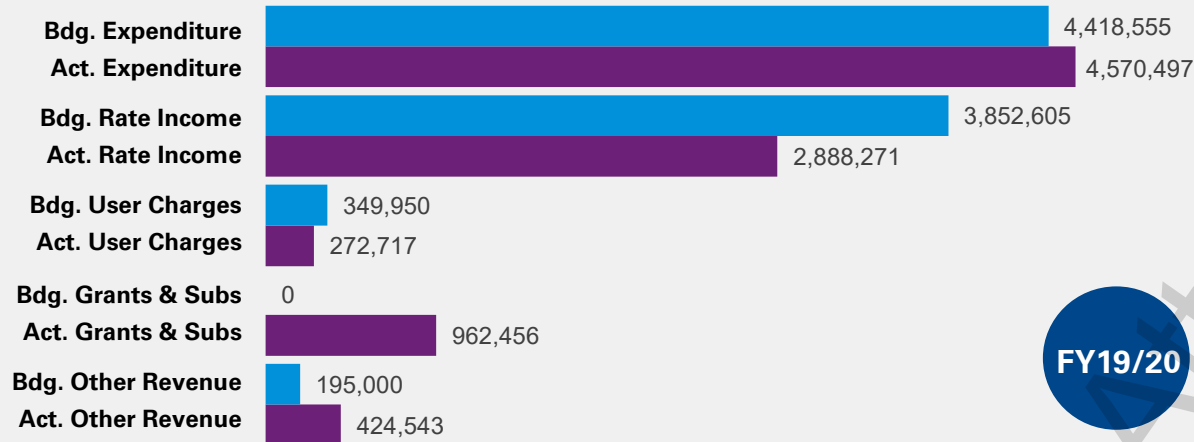
# 04

## Program and Financial Analysis

*This section analyses the Rundle Mall Program delivery, budget and expenditure.*

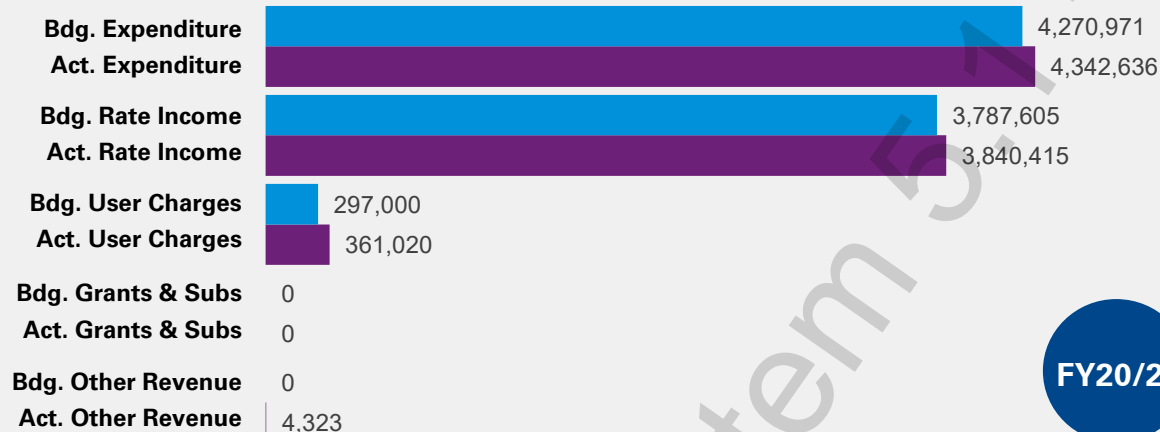
Analysis was conducted into the Rundle Mall Program Budget across the previous two (2) financial years. The below analysis (Graph 1 and Graph 2) compare the Rundle Mall Program budget, levy and revenue against the actuals achieved by the program for both FY19/20 and FY20/21.

Graph 1 - Rundle Mall Program Budget and Actuals Comparison for FY19/20



FY19/20

Graph 2 - Rundle Mall Program Budget and Actuals Comparison for FY20/21



FY20/21

The Rundle Mall Program budget is comprised of the levy payment from external Precinct stakeholders and the expected revenue generated by concessions, sponsorship and other means for the financial year. The Business Plan should have a strong focus on the \$3.8m of levy funds given concession revenue is externally generated and variable. The budget is separated out into Administration, and Marketing and Event expenditure.

#### Key observations

The majority of the budget for both fiscal years has been allocated to Marketing and Events as shown below:

- Over 60% for FY19/21
- Over 50% for FY20/21.
- Both financial years overspent the budget, including:
  - FY19/20 overspent by 3%
  - FY20/21 overspent by 2%.
- For FY20/21, the total administration spend was observed as exceeding budget by \$90,927. This primarily related to an increase in security, PP&E and user charges. It is noted however, that these increases were offset by a reduction in FTE costs of 2%. Refer to following page for further detail.
- Only in FY19/20 did the Program receive grants and subsidiary income.

#### Budgets

##### FY19/20 Budget

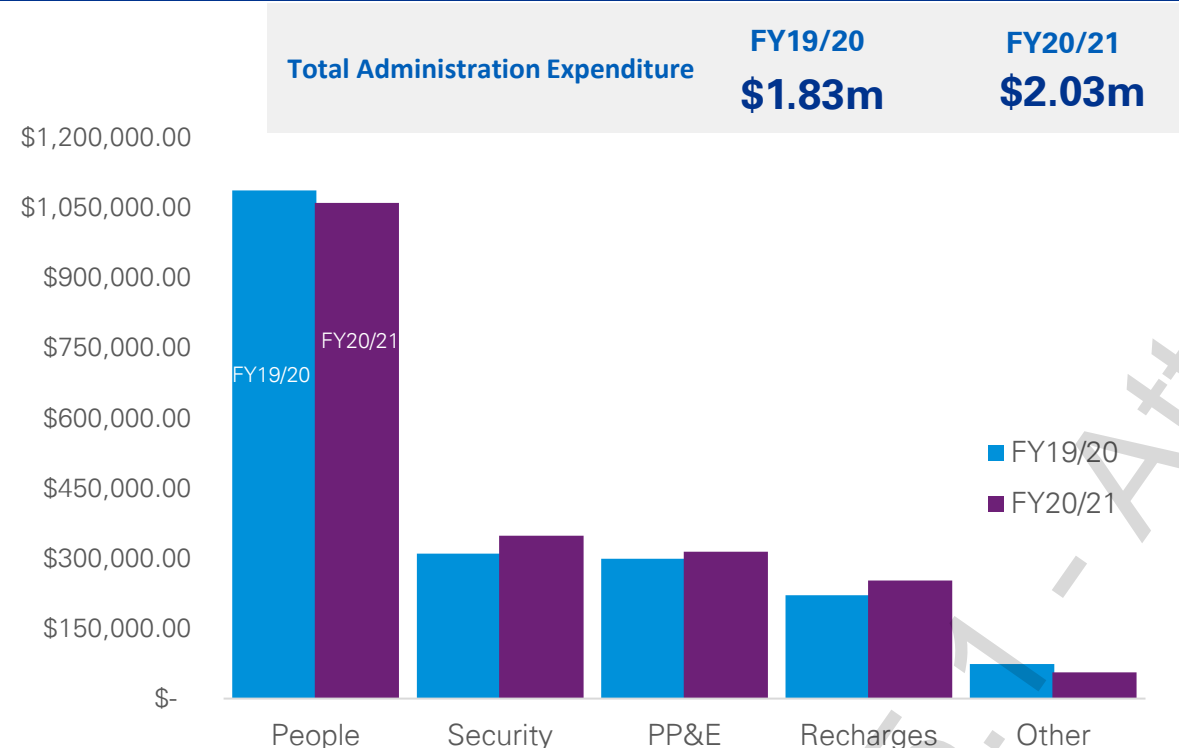
Administration **\$1.83m**    Marketing & Events **\$2.74m**

##### FY20/21 Budget

Administration **\$2.03m**    Marketing & Events **\$2.3m**

The Program's Administration expenditure was captured across FY19/20 and FY20/21. The below analysis (Graph 3) and findings highlight key insights into how the Administration budget was spent across both years, and how they compare.

**Graph 3 - Administration Expenditure Analysis**



Administration costs for the Program are made up primarily of FTE cost associated with the Program, security, property infrastructure and equipment (PP&E), and CoA/AEDA recharges.

#### Key observations

- A year on year overall increase of 11% from FY19/20 to FY20/21 was noted, relating primarily to security, recharges and PP&E costs.
- For FY20/21, the Rundle Mall team had total of 9.2 FTE, with salaries amounting to \$803,570. We understand that the Digital Coordinator role (1 FTE) was not budgeted and is currently undertaken by a contractor (please see page 28 for further FTE details).
- Other FTE related costs for FY20/21 included:
  - Contractors \$97,335
  - Superannuation \$79,214
  - Long Service Leave \$24,268
  - Workers Compensation \$22,420.
- The 12% rise in security expenditure for FY20/21 is in line with an overall increase in crime noted within the Precinct which has occurred during COVID-19.
- PP&E cost of \$314,297 has remained relatively consistent with only a \$13,130 increase in FY20/21. Critical costs in FY20/21 include, depreciation P&E \$107,990, depreciation \$94,367 and hiring of premise costs \$79,200.
- Other costs are comprised of 19 items that relate to administrative activities including travel expenses \$5,470 (FY19/20) and cleaning \$9,215 (FY20/21). Also included within this other costs category are the Program's Board Sitting Fees which equate to 64% of the total expenditure with \$35,507 paid to members in FY20/21.

#### Break down of key costs per category

Over 50% of direct Administration costs are attributed to FTE salaries.

\$108k was spent on Depreciation P&E during FY20/21.

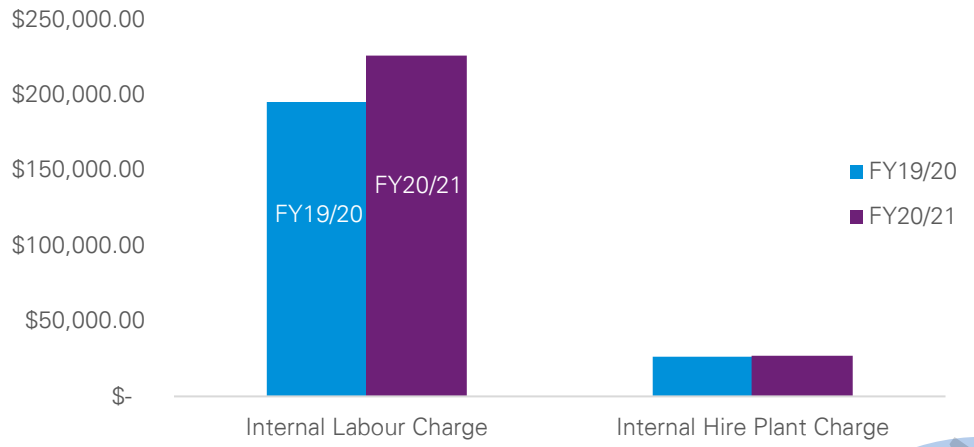


RECHARGES ANALYSIS

The Rundle Mall Program is recharged costs by both AEDA and the CoA. The below analysis (Graph 4) identifies key recharges and which areas are most affected.

**Graph 4 - Program Recharge Analysis**

Total Recharge expenditure	FY19/20	FY20/21
	<b>\$221k</b>	<b>\$253k</b>



The Rundle Mall Program recharges are raised as either an internal labour charge or an internal hire plant (equipment) charge, with internal labour charges raised by both the CoA and AEDA. The need for greater transparency of the recharges was a key theme resulting from stakeholder interviews.

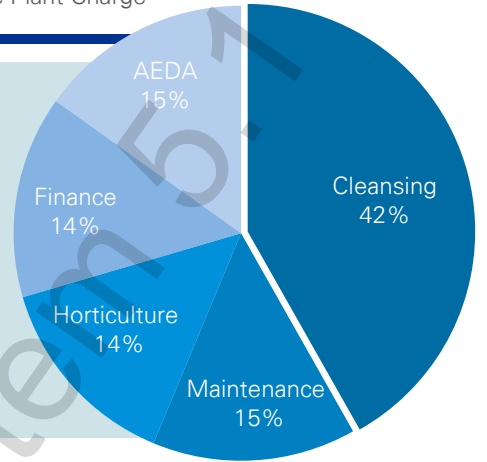
The internal hire charges raised by the CoA include services for cleansing, maintenance and horticulture for the Precinct. Currently, the CoA calculate these recharges based on the previous year with an annual 2% increase.

**Key observations**

- The internal labour charge of cleansing has remained consistent at \$89,496 across both years.
- Between FY19/20 and FY20/21 an overall increase in recharges, mostly to internal labour charges, of \$31,292 (14%) has occurred.
  - This increase has been predominantly attributed to the AEDA recharge amount of \$38,256, primarily relating to digital, event and marketing services, and the decrease of CoA finance charges by 19%.
- Currently a service level review process is not in place to ensure the Internal recharges are appropriate, or to clearly outline the services to be delivered. Specifically, it was advised that the last review for CoA recharges was undertaken in 2013.

**Break down of internal recharges for FY20/21:**

- Cleansing \$105,670
- Maintenance \$36,611
- Horticulture \$35,820
- AEDA \$38,257
- Finance \$36,406



As part of our review, the costs of relevant expenditure items by cost category was reviewed on a consolidated basis across the Program for FY20/21.

**Table 1 - Marketing & Event Expenditure Analysis**

	FY19/20	FY20/21
<b>Total Marketing &amp; Event Expenditure</b>	<b>\$2.77m</b>	<b>\$2.37m</b>

Expenditure Broken Down by key Categories for FY20/21

Decorations	\$ 633,519
Equipment & Staging Hire	\$ 320,732
Marketing Services	\$ 260,000
Banners & Signage	\$ 207,052
Media Placement	\$ 205,455
Sponsorship	\$ 125,000
Public Relations	\$ 124,353
Prizes & Giveaways	\$ 102,538
Contractors (excl Temp)	\$ 102,112
Digital	\$ 82,301
Media Production	\$ 69,315
Consultants	\$ 34,350

Costs per Key Category Explained for FY20/21

**Consultants** attributes to 1.4% of total spend and are not formally reported within the overall Event spend. For FY20/21, \$34,350 was spent on Canny Insights Data Reporting in FY20/21. Activities include:

- Data Trend Reporting
- COVID-19 Traffic Reporting (across three quarters)
- Monthly and Quarterly Report
- Quantum Data Reporting (across four quarters)
- Traffic project work with Kepler.

**Digital** attributes 3.5% of total spend. However, only \$36,507 was formally reported under Digital Engagement within the total Event spend for FY20/21. Activities include Social Media Ads and Influencer spend, Survey Generators and Prizes. Key costs per event include:

- COVID-19 Recovery \$20,369
- Christmas \$9,455.

Key observations

Our review noted the following key observations related to key costing categories:

- **Marketing services** - 69% of the total spend in this category related to a \$15k per month retainer for the *Simple Integrated Marketing Agency*. Other key cost items included an \$80k spend for a *Quantium* subscription (annual) and a subsequent Boxing Day report.
- **Public Relations** - 86% of the total costs in this category was spent on the Public Relations Agency *Communikate* on corporate services, awards submissions, media monitoring and research projects.
- For FY20/21, approximately \$130k was spent on externally outsourced Marketing and Public Relations services of data monitoring, reporting and research for the Rundle Mall Program.
- **Prizes and giveaways** – Approximately \$60k was spent on the Spend & Win promotions throughout the winter and other COVID-19 recovery events. However, levy payer consultation noted the lack of sales increase that this promotion provided, and that traders received no relevant reporting on the Spend & Win promotion outcomes.

Our review further noted that the Marketing and Event budget is formally reported to Senior Leadership and the Board on an event basis only. As a result, a holistic view of expenditure across over-arching items such as research and consultant expenditure is not currently provided. This may result in missed opportunities to identify key trends and insights on Program expenditure which may help to direct future budget priorities and initiatives.

Improvement opportunities

- Provide levy payers with more transparency surrounding expenditure on Marketing and Events, and more comprehensive reporting on events that includes results, measures and lessons learned.
- Provide greater financial transparency through aligning the Rundle Mall Business Plan activities and budget lines, to provide clarity on how funds are allocated in the Plan.

**While KPIs are stated within the Rundle Mall Business Plan, they lack specific outcome based measures or targets which ultimately make them redundant. KPIs are essential for effective decision-making and noted below are key KPI insights for consideration.**

### Rundle Mall Program performance

The 2019/20 Rundle Mall Annual Report stated that **34 of the 36 activities in the 2019/20 Business Plan were delivered successfully**, with implementation of a digital wayfinding solution noted as not completed, and additional funding for the Rundle Mall Masterplan not secured. Measures were provided against some outcomes, however **no targets were included for reference**.

Delivery of activities outlined in the **2020/21 Business Plan** were further impacted by COVID-19, with **some key events such as Vogue cancelled** and replaced with activation initiatives such as art installations, pop-up seating, and signage in the Mall. The final results for the 2020/21 Business Plan were not available to inform this review, however the last progress update provided at the RMMA Board December 2020 meeting, indicated that delivery was mainly on track with issues still causing a delay in delivering a digital wayfinding solution. A KPI Tracker highlighting actual performance against measures as at end September (Q1) was also provided at this Board meeting. There is an opportunity to include further Rundle Mall Business Plan progress and KPI updates in future AEDA Board reporting.

Multiple levy payers interviewed during our consultation commented that the current performance measures within the Rundle Mall Business Plan do not measure the right things, and are not effective in providing insight into how the Program delivers the outcomes required.

For any organisation, effective performance management is essential to business. Through both formal and informal processes, it helps to ensure alignment of employees, investment and resources to meet the organisation's strategic objectives. There are a number of frameworks that can be used by organisations to identify appropriate performance measures that drive organisational performance, such as a performance mechanism.

In the development of a performance mechanism, program inputs are linked with activities, outputs and outcomes. It is critical that performance measures are then identified at the output and outcome level, as opposed to the input and activity level. In identifying these measures, there are certain compromises about the effectiveness of the measure in shifting behaviours and performance that should be considered.

Decisions which are based on insufficient and unreliable measures hinder the ability to drive effective decision-making and investment of scarce resources.

## Why measure performance?



Creates a longer term focus on tackling strategic issues



Creates and enables a continuous, evidence-based improvement process



Drives focus at both a Board and Executive level about the future direction of the organisation



Provides visibility on how investment is creating change and driving growth



Provides purpose beyond vision statements and fiscal responsibility



Creates accountability for service delivery through measurable outcomes



Supports planning and prioritisation of future activities



Supports cross divisional collaboration, effective relationships and better ways of working



Enables the organisation's narrative to be translated into tangible outcomes



Provides transparency on service delivery outcomes, not just policy and new expenditure

## Rundle Mall Program measures

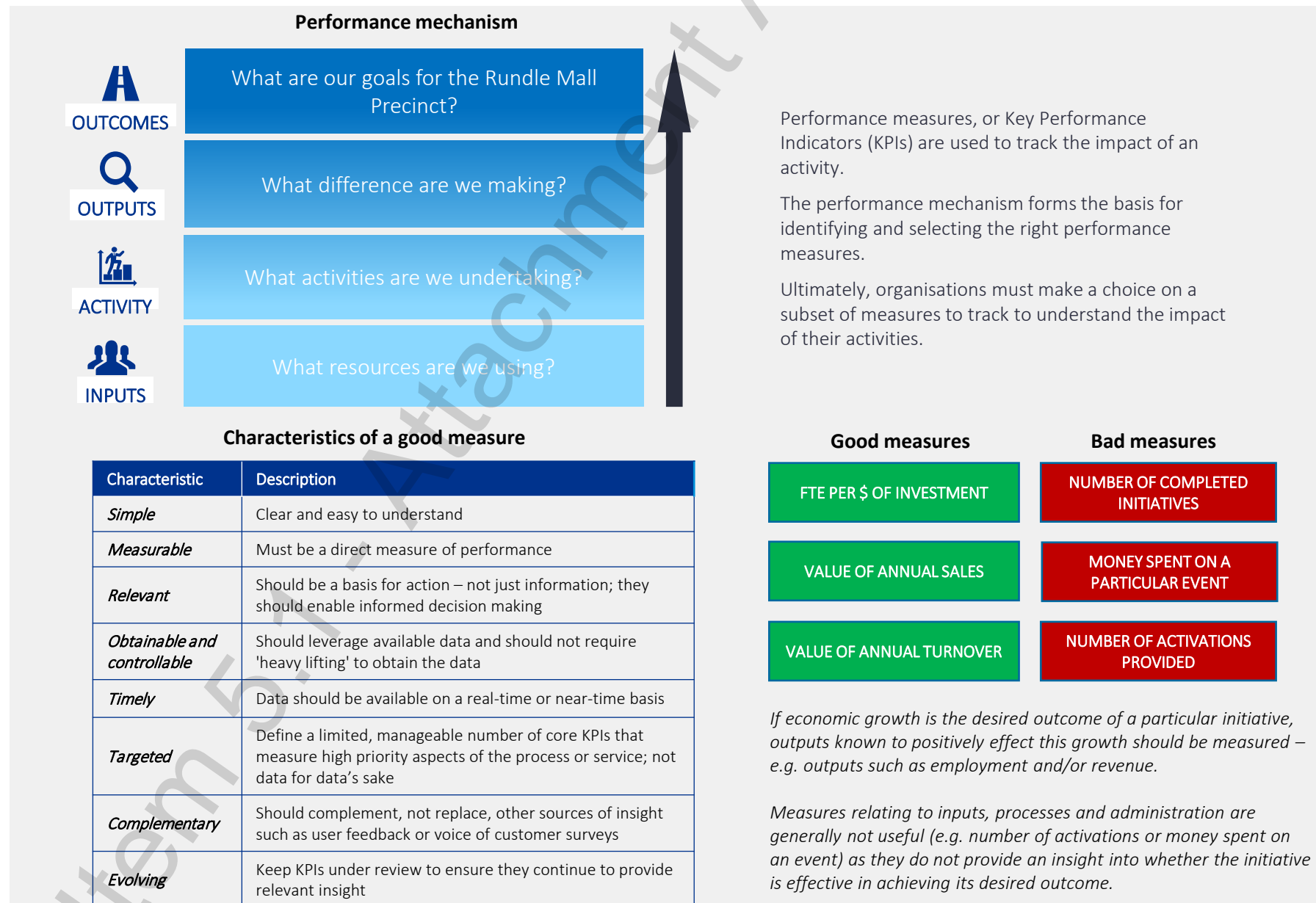
From our review of the performance measures contained within the Rundle Mall Precinct Business Plan & Budget 2021/22, it was observed that a number of the current measures are focused on the achievement of activities, examples include “creating a 12-month event and activation plan and calendar, driving income from sponsorships, and working with SA Police to support a safe Precinct”.

As a result, the current performance framework is focused on achievement of activities rather than the outcomes obtained from these activities and the overall allocation of funds by the Program.

## Improvement opportunities

Overall, it is recommended that the Rundle Mall Program take a fresh view and overhaul the current measures, with reference to good practice and the following considerations:

- Focus on the services, investments and key drivers that impact stakeholders and the Rundle Mall levy payers.
- Develop an updated set of measures and a supporting performance reporting framework.
- These measures should be aligned to the Rundle Mall key desired strategic initiatives.
- Develop reporting which provides for timely, accurate and relevant information on an ongoing basis to facilitate decision-making and drive business actions and insightful decision making.



# 05

## Operating Model Review

*This section of the report presents the internal operations and experiences within AEDA and the Rundle Mall function.*



## We used KPMG's Governance Principles and Operating Model Framework to challenge and guide our review and recommendations.

Underpinning our approach for the organisational review is KPMG's Six Design Layers, ensuring that a holistic operating model assessment is considered from all aspects: governance, service delivery, people, processes, data and technology. This operating model describes ways of working – it is “how” the function will implement its strategy and customer experience objectives to deliver on its business model.

### Governance framework principles

#### 1 Leadership, Board Dynamics and Reporting

The structure at the Board level and skill sets of the Directors should be clear and optimised to generate an appropriate culture and provide long term sustainable success for the organisation.

#### 2 Corporate Culture

“The culture of an entity can be described as the ‘shared values and norms that shape behaviours and mindsets’ within the entity. It has been described as ‘what people do when no-one is watching’... [with it] evident that culture can drive or discourage misconduct.” (CBA Prudential Inquiry, Final Report, 81)

#### 3 Risk and Compliance

Adequate and effective risk management, internal controls and assurance systems that cover financial, operational, compliance and information technology risks should be established.

#### 4 Strategy and Performance

Transparent mechanisms should be established to encourage the right set of behaviours to deliver outcomes and drive a continuous improvement performance culture. To achieve this, a company should have a clear and defined vision, with defined performance metrics, and a formal and transparent process for remuneration aligned to performance.

#### 5 Stakeholder Engagement

Protecting, communicating and engaging with stakeholders and shareholders is key to creating long term value and ensuring the business is operated in a sustainable manner.

### Operating Model six design layers



The approach to align the organisation's governance, risk and compliance processes to its strategy



The locations and means by which services are delivered, ranging from decentralised to centralised functions, and in-sourced vs. outsourced



The organisational structure, reporting and accountability, leadership, capabilities, skills, culture and performance expectations for people and organisational units



The processes and interdependencies of the organisation by which all work of the functioning enterprise is carried out



The technology required by the organisation to support the execution of processes and manage information/data



The data, analytics and reporting required by the organisation to support the execution of processes and to inform business decisions

## The governance of the Rundle Mall Program has been reviewed against KPMG's Governance Framework Principles.

### AEDA current state

#### Leadership, Board dynamics and reporting

AEDA's Board is comprised of experienced members who have a variety of specialised expertise in the business sector, strategy, residential, commercial and retail property development and investment, financial advisory, government, brand and activation. As acknowledged by AEDA Board Members and CoA Executives, the Board would also be enhanced by including someone with **contemporary retail expertise** to provide direction for the Rundle Mall Program.

The previous RMMA Board reporting delivered updates on progress of the Rundle Mall Program. With the city-wide business model remit of AEDA, there is proportionately less content in the Board reporting dedicated to the Rundle Mall Program, with a focus on financials more so than events, marketing, and activation performance.

#### Corporate culture

Through our discussions with Rundle Mall Management, there was sentiment that the **culture of AEDA across functions is not yet fully integrated**.

The Rundle Mall function had a high level of freedom in regards to budget management and decision making.

#### Risk and compliance

Board reporting includes minutes from previous meetings, and standard agenda items for Actions, Items for Decision/Endorsement, and Financials.

It was noted that the previous monthly RMMA Board reports also included a **Strategic Risk Register** that utilised the CoA risk governance framework. This framework is currently being reviewed to ensure alignment with CoA's strategic risk and internal audit processes.

#### Strategy and performance

There is no current Rundle Mall Precinct Strategy in place, and a lack of insightful strategic planning with **minimal input to inform the 'voice of customer' needs and expectations**. The last significant consumer research activity was undertaken in 2018 and focussed on Rundle Mall 'brand' and 'reputation' rather than curation or activation.

A well coordinated **curation approach to Precinct design and tenancy placement would be beneficial**. This is a key success factor as indicated in the benchmarking analysis we conducted.

The Rundle Mall Business Plan was observed as being largely rolled forward from the previous year, and **insightful KPIs, measures and targets** that are aligned to Program outcomes and return on investment are not evident in the Plan or Board reporting. Once KPIs have been established these should be reported at each Board meeting.

#### Stakeholder engagement

It was observed during levy payer interviews that the engagement and **communications with levy payers varies quite significantly** and is generally informal and unstructured in nature. Some stakeholders are visited on a regular basis and others are not.

It was also noted that the **information updates were too high level to be useful**, and often the Arcade and Centre managers had **conflicting Precinct insights and data than AEDA**. For commercial reasons this is not shared by the Arcade and Centre managers to form a holistic picture.

Many levy payers were **not aware of the transition from RMMA to AEDA** and what the changes mean.

### Improvement opportunities

- Setting a Rundle Mall Precinct Strategy with specific goals, actions, and targets.
- Additional AEDA Board representation to include someone with extensive contemporary retail management expertise.
- Increase Board oversight of the Program, including key activities, budget management, in particular the internal controls and decisions regarding material changes to budgets and planned initiatives.
- Continue to further mature risk and compliance reporting provided to the Board, to monitor risk and compliance across all AEDA functions, including Rundle Mall.
- Consider supplementing AEDA Board reporting, such as Executive Management reporting channels that provide the detailed analysis on Program delivery progress, expenditure, outcomes, and risk management.
- Further clarify the AEDA functions, roles, responsibilities and how the teams should work together and provide greater integration and leveraging of AEDA resources.
- Undertake extensive research and stakeholder engagement to inform the future Rundle Mall Precinct strategic direction and roadmap.
- Adapt a strategic curation approach to Precinct design and tenancy placement.
- Establish a performance measurement framework and restructuring measures to align with desired ROI and strategic outcomes.
- Provide greater transparency by including the KPI targets in the Business Plan and Annual Report.

The type and levels of key services provided by the Rundle Mall Program to levy payers and end customers, and key insights are provided below.

### Key services

Rundle Mall Program services comprise of operational and event management services, some of which are outsourced to third party providers.

#### Operational services

The **Rundle Mall team** has a dedicated Operations & Activations Coordinator who provides oversight of day to day operational activities including any capital works, risk and safety assessments for events and activations, logistics support, as well as outsourced activities.

The **CoA** organise the cleansing, maintenance, horticulture, financial and security functions of the Precinct. Currently, SLAs or agreement are not in place for the cleansing, maintenance and horticulture services provided to the Program.

**Wilson Security** is contracted by the CoA to provide security functions to the Precinct. Coverage is provided seven days per week, however guard allocation varies per day and shift. Stakeholder consultation noted that the current coverage and response times provided by security are insufficient, with most opting to hire additional security or use SAPOL. It was also noted that response times have not been specified within the security contract.

**AEDA** services provided to the Program include administrative support, finance and marketing resources, with a percentage of function costs cross-charged.

#### Marketing, Event and Activation services

The **Rundle Mall team** coordinate and deliver key events and activations throughout the Precinct and the associated marketing and promotional activities to support them.

**Event Agencies**, three contracted event agencies *Faume Creative*, *Big Fish Events* and *Keito Events* provide activation and campaign services to the Program.

**Marketing Agencies**, *Simple Integrated Marketing* support the ongoing marketing and promotion strategies, brand development, website and social media execution. *Communicate* are engaged for press releases and event and campaign strategies, and *Wavemaker* for media strategy and social media campaigns for the Precinct.

**Consultant** services provided to the Program include *Canny Consulting* and *Quantium*, that provide data and trend monitoring. Reporting is also provided to the Program including traffic and other ad-hoc statistical information.

### Key customers

**Customers of the Rundle Mall Program** are provided with retail, events, activations, and business support, and span across various cohorts including:

- Levy payers
- Arcade and Centre managers
- Property owners and managers
- Government and semi-Government organisations and departments.

**Customers of the Precinct** extends to:

- City workers
- Local and international students
- Local Adelaide and regional SA residents
- Interstate and international visitors, leisure and business related.

#### External Stakeholder insights to Services

- Security is not adequate in terms of coverage and response times
- Cleansing is satisfactory, however there are occasions when it occurs during business hours
- We would like to see more frequent but smaller scale events
- Communication and engagement with staff relative to services, is satisfactory.

### Improvement opportunities

- Review key customer facing operational services including security, safety and cleaning, with a view to increase service levels throughout Rundle Mall.
- Establish SLA agreements with the CoA to clearly determine the level of service and costing required for the Program in regards to cleansing, maintenance and horticulture.
- Review services provided by AEDA to determine efficiency of services provided and opportunities for cost reduction.
- Review external Consultant and Marketing services to determine any overlap of activities and where internal resources could be better utilised.

## The AEDA Rundle Mall function provides management, administration, and business support to enable the delivery of programs and services for the Rundle Mall Precinct.

### People

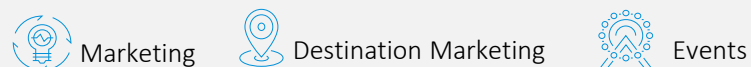
The **Rundle Mall team** is managed by the AEDA Managing Director, who is part of the CoA Executive team and reports to the Council CEO.

The Rundle Mall team comprises of:

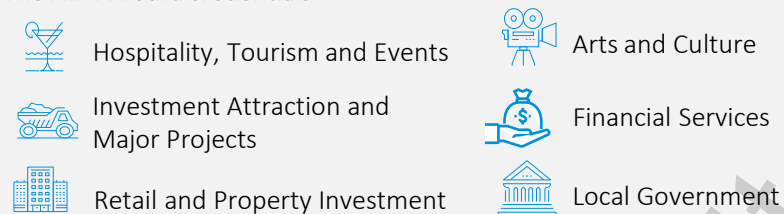
- Dedicated management roles including the Rundle Mall General Manager, and Retail and Events Manager (**Managers**) (2 FTE). As of August 2021, the Retail and Events Manager has been acting in the role of the General Manager as this position is currently vacant.
- Coordinators of specific, administration-intensive processes for Retail and Events, Brand and Activations, Operations and Activations (**Coordinators**) (4 FTE and two 0.8 FTE). In addition, a Digital Coordinator equates to 1 FTE but is not included within the budget.
- Activation support activities (**Assistants**) (1 FTE).

Other roles such as AEDA executive support also provide administrative and support activities and tasks for the function where required. A **percentage of the AEDA Marketing function resource** is also allocated to support the Rundle Mall function.

#### The Rundle Mall function credentials



#### The AEDA Board credentials



### Key Activities

The Rundle Mall team support delivery of the Rundle Mall Program and operate separately to the other AEDA functions at present.

It was noted that with the establishment of AEDA there are further opportunities to utilise the resources across the AEDA teams to deliver the Rundle Mall Program.

#### Rundle Mall function – key activities

- **Strategy** development and management
- **Activation** management and administration
- **Leasing** management and administration
- Creation of Annual **Business Plan and Budget**
- **Partnerships and sponsorships** management
- **Stakeholder liaison** and communications
- **Financial management** and procurement activities
- **Events calendar** and major events management
- **Marketing** and promotion activities (incl. digital)
- **Brand** development
- **Market research** and customer insight analysis
- **Operational** processes and activities
- **Agencies and contractor management**
- **Report preparation** and presentation
- **Policies**, processes and systems administration
- **Governance** and **Board** support

### Improvement opportunities

- Undertake a review of the Rundle Mall function including skills and capabilities required to drive the function going forward, including how AEDA resources can be utilised to deliver the Rundle Mall Program.
- Provide greater clarity of roles and responsibilities across the AEDA functions and determine how resources can be leveraged more effectively across the teams.
- Pursue the appointment of the vacant Rundle Mall General Manager role, with a person who has exceptional communication, negotiation and collaboration skills, and extensive retail and commercial business experience, and will develop a single point of contact function to support the integration with AEDA and CoA services.
- AEDA in collaboration with the CoA, consider efficiency opportunities to centralise some of the activities performed by different teams involved in the marketing and event planning and management processes across the CoA and AEDA.

## The technology (systems) used by the Rundle Mall function and the data and reporting currently provided to internal and external stakeholders is summarised below.

### Technology

#### Core systems

Rundle Mall function personnel identified **15+ systems** that are utilised to undertake day to day operations. The **majority are hosted and managed by the CoA**, including TechnologyOne Financials; Content Manager (records); Office 365 Microsoft Office Suite, Sharepoint Intranet site for internal forms, policies etc., Flexitime (timesheets), ICRS to manage reporting and decisions for Council and Committee meetings, and the CRM.

#### Subscriptions

The team also subscribe to a variety of cloud based **specialist software** and tools required primarily to support marketing activities, including Mailchimp for EDM, Sked for social media scheduling, QR Code Studio for creation of QR codes, Storrito for Instagram Story Scheduling, Craft (CMS) for Rundle Mall website management, Bitly for shortcut URLs, Adobe software suite for graphic design, and Bluebeam mapping tool for events.

It was noted during the stakeholder interview with the acting Rundle Mall Manager that the level of service and support of current technology used by the team was **seen as satisfactory**, with no major issues reported.

#### People movement technology

The Kepler Analytics people movement technology rolled out across the city by the CoA utilises mobile phone detection to count and track people in various locations including the Rundle Mall Precinct. Analytics and reporting of this data is provided to AEDA by Canny Consulting.

### Information (data & reporting)

#### Data and analysis

Some data capture and reporting is provided to internal and external stakeholders. It was noted however that the quarterly published Rundle Mall Highlights report, is **not distributed to all levy payers** and contains high level statistics and general trend information.

Collation of data is **primarily outsourced**, with market research provided by **Quantium**, and data analysis and Program reporting undertaken on the Rundle Mall function's behalf by **Canny Consulting**.

A **KPI Tracker** (Excel) has been used by the team to manually record the Business Plan performance measures, monthly targets and actuals, however the latest version provided to KPMG only included data up to the end of Q1 2020/21 (**September 2020**) so it is unclear if it is still being maintained.

**Financial program reporting** is performed on an event basis only, and as a result does not provide an overall view of category spend (e.g. total consultant or digital expenditure) across the Program.

#### Levy payer viewpoint

Several levy payers interviewed commented that the information and data shared by the Rundle Mall team is **not adequate to support effective decision making** for their business. They are also seeking **more relevant, detailed and insightful data** particularly in relation to competitors, consumer insights, trends, spend, demographics and visitation, and for it to be formally provided rather than verbally discussed.

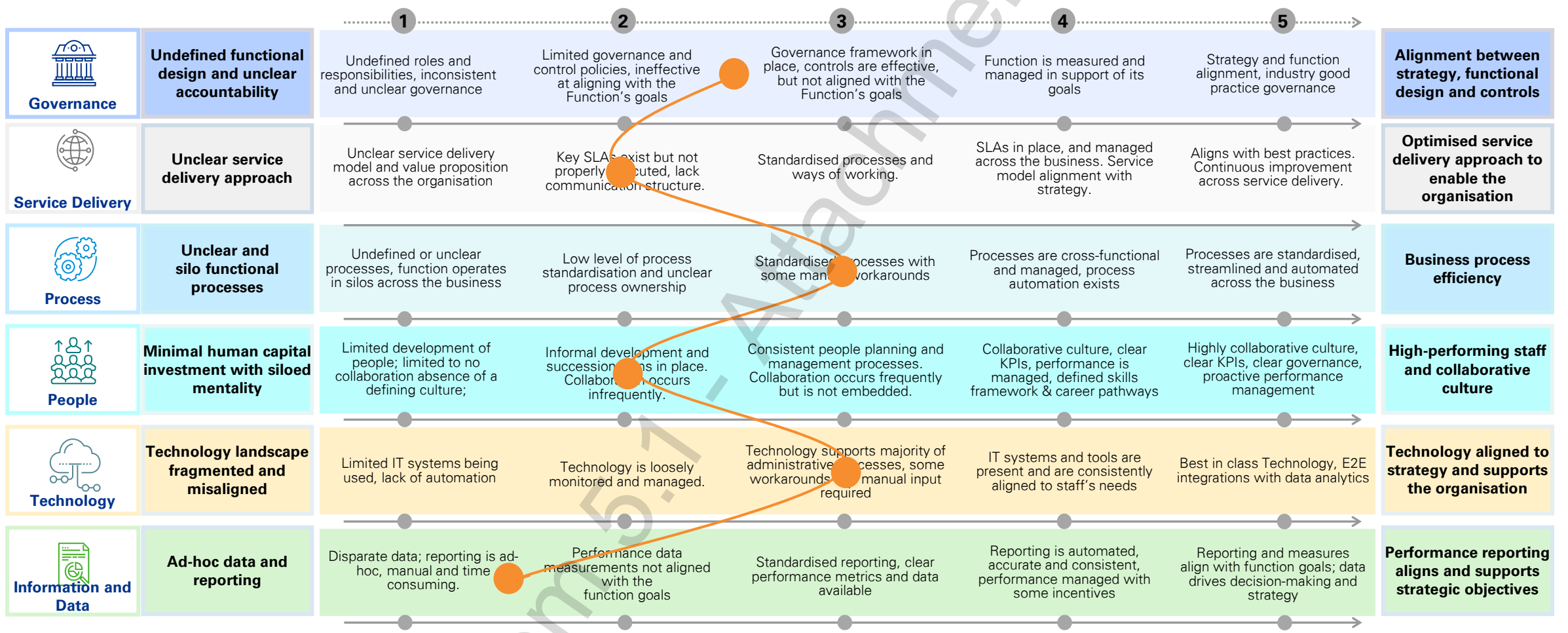
There is also a perception that the **current foot-traffic technology is not accurate or reliable** and does not provide complete coverage of the Precinct, including movements via the Arcades and Centres off the Mall. It was also noted that detailed foot-traffic data is **not readily shared with levy payers**.

### Improvement opportunities

- Consider sharing more detail level information and relevant data with AEDA levy payers, on a regular basis. Best practice strategies leverage data and insights to create and deliver upon the customer experience.
- Investigate the use of data analytics tools to enable easier provision of information to key stakeholders, that can be sliced and diced from different perspectives and user needs, to support data-driven decision making.
- As part of developing more meaningful KPIs for the Rundle Mall Program, ensure that the right data is being sourced, captured and analysed to enable effective measurement and reporting of these indicators. Examples of better practice metrics include visitor mix and conversion rates by marketing technique.
- Consider future opportunities to expand functionality and coverage of people movement technology that enables greater insights about the individual customer demographics and their journey into the Precinct, where they visit and how long they spend during their stay, and where they go when they leave. Ideally expansion would also inform their interaction with other nearby city precincts (such as the East End, Adelaide Oval, or North Terrace), and provide opportunities for greater alignment and coordination of city activation initiatives.

CURRENT STATE OPERATIONAL MATURITY

The maturity model below depicts current state maturity of the Rundle Mall Management function as perceived at a high level by KPMG during stakeholder consultation and from our desktop review, against each layer of KPMG’s Operating Model Framework methodology.



Legend | ● Average rating as perceived at a high level by KPMG

# 06

## Benchmarking Analysis

*This section provides a profile  
assessment of the Rundle Mall  
Program against other better  
practice precincts and malls.*

**KPMG analysed four widely known and successful open-air, pedestrian street malls from across Australia, the United States and the United Kingdom to assess how Rundle Mall compared.**

Analysis criteria for each Precinct



Precinct locations



Scope of Retail Boulevards

- ✓ Pedestrian only
- ✓ Open air
- ✓ Dining options
- ✓ Range of retail and service offerings

Queen Street Mall, Brisbane (Australia)<sup>1</sup> ✓
Third Street Promenade, Santa Monica (USA)<sup>2</sup> ✓
  
Bourke Street Mall, Melbourne (Australia)<sup>3</sup> ✓
Carnaby Street, London (UK)<sup>4</sup> ✓

<sup>1</sup>Brisbane City Council, Annual Report 2019-20 <https://www.brisbane.qld.gov.au/sites/default/files/documents/2021-09/Annual%20Report%202020-21.pdf>, <sup>2</sup>Third Street Promenade, Downtown Santa Monica <https://www.downtownsm.com/news/7750/downtown-santa-monica-inc-releases-2020-annual-report>, <sup>3</sup>City of Melbourne, Annual Report 2019-20 <https://www.melbourne.vic.gov.au/about-council/our-performance/Pages/annual-report.aspx>, <sup>4</sup>Shaftesbury PLC, Annual Report 2020 <https://www.shaftesbury.co.uk/content/dam/shaftesbury/corporate/Investor-Relations/annual-report-2020/Shaftesbury%20Annual%20Report%202020.pdf>



Based on the research conducted, the below are noted as being key indicators of success for a Precinct and should be considered during the development of the Rundle Mall Precinct Strategy.



### Stakeholder Engagement

- Put in place forums between organisation, council(s) and stakeholders to share best practice and coordinate opportunities and provide support for all occupiers of the Precinct.
- Utilise regular levy payer and tenant surveys to understand the need for any further amenities that may need attention.
- Utilise online platforms with stakeholders to improve direct communication with occupiers, and provide an avenue for regular updates including upcoming events for the local and city area.
- Undertake property owner consultation to leverage industry experience and for the building of positive relationships.
- Openly share and discuss data captured, relative to the Precinct, with stakeholders. Shared data should include trend analysis, consumer behaviour changes and other related statistics.
- Encourage stakeholders to collaborate on formal plans or policies where possible. This includes being directly involved within strategic planning and further consultations to share experience and knowledge to help shape public realm improvements.



### Strategic Initiatives

- Ensure placemaking strategies are in place which emphasise refreshed infrastructure, innovative tenanting and active public space management.
- Support and integrate new types of businesses through expanded use of the Precinct by non-dinning users, offer business planning, technical assistance and funding support for new businesses with emphasis on minority groups.
- Zone areas for different service offerings, i.e. zone 1 dedicated to food and beverage activations, zone 2 homewares and lifestyle, and zone 3 fashion retail. Zoning can provide greater incentive for consumers to stay longer and explore different areas.
- Provide a vacancy portal to track available spaces within the Precinct to assist in promoting businesses into parts of the Mall.
- Develop strategic partnerships with key property owners to produce high-quality office spaces (or like spaces) within unutilised upper or lower levels.
- Focus on 'forgotten' or rarely used areas, such as alley or laneways, and promote the development of them as 'hidden gems'.



### Consumer Focus

- Focus on data driven, insightful market research on the consumer and how they interact, and how they want to use the Precinct.
- Conduct pilot projects and measure responses for the purpose of analysing a desired KPI or target, which can greatly assist in fast and insightful analysis into consumer needs and wants.
- Ensure the consumer and their behaviours are at the centre of the strategic and business objectives, and these insights are used to inform effective business decisions, including marketing and event activations.
- Set measurable goals and targets to capture useful and informative data on consumer responses to events and activations. These should be tracked over time to measure success and failures of initiatives in the eyes of the customer.
- Offer alternative transport hubs, such as dedicated and secure bike parking, to allow consumers greater comforts and accessibility to counter paid parking.



### Activation Initiatives

- Prioritise places to rest, meet and socialise with quality public seating and social eddies. Include spots to linger so visitors notice shops and restaurants.
- Provide spaces for quality WIFI stations to encourage consumers to work and have meetings outdoors within the Precinct.
- Promote a strong focus of 'public life', not just retail. Encourage and plan for events and activations that promote positive public life, i.e. dining and other experiences.
- Prioritise making the Precinct a hub for the city, and provide clear connectivity to other iconic landmarks and events, including digital signage linking the areas.
- Establish a curation plan to be utilised throughout strategic and business planning. The curation plan should strategically align with business objectives to assist in a coordinated approach to tenancy placement and activation spaces for the Precinct.

# 07

## Recommendations

*The purpose of this section is to outline the opportunities that arose from the review, comprising both strategic initiatives and operational / quick wins.*

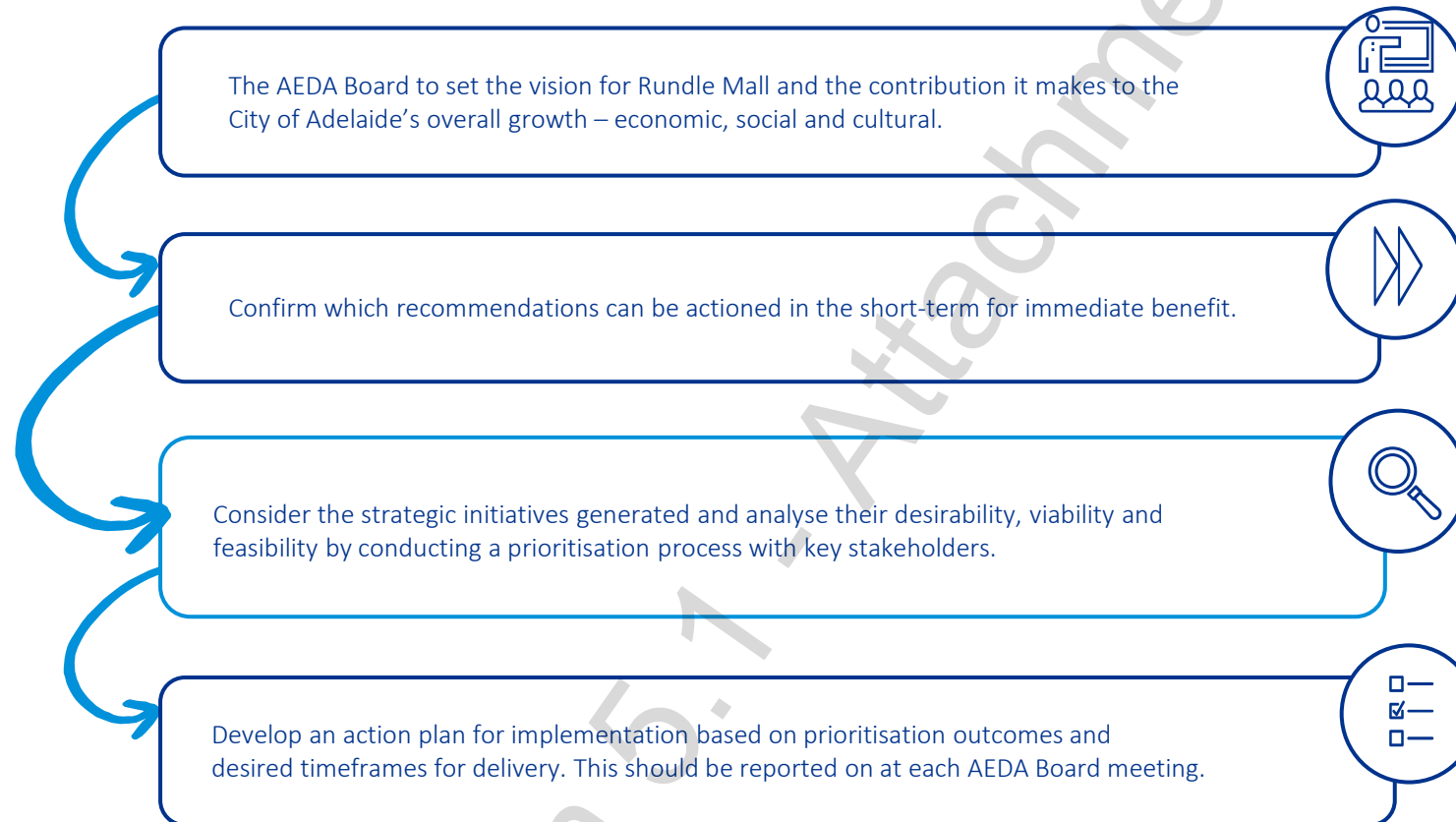
The key recommendations as outlined in the Executive Summary have been categorised for ease of reference into strategic and operational initiatives in this section of the report. The table below outlines three key *strategic* initiatives proposed for planning, development and implementation consideration.

Ref	Strategic Initiative	Description
S1	Develop a Rundle Mall Precinct Strategy and Roadmap.	<p>To transform and drive the Precinct in order to increase activation and economic benefits, the development of a successful long term strategy should consider:</p> <ul style="list-style-type: none"> <li>• Extensive stakeholder engagement with levy payers and other key City stakeholders.</li> <li>• Research into how best to position the Rundle Mall Precinct with a winning value proposition that clearly differentiates it from competitors and will attract people to stay, enjoy, and spend, including prominent Food and Beverage options.</li> <li>• A full customer experience review to really understand the end-to-end customer journey and the different personas who utilise the Precinct, their needs, pain points, and opportunities for improvement across all facets.</li> <li>• A strategic curation approach to Precinct design and tenancy placement.</li> <li>• A coordinated approach with key stakeholders to sustainable car parking and transport options (a recognised major deterrent to Precinct visitation).</li> <li>• Incentives to encourage longer visitation and spend, such as concierge services.</li> </ul>
S2	Establish a performance measurement framework and restructure the Rundle Mall Business Plan (and future strategy) measures to align with desired ROI and strategic outcomes.	<p>It is recommended that the Rundle Mall Program take a fresh view and overhaul the current measures, with reference to good practice and the following considerations:</p> <ul style="list-style-type: none"> <li>• Focus on the services, investments and key drivers that impact stakeholders and the Rundle Mall levy payers.</li> <li>• Develop an updated set of measures and a supporting performance reporting framework.</li> <li>• These measures should be aligned to the Rundle Mall Strategy and key desired strategic initiatives.</li> <li>• Identify and establish mechanisms to capture the right data to measure performance against defined targets.</li> <li>• Provide data analytics and supporting reporting for timely, accurate and relevant information on an ongoing basis, to facilitate decision-making and drive business actions and insightful decision making.</li> </ul>
S3	Undertake a service review of the AEDA Rundle Mall function.	<p>The review of the AEDA Rundle Mall function should include the following considerations:</p> <ul style="list-style-type: none"> <li>• Establishment of an agreed service review framework and approach up-front.</li> <li>• The roles, capabilities, and experience required to drive and deliver the Rundle Mall Program and services.</li> <li>• Opportunities to utilise the broader AEDA team and centralise some marketing activities performed by AEDA and the CoA.</li> <li>• Service model options that consider factors such as experience, capability, internal capacity and budget.</li> </ul>

## To supplement the strategic initiatives, the review also identified 11 *operational* initiatives – requiring lower effort to implement – for consideration by AEDA.

Ref	Operational Initiative	Proposed Approach
O1	Apply a more inclusive approach to stakeholder engagement and communications.	<ul style="list-style-type: none"> <li>Initiate more formalised and regular meetings with a wider group of levy payers.</li> <li>Include more opportunities for levy payers to contribute to the planning of events and activations in the Precinct.</li> </ul>
O2	Provide levy payers with relevant and more insightful data to help them to make better informed decisions about their business.	<ul style="list-style-type: none"> <li>Share more detailed level data and insights and in written form with levy payers.</li> <li>Seek advice from levy payers as to the types of data they are interested in and source.</li> </ul>
O3	Provide KPI targets in the Business Plan and Annual Report.	<ul style="list-style-type: none"> <li>Include associated KPI targets in the 2021/22 Rundle Mall Business Plan quarterly progress reports provided to the AEDA Board and key stakeholders.</li> <li>Include associated KPI targets in the next published 2022/23 Rundle Mall Business Plan and Budget.</li> </ul>
O4	Ensure the Rundle Mall Program and budget provide clarity on how funds are allocated to activities in the Plan.	<ul style="list-style-type: none"> <li>Provide a financial view that clearly shows the budget and expenditure associated with the key Business Plan activities and outcomes.</li> </ul>
O5	Review the current mix of expertise on the Board and consider appointment of a new member with proven and extensive contemporary retail experience.	<ul style="list-style-type: none"> <li>Progress the appointment of an additional Board member with extensive retail experience to help drive and support the Rundle Mall Program.</li> </ul>
O6	Increase Board awareness of the Rundle Mall Program and oversight of key activities.	<ul style="list-style-type: none"> <li>Include a detailed summary of key Program progress and performance in the AEDA Board reports.</li> </ul>
O7	Provide greater oversight of budget management, in particular the internal controls and decisions regarding changes and movements between budget lines.	<ul style="list-style-type: none"> <li>Implement processes to ensure appropriate approvals and oversight by the AEDA Managing Director and Board of Program expenditure.</li> </ul>
O8	Consider additional reporting avenues to supplement AEDA Board reporting.	<ul style="list-style-type: none"> <li>Introduce Executive Management reporting channels that provide regular detailed analysis on Program delivery progress, expenditure, outcomes, and risk management.</li> </ul>
O9	Appoint a Rundle Mall Manager as the key driver and voice of the Precinct for levy payers, key stakeholders and customers.	<ul style="list-style-type: none"> <li>Progress with filling the Rundle Mall Manager vacancy with a person who has exceptional communication, negotiation, and collaboration skills, combined with extensive retail and commercial business experience.</li> </ul>
O10	Provide greater clarity of roles and responsibilities across the AEDA functions and how resources can be leveraged more effectively via AEDA.	<ul style="list-style-type: none"> <li>Pursue greater integration of the Rundle Mall Program so that levy payers benefit from the full gamut of AEDA resources and expertise.</li> </ul>
O11	Review and revise outsourced service provider arrangements to ensure service levels and outputs meet AEDA, levy payer, and customer expectations.	<ul style="list-style-type: none"> <li>Review current contracts/arrangements with service providers and address any service level gaps (such as security) as part of any renewal.</li> </ul>

**In line with the need to implement significant and fundamental change, key next steps for AEDA include progressing selected high priority recommendations for action to provide short-term and longer term sustainable benefits for the Rundle Mall Precinct.**



## Contact Us

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## Disclaimers

### Inherent Limitations

This report has been prepared as outlined in the scope provided in the Executive Summary. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance have been expressed. Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to the procedures we performed operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. The procedures performed were not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed on the control procedures are on sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, the AEDA management and personnel consulted as part of the process. KPMG have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report. KPMG is under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form. The findings in this report have been formed on the above basis.

### Third Party Reliance

This report is solely for the purpose set out for AEDA's information, and is not to be used for any other purpose or distributed to any other party without KPMG's prior written consent. This report has been prepared at the request of AEDA in accordance with the terms of KPMG's contract. Other than our responsibility to AEDA, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party on this report. Any reliance placed is that party's sole responsibility.

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# 2021-22 End of Year Financial Reporting Process & Proposed Timetable

**ITEM 5.2** 04/02/2022  
**Audit and Risk Committee**

Strategic Alignment - Enabling Priorities

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

2021/00122  
Public

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

## EXECUTIVE SUMMARY

The *Local Government Act 1999 (SA)* and the *Local Government (Financial Management) Regulations 2011* require an audit opinion to be expressed assuring that the Council financial statements are in accordance with Australian Accounting Standards. BDO has been engaged as the audit team for this requirement. This report seeks endorsement of the Audit and Risk Committee for the audit terms of engagement, provisional timetable and audit plan and recommends Council approves accordingly to ensure the end of year reporting process is completed in an effective and timely manner.

## RECOMMENDATION

### THAT THE AUDIT AND RISK COMMITTEE RECOMMENDS COUNCIL

1. Approves the proposed 2021-22 End of Year Financial Reporting process and external audit timetable as contained in Attachment C to Item 5.2 on the Agenda for the meeting of the Audit and Risk Committee held on 4 February 2022.
2. Notes the endorsement by the Audit and Risk Committee of the external audit plan as contained in Attachment C to Item 5.2 on the Agenda for the meeting of the Audit and Risk Committee held on 4 February 2022, is consistent with the scope of the External Audit engagement and relevant legislation and standards.
3. Notes the external auditor's independence declaration in relation to the audit engagement for the year ended 30 June 2022 as detailed in Attachment A to Item 5.2 on the Agenda for the meeting of the Audit and Risk Committee held on 4 February 2022.
4. Approves the External Audit terms of engagement as contained in Attachments A and B to Item 5.2 on the Agenda for the meeting of the Audit and Risk Committee held on 4 February 2022.

## IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	<b>Strategic Alignment – Enabling Priorities</b> Financial sustainability is critical to achieving our vision and Council will carefully manage its revenue, costs, debts and assets.
Policy	Not as a result of this report
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	Regulation 10 of the <i>Local Government (Financial Management) Regulations 2011</i>
Opportunities	Not as a result of this report
21/22 Budget Allocation	The Audit Fees of \$59,500 are fully budgeted for in General Operating Expenditure
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 objective and scope of the audit and the audit obligations are established by the Local Government Act and Regulations. Specifically, the conduct of the annual audit is set out in Section 129 of the *Local Government Act 1999 (SA)* (the Act), while the *Local Government (Financial Management) Regulations 2011* (the Regulations) also refer to auditing standards and consideration of internal controls. The Act also requires a separate report on particular matters arising from the audit report to be provided to the Audit and Risk Committee as well as the principal member of Council who must ensure that copies are provided to the other members of Council.
2. The Australian Auditing Standards recommend that to help avoid misunderstandings with respect to the annual audit engagement, the auditor sends an engagement letter documenting and confirming the auditor's acceptance of the appointment, the objectives and scope of the audit, the extent of the auditor's responsibilities to the entity and the form of any reports. The Letters of Engagement received from have been included as **Attachment A** and **Attachment B**.
3. Under the Regulations, the financial statements of the Council must include a certification of financial statements, in a form determined by the Minister, signed by the Chief Executive Officer and the principal member of the Council as set out in Part 4 (14) of the Regulations.
4. There is further requirement under section 126(4) of the Act for the Audit and Risk Committee to review the annual financial statements for the Corporation to ensure that they present fairly the state of affairs of the Council.
5. The Audit and Risk Committee Terms of Reference provide that the Audit and Risk Committee shall oversee the relationship with the External Auditor, including, but not limited to:
  - 5.1. Recommending the approval of the External Audit terms of engagement.
  - 5.2. Endorsing the Audit timetable and the Annual External Audit Plan.
  - 5.3. Meet with the External Auditor at least once a year, without management present.
  - 5.4. Review the findings of the External Audit with the External Auditor.
6. A provisional timetable has been prepared (**Attachment C**) setting out the key dates to ensure that the end of year reporting process is completed in a timely and efficient manner.
7. BDO is scheduled to carry out their interim internal control and financial statement testing during the period 16 to 27 May 2022.
8. The final audit concentrating of the Corporation's Balance Sheet and Financial Statements will be carried out during the period 15 August to 2 September 2022.
9. The purpose of the External Audit is primarily to enable the External Auditor to express an opinion on the veracity of the Annual Financial Statements. It is standard practice of the External Auditor to plan and organise the external audit independently of management. A copy of BDO's proposed external audit plan is included as **Attachment C**.
10. The terms of reference require that the Audit and Risk Committee meet the External Auditor at least once a year, without management being present, to discuss their merit and any issues arising from the External Audit. In line with the proposed audit timetable, it is considered that the meeting proposed for 30 September 2022 to receive the Auditor's Report is an appropriate forum for this to occur.
11. As discussed above, the External Auditors are required to provide a report on particular matters arising from the audit including management's comments on those issues, where applicable. This report will be provided to the Audit and Risk Committee for consideration. The Audit and Risk Committee's Terms of Reference also require the committee to review any Letter of Representation that the External Auditors may wish to be signed by the Chief Executive Officer, on Council's behalf. Subject to any outstanding issues in relation to the Audit being resolved on a timely basis, it is proposed to sign the Annual Financial Statements together with the required Letter of Representation after the Audit and Risk Committee meeting on 30 September 2022.
12. The final report for presentation to Council of the Financial Statements is planned for the meeting of Council scheduled for 11 October 2022.
13. BDO has also provided a statement of auditor's independence to the Audit Committee in relation to the audit engagement for the year ended 30 June 2022. This has been included as Appendix 1 to **Attachment A**.

## ATTACHMENTS

**Attachment A** – Letter of Engagement – Financial Statements

**Attachment B** – Letter of Engagement – Internal Controls

**Attachment C** – External Audit Plan

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- END OF REPORT -



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

21 January 2022

Dear Mr Powell

## TERMS OF ENGAGEMENT - AUDIT

The purpose of this letter is to set out the basis on which BDO Audit Pty Ltd (BDO) acts as auditors of City of Adelaide (the Council) and the respective areas of responsibility of the Council's officers and of BDO.

### Audit of the financial report

#### The objective and scope of the audit

You have requested that we audit the financial report of City of Adelaide which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies, and the certification of the financial statements of the consolidated entity comprising the Council and the entities it controlled at the year's end or from time to time during the financial year.

We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

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

#### The responsibilities of the auditor

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

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

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial report that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

#### **The responsibilities of management and identification of the applicable financial reporting framework**

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

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



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

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

### **Other requirements**

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

### **Expected form and content of the auditor's report**

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

### **Fees**

Our audit fees are detailed in the annual audit plan and consistent with the audit tender responses.

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

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

The fees assume that all engagement schedules and reports will be available upon commencement of the engagement and that the financial report will be prepared by your staff. If schedules and reports are not provided within the agreed timetable, additional costs may be incurred and charged to you.

Should these assumptions not remain valid, we will inform you prior to the occurrence of additional costs.

### **Other matters under the Local Government Act 1999**

#### **Independence**

We confirm that, to the best of our knowledge and belief, we currently meet the independence requirements of the *Local Government Act 1999* in relation to the audit of the financial report. In conducting our audit of the financial report, should we become aware that we have contravened the independence requirements of the *Local Government Act 1999*, we shall notify you on a timely basis. As part of our audit process, we shall also provide you with a written independence declaration as required by the *Local Government Act 1999*.

#### **Enquiries from oversight bodies**

Council's officers shall notify BDO of any enquiries, such as financial reporting surveillance enquiries, from any oversight body that relate to the audit engagement as soon as practicable.



### **Presentation of the audited financial report on the internet**

If you intend to electronically present the audited financial report and auditor's report on your web site or any other digital media, the security and controls over information on the relevant web site shall be addressed by the entity to maintain the integrity of the data presented. The examination of the controls over the electronic presentation of audited financial information on the entity's web site is beyond the scope of the audit of the financial report. Responsibility for the electronic presentation of the financial report on the entity's web site is that of the governing body of the entity.

### **Terms of trade**

The terms of this engagement are per the services agreement for provision of external audit services contract number T2020 0038.

Yours faithfully

**BDO Audit Pty Ltd**

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

Paul Gosnold  
Director



## Appendix 1

### EXAMPLE INDEPENDENT AUDITOR'S REPORT TO THE PRINCIPAL MEMBER OF CITY OF ADELAIDE

#### Report on the Audit of the Financial Report

##### Opinion

We have audited the financial report of City of Adelaide and its subsidiaries (the Council), which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the certification of the financial statements.

In our opinion the accompanying financial report of City of Adelaide presents fairly, in all material respects, the Council's financial position as at 30 June 2021, and its financial performance and its cash flows for the year ended on that date in accordance with Australian Accounting Standards, the *Local Government Act 1999*, and the *Local Government (Financial Management) Regulations 2011*.

##### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Council in accordance with the *Local Government Act 1999* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Local Government Act 1999*, which has been given to the Council, would be in the same terms if given to the Council as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Other information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the X report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.



If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of the Council's Officers for the Financial Report**

The Council's officers are responsible for the preparation and fair presentation of the financial that gives a true and fair view in accordance with Australian Accounting Standards, the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* and for such internal control as the Council's officers determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Council's officers are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council's officers either intend to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the Financial Report**

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf)

This description forms part of our auditor's report.

**BDO Audit Pty Ltd**

Paul Gosnold  
Director

Adelaide, XX Month 20XX





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

21 January 2022

Dear Mr Powell

## **ASSURANCE ENGAGEMENTS ON CONTROLS**

### **Design and Operating Effectiveness of Controls**

You have requested that we undertake a reasonable assurance engagement on the design of controls established by City of Adelaide in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, and the operating effectiveness of these controls throughout the period 1 July 2021 to 30 June 2022 in accordance with the requirements of the *Local Government Act 1999*. The control objectives to be addressed are specified by legislation, which are that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities are conducted properly and in accordance with law.

We are pleased to confirm our acceptance and our understanding of this reasonable assurance engagement by means of this letter. Our assurance engagement will be conducted with the objective of expressing an opinion on the suitability of the design of controls within City of Adelaide's systems to achieve the stated control objectives, and the operating effectiveness of those controls throughout the period.

### **Responsibilities of the assurance practitioner**

We will conduct our assurance engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls*. That standard requires that we comply with ethical requirements applicable to assurance engagements and plan and perform procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the control objectives, and the controls operated effectively throughout the period. An assurance engagement involves performing procedures to obtain evidence about the design, description and operating effectiveness of controls.

The procedures selected depend on the assurance practitioner's professional judgement, including the assessment of the risks of material deficiencies in the design or deviations in the operating effectiveness of the controls.

Because of the inherent limitations of an assurance engagement, together with the inherent limitations of any system of controls there is an unavoidable risk that some deficiencies in the design or deviations in the operating effectiveness of controls may not be detected, even though the engagement is properly planned and performed in accordance with Standards on Assurance Engagements.

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### **The responsibilities of management and identification of the applicable control framework**

Our assurance engagement will be conducted on the basis that management acknowledges and understands that they have responsibility:

- a) That throughout the period, in all material respects, and based on suitable criteria:
  - i. The controls within City of Adelaide's system were suitably designed to achieve the identified control objectives; and
  - ii. The controls operated effectively to achieve the control objectives;
- b) For the identification of suitable control objectives which are specified by law in relation to the system;
- c) For the identification of risks that threaten achievement of the control objectives identified;
- d) For design of the system, comprising controls which will mitigate those risks so that those risks will not prevent achievement of the identified control objectives and therefore that the control objectives will be achieved;
- e) For operation of the controls as designed throughout the period;
- f) To provide us with:
  - i. Access to all information of which those charged with governance and management are aware that is relevant to the description of the system and design and operation of the controls within that system;
  - ii. Additional information that we may request from those charged with governance and management for the purposes of this assurance engagement; and
  - iii. Unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence.

As part of our engagement, we will request from management written confirmation concerning representations made to us in connection with the engagement.

### **Assurance Approach**

We will examine and evaluate the controls established by Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities.

Due to the complex nature of internal control, our assurance procedures will not encompass all individual controls at City of Adelaide, but will be restricted to an examination of those controls reported which achieve the control objectives specified by legislation.

### **Assurance Procedures**

Our assurance procedures will include:

- a) Obtaining an understanding of the control environment of City of Adelaide relevant to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities;
- b) Evaluating the design of specific controls by:
  - i. Assessing the risks that threaten achievement of the control objectives; and
  - ii. Evaluating whether the controls described are capable of addressing those risks and achieving the related control objectives;
- c) Making enquiries, inspecting documents, conducting walk throughs and re-performance of controls to ascertain whether the degree of compliance with controls is sufficient to achieve their control objectives throughout the period.



### **Assurance Report**

The format of the report will be in accordance with ASAE 3150 with respect to reasonable assurance engagements. An example of the proposed report is contained in the appendix to this letter.

Our opinion will be phrased in terms of the suitability of the design of controls to achieve the control objectives and the operating effectiveness of controls as designed.

### **Material Deficiencies in Design or Deviations in Operating Effectiveness of Controls**

We will issue an assurance report without modification, to provide a reasonable assurance conclusion on the controls relevant to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities where our procedures do not identify a material deficiency in the design of controls necessary to achieve the control objectives, or deviation in the operating effectiveness of controls as designed. For this purpose, a material deviation, misstatement or deficiency exists when:

- a) The controls as designed or the degree of compliance with them will not or may not achieve the control objectives in all material respects; and
- b) Knowledge of that deficiency or deviation would be material to users of the assurance report.

If our assurance engagement identifies that there are material deficiencies in the design or deviations in the operating effectiveness of controls during the period covered by the report, such deficiencies or deviations will be disclosed in our report even if they were corrected prior to the end of the reporting period. However, our report will indicate that such deviations were corrected if that is the case. If any material deficiencies or deviations disclosed in our report have been corrected subsequent to this period (or are in the process of being corrected), we will refer to this in our report.

Although the primary purpose of our assurance engagement will be to enable us to issue the above described report, we may also provide you with a letter containing recommendations for strengthening controls if such matters are observed during the process of the assurance engagement. Although issues raised may not represent deficiencies in design or deviations in operating effectiveness of the controls which are material to our conclusion, our recommendations will address areas where we believe controls could be improved.

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

### **Terms of Trade**

The terms of this engagement are per the services agreement for provision of external audit services contract number T2020 0038.

Yours faithfully

**BDO Audit Pty Ltd**

Paul Gosnold  
Director



## APPENDIX 1

### DRAFT INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF CITY OF ADELAIDE

#### Opinion

We have undertaken a reasonable assurance engagement on the design and the operating effectiveness of controls established by City of Adelaide (the Council) in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, throughout the period 1 July 2021 to 30 June 2022 relevant to ensuring such transactions have been conducted properly and in accordance with law.

In our opinion, in all material respects:

- (a) The controls established by Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities were suitably designed to ensure such transactions have been conducted properly and in accordance with law; and
- (b) The controls operated effectively as designed throughout the period from 1 July 2021 to 30 June 2022.

#### Basis for opinion

We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### The Council's responsibilities for the internal controls

The Council is responsible for:

- a) The receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities;
- b) Identifying the control objectives
- c) Identifying the risks that threaten achievement of the control objectives
- d) Designing controls to mitigate those risks, so that those risks will not prevent achievement of the identified control objectives; and
- e) Operating effectively the controls as designed throughout the period.

#### Our independence and quality control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, and apply Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this assurance engagement.



### **Assurance practitioner's responsibilities**

Our responsibility is to express an opinion, in all material respects, on the suitability of the design to achieve the control objectives and the operating effectiveness of controls established by Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities. ASAE 3150 requires that we plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the control objectives and the controls operated effectively throughout the period.

An assurance engagement to report on the design and operating effectiveness of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the control objectives and the operating effectiveness of controls throughout the period. The procedures selected depend on our judgement, including the assessment of the risks that the controls are not suitably designed or the controls did not operate effectively. Our procedures included testing the operating effectiveness of those controls that we consider necessary to achieve the control objectives identified. An assurance engagement of this type also includes evaluating the suitability of the control objectives.

### **Limitations of controls**

Because of the inherent limitations of an assurance engagement, together with any internal control structure it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved and so fraud, error, or non-compliance with laws and regulations may occur and not be detected.

An assurance engagement on operating effectiveness of controls is not designed to detect all instances of controls operating ineffectively as it is not performed continuously throughout the period and the tests performed are on a sample basis. Any projection of the outcome of the evaluation of controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

**BDO Audit Pty Ltd**

Paul Gosnold  
Director

Adelaide, XX October 2022

# CITY OF ADELAIDE

## Annual audit plan

30 June 2022



# CONTENTS

Your BDO team ..... 4

Audit objectives and approach ..... 5

Materiality ..... 8

Enhancing the client experience ..... 9

Risk assessment and areas of audit focus ..... 10

Timeline ..... 12

Fees ..... 13

Appendix 1 Other communications ..... 14



Dear Audit and Risk Committee Members

Thank you for the opportunity to present our annual audit plan ('plan') for City of Adelaide for the year ending 30 June 2022.

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

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

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

We welcome the opportunity to discuss our plan with you at the Audit & Risk Committee on 4 February 2022.

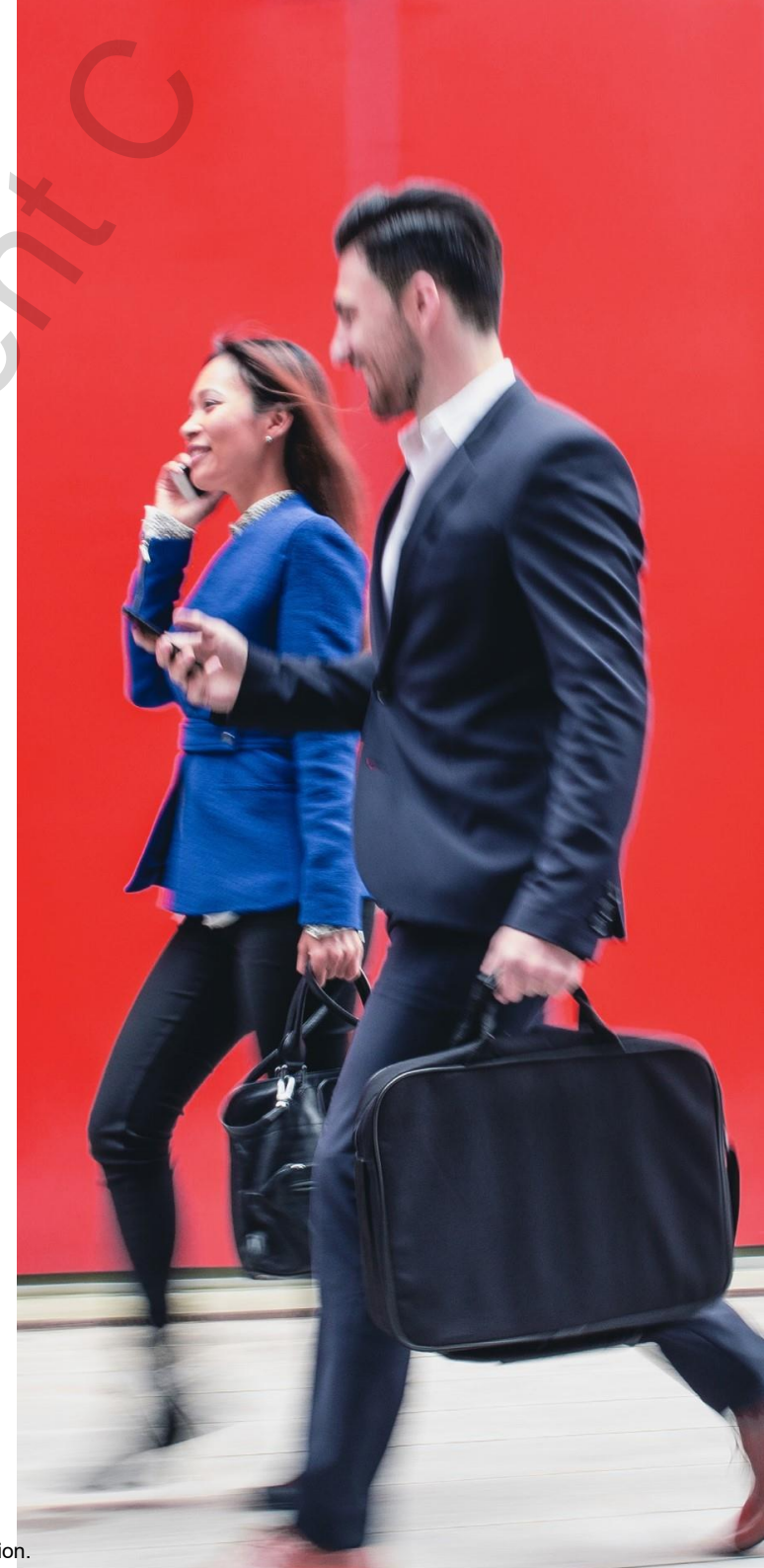
Please feel free to contact us if you have any questions or would like to discuss the content of this plan further.

Yours faithfully

**Paul Gosnold**  
Director

Adelaide, 21 January 2022

**Linh Dao**  
Associate Director





## YOUR BDO TEAM

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

### YOUR BDO TEAM

Our audit of City of Adelaide will be led by Paul Gosnold as Engagement Partner. Paul will oversee the co-ordination of the audit and will have primary responsibility for working with Grace Pelle and her team.

Supporting Paul will be Geoff Edwards as Engagement Quality Review Partner and Linh Dao as Associate Director.

Linh will be responsible for the day-to-day direction of the audit work and is the key point of contact for Grace Pelle.

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

### SPECIALIST

When auditing complex areas, we are often required to engage specialists who have qualifications and expertise not possessed by the core audit team. Supporting the engagement team will be our IT Specialist, who will review the IT environment and any relevant IT general controls as part of the audit.



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Quality Control Reviewer

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# AUDIT OBJECTIVES AND APPROACH

## AUDIT OBJECTIVES

The objective of the audit is to enable us to express an opinion as to whether

- ▶ The financial report is prepared, in all material respects, in accordance with Australian Accounting Standards, the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*, and
- ▶ Controls exercised by Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law based on criteria established in the Better Practice Model - Financial Internal Control for South Australia Councils issued by the Local Government Association of South Australia.

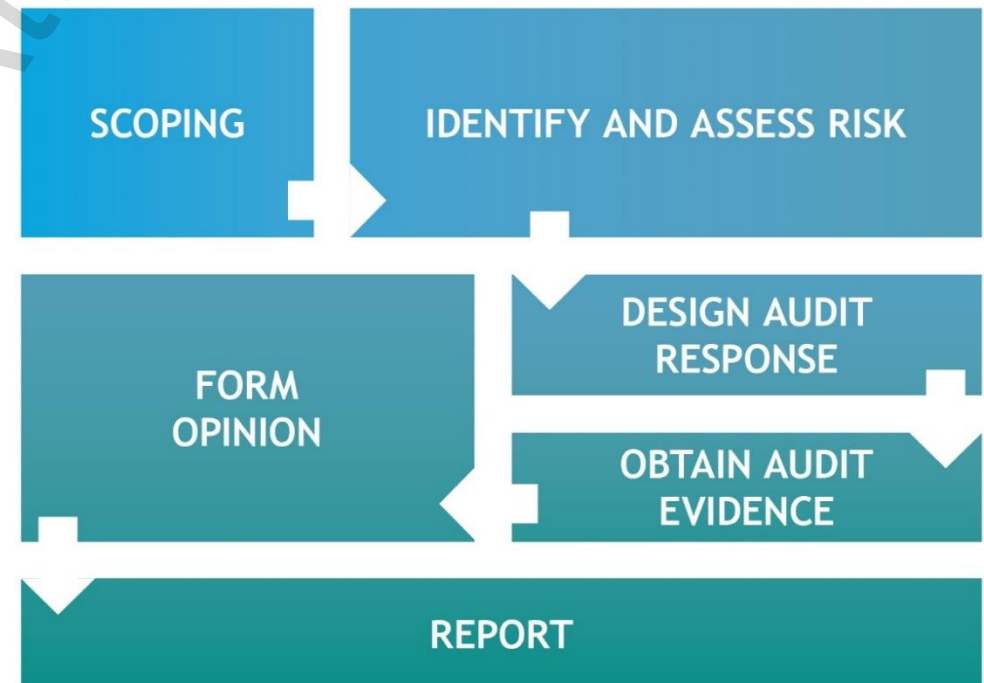
## OUR APPROACH

Our audit is performed in accordance with the BDO Audit Approach which consists of six phases and is documented using our global audit tool, APT.

The approach is centred around:

- ▶ Obtaining an understanding of the business being audited from an internal and external point of view
- ▶ Assessing the risk of material misstatements and the controls in place to address and prevent these risks
- ▶ Choosing appropriate procedures to obtain evidence, including the use of data analytics where appropriate
- ▶ Ensuring rigorous quality control over audit performance
- ▶ Providing constructive ideas for improving internal controls and business systems.

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



## OUR APPROACH CONTINUED

### INTERNAL CONTROL

We obtain an understanding of the system of internal control relevant to the audit to assist us with our risk assessment procedures. Our understanding covers:

- ▶ The overall control environment
- ▶ The entity's risk assessment process
- ▶ The information system, including the related business processes, relevant to financial reporting, and communication
- ▶ Control activities relevant to the audit
- ▶ Activities the entity uses to monitor internal control relevant to financial reporting.

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

We communicate to the Audit & Risk Committee in writing any significant deficiencies that come to our attention during the audit on a timely basis.

In addition, we communicate with management the significant deficiencies being reported to those charged with governance and any other deficiencies identified that in our judgement are of sufficient importance to merit management's attention.

### FRAUD

During the course of our audit we make enquiries of those charged with governance, management and others to identify any known instances of fraud. We also make enquiries to understand where you consider the risks are in relation to fraud and if you have any knowledge of actual or suspected fraud. This also includes considering the risk of management override of controls.

It should be noted that our audit is not designed to detect fraud however, should instances of fraud come to our attention, we will report them to you.



## OUR APPROACH CONTINUED

### AUDIT QUALITY AND PROFESSIONAL SCEPTICISM

To support and promote audit quality at BDO, we have implemented an Audit Quality Framework (AQF) that sets out the key drivers of audit quality, including the specific attributes that are important for audit quality to be maintained and enhanced. Refer to our [Transparency report](#) for further information.

The AQF recognises that professional scepticism is essential to obtain audit evidence which is sufficient and appropriate to reduce the likelihood of a material misstatement to an acceptable level.

The application of professional scepticism by all members of the engagement team is central to BDO's Audit Approach.

### GOING CONCERN

As part of our audit we will review management's assessment of the ability of City of Adelaide to continue as a going concern for the 12 months from the date of signing the financial report and therefore whether the going concern basis for the preparation of the financial report is appropriate.

### LAWS AND REGULATIONS

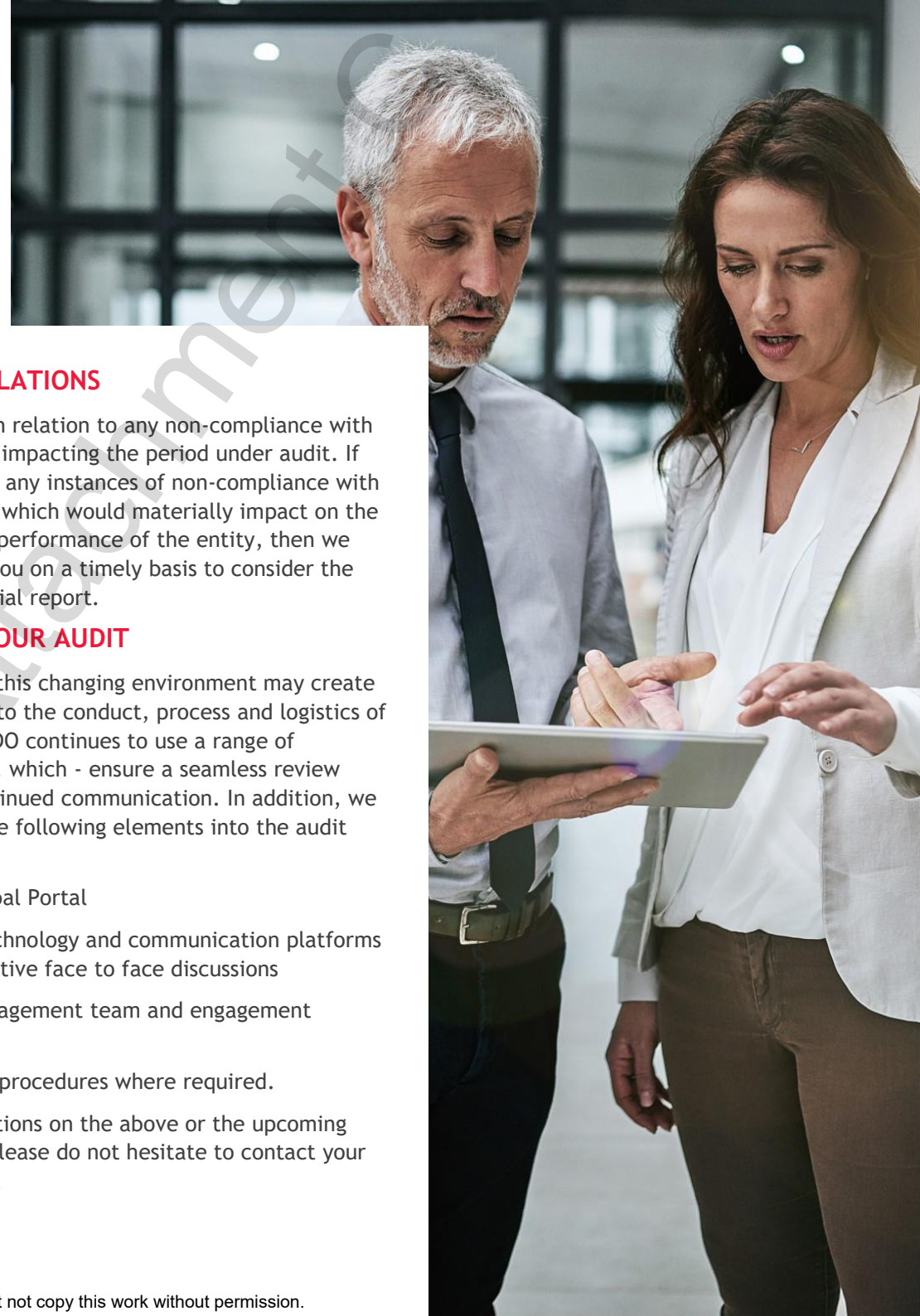
We make enquiries in relation to any non-compliance with laws and regulations impacting the period under audit. If we become aware of any instances of non-compliance with laws and regulations which would materially impact on the financial position or performance of the entity, then we will report them to you on a timely basis to consider the impact on the financial report.

### COVID-19 AND YOUR AUDIT

We understand that this changing environment may create concerns in relation to the conduct, process and logistics of the audit process. BDO continues to use a range of technology solutions, which - ensure a seamless review process through continued communication. In addition, we continue to adopt the following elements into the audit process:

- ▶ Use of BDO's Global Portal
- ▶ Utilising other technology and communication platforms to facilitate effective face to face discussions
- ▶ Access to the engagement team and engagement partner
- ▶ Alternative audit procedures where required.

If you have any questions on the above or the upcoming audit engagement, please do not hesitate to contact your engagement partner.



## MATERIALITY

Materiality means, in the context of an audit, if financial information is omitted, misstated or not disclosed it has the potential to (adversely) affect the decisions of users of the financial report. Materiality is used by auditors in making judgements on the amount of work to be performed, which balances require work and for evaluating the effect of misstatements. Materiality is initially calculated at the planning stage and re-assessed prior to providing our opinion.

During the course of our audit we may identify misstatements and these will be reported to you at the conclusion of our work based on our assessment of materiality at that stage (this may have been updated from the materiality calculated at the planning stage). It should be noted that the auditing standards do not require us to communicate misstatements that are considered 'clearly trivial' and as such, if we identify such misstatements we will not communicate these to you.

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

Our materiality for the 30 June 2022 audit is based on 1.8% of forecasted total expenditure. Our estimated materiality levels are set out in the table below:

<b>MATERIALITY</b>	\$3,670,000
<b>CLEARLY TRIVIAL THRESHOLD</b>	\$183,500



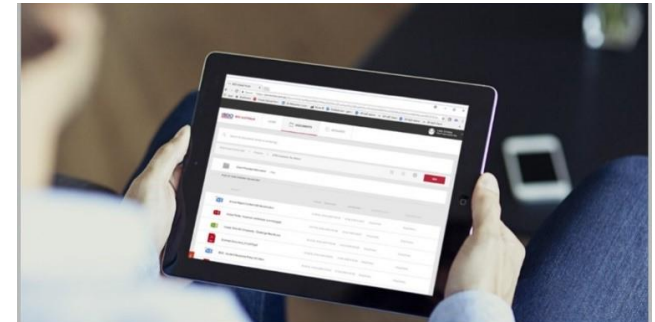
# ENHANCING THE CLIENT EXPERIENCE

## BDO'S CLIENT PORTAL

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

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

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



### ONLINE CLIENT COLLABORATION

- ▶ Upload information and documentation in one secure place
- ▶ Track actions and milestones for BDO and client responsibilities.



### A FLEXIBLE, SECURE PLATFORM WITH LOCAL CUSTOMISATION

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



### DIGITISED PAPERWORK AND WORKFLOW

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

## RISK ASSESSMENT AND AREAS OF AUDIT FOCUS

In line with our audit approach, and based on our understanding of City of Adelaide, we have identified and assessed the risks of material misstatement at both the engagement and assertion level.

Our audit procedures are focused on areas that are considered to represent risks of material misstatement to the financial report. We identified the following key areas of focus based on our historical knowledge of Council and our preliminary discussion with management. We will update these as part of our risk assessment procedures during our planning phase.

Further discussions will be held with management prior to the commencement of our audit to determine whether any additional risks exists in relation to the year ending 30 June 2022, and to determine which risks we will consider to be significant for the purpose of our audit.

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

## RISK ASSESSMENT AND AREAS OF AUDIT FOCUS CONTINUED

AREAS OF FOCUS	OUR PERSPECTIVE	PLANNED RESPONSE
Management override of internal controls	Australian Auditing Standards require that we presume there is a risk that management has the ability to manipulate accounting records and override control that otherwise appear to be operating effectively.	Our response will include a review of key internal controls at the Council to mitigate the risk of management override. We will test the appropriateness of journal entries and other adjustments made in the preparation of the financial report. We will also review accounting estimates for bias, and evaluate the business rationale (or lack of) of any significant transactions that are outside of the normal course of business or that otherwise appear to be unusual.
Cut-off of grant funding and accuracy of any amounts deferred at 30 June 2022	There is a risk of error in the calculation of grant income recognised and deferred at the end of the year by reference to grant agreements and Australian Accounting Standards.	We will obtain the schedule of grant income recognised and deferred at year end. We will select a sample of grants and obtain the agreements to test that funding has been recognised in accordance with AASB 15 <i>Revenue from Contracts with Customers</i> and AASB 1058 <i>Income of Not-for-Profit Entities</i> .
Accounting for major development contracts	In prior years, Council entered into development contracts relating to 88 O'Connell St and Central Market Arcade. These contracts are of significant value and are considered complex. There is a risk of error in relation to the accounting for these projects.	We will audit the accounting treatment of these contracts by reference to supporting documents including management position papers, relevant agreements and the requirements of applicable Accounting Standards. We will assess if relevant disclosures made to the financial statements are in accordance with the applicable reporting framework.



## TIMELINE

### AUDIT MILESTONES

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

We have set out below the timing of significant milestones to include on-site visits, key meeting dates and reporting deadlines with respect to the completion of the audit.

MILESTONE	RESPONSIBILITY	DATE
Planning meeting with management	BDO & management	January 2022
Audit & Risk Committee meeting and submission of Annual audit plan	BDO & management	January/ February 2022
Interim audit visit - Internal controls and financial statements	BDO & management	16 May to 27 May 2022
Management letter for interim visit	BDO & management	By 10 June 2022
Final audit visit commences	BDO & management	15 August to 2 September 2022
Close out meeting with management	BDO & management	2 September 2022
Submission of audit completion report	BDO	16 September 2022
Financial statements presented to Audit & Risk Committee	BDO & management & Audit & Risk Committee	30 September 2022
Chief Executive Officer and Principal Member of the Council to approve and sign off Regulation 14 Certification of Financial Statements, Certificate of Auditor Independence and management representation letter	Council	30 September 2022
Issue Independent Auditor's Report and Statement by Auditor in relation to Independence	BDO	30 September 2022

## FEES

### FEES

The proposed fee for all services provided for the year ending 30 June 2022 is \$59,500 as per our contract. All amounts are exclusive of GST.

AUDIT SERVICES	FY22
Financial statement audit	\$27,000
Internal financial control audit	\$22,500
Minor audits	\$10,000
<b>Total fee</b>	<b>\$59,500</b>

### ASSUMPTIONS

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

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

### ASSISTANCE REQUIRED

In order to keep our time and costs to a minimum, we appreciate your assistance with the following:

- ▶ Management providing all deliverables in line with the agreed timetable
- ▶ Assistance from your staff with supporting documentation and explanations during the audit process
- ▶ Disclosure by your staff of all information relevant to the engagement in a timely manner
- ▶ Prior to the commencement of our audit, we will provide you with an audit preparation package through the portal.

## APPENDIX 1 OTHER COMMUNICATIONS

### ETHICS AND INDEPENDENCE

In conducting our audit, we are required to comply with the independence requirements of the *Local Government Act 1999*, the Local Government (Financial Management and Part 4A of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*).

We obtain independence declarations from all staff engaged in the audit. We also have policies and procedures in place to identify any threats to our independence, and to appropriately deal with and if relevant mitigate those risks.

Should any independence matters arise, we will bring them to your immediate attention.

For the comfort of those charged with governance, we note that the following processes assist in maintaining our independence:

- ▶ Restrictions on BDO employees having financial interests in audit clients
- ▶ No other work is permitted to be undertaken by any BDO division or office without the express approval of the engagement director/partner
- ▶ Services including valuation and similar services are specifically prohibited to be provided by any other BDO office to you
- ▶ All services performed by any BDO division or office have been reported below.

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

### COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

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

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

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

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We have prepared this report solely for the use of City of Adelaide. As you know, this report forms part of a continuing dialogue between the company and us and, therefore, it is not intended to include every matter, whether large or small, that has come to our attention. For this reason we believe that it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy of this report without prior consent, we would not accept any responsibility for any reliance they may place on it.

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# Quarter 2 Finance Report

ITEM 5.3 04/02/2022  
Audit and Risk Committee

Strategic Alignment - Enabling Priorities

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

2021/00122  
Public

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

## EXECUTIVE SUMMARY

In accordance with Regulation 9 of the *Local Government (Financial Management) Regulations 2011*, Council must reconsider its budget at least two times throughout the year, between 30 September and 31 May, restating the impact in the Uniform Presentation of Finances. In addition, between the 30 November and 15 March, Council must be provided with a revised forecast for the relevant financial year compared with estimates set out in the budget presented in a manner consistent with the Model Financial Statements.

This is the second major budget reconsideration by Council for the 2021/22 financial year. The purpose of this review is to adjust the budget for any changes in circumstances and priorities since the adoption of the Budget in June 2021 and present the year-to-date financial performance for the six months ending 31 December 2021.

Following Council's adoption of the Budget Review scheduled for consideration at the Council meeting on 8 February 2022 all changes will be incorporated into the revised end of month reporting documents for 2021/22. The impacts of the proposed changes on the operating and capital budgets are presented in the revised Uniform Presentation of Finances Statement, **Attachment A**.

### That the Audit and Risk Committee

1. Notes the Second Budget Review for 2021-22 incorporating the Uniform Presentation of Finances as presented in Attachment A to Item 5.3 on the Agenda for the meeting of Audit and Risk Committee held on 8 February 2022, noting that the revised budget consists of:
  - 1.1. Total estimated operating income of \$204.269 million.
  - 1.2. Total estimated operating expenditure (including depreciation) of \$204.233 million.
  - 1.3. An operating surplus of \$37,000.
  - 1.4. Capital expenditure of \$65.9 million.
  - 1.5. Grant funding to support capital expenditure on new/upgraded assets of \$9.2 million.
  - 1.6. Council's borrowings (debt) ceiling of \$37.0 million.
  - 1.7. Offsets across both expenditure and revenue totalling \$3.226 million towards the \$4.75 million savings target.
2. Notes revised budget in Part 1 herein included \$348,000 in the 2021/22 budget for maintenance and refurbishment on underperforming property assets identified for sale from the Council meeting held on 9 November 2021.

## IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	Strategic Alignment – Enabling Priorities
Policy	Not as a result of this report.
Consultation	Not as a result of this report.
Resource	Not as a result of this report.
Risk / Legal / Legislative	The financial indicators have been included in <b>Attachment A</b> to support Council's strategic decision making by comparing the financial sustainability, asset sustainability, liquidity and capacity to respond in the context of the Long-Term Financial Plan.
Opportunities	The mid-year review meets Council's obligations under the <i>Local Government Act 1999 (SA)</i> and <i>Local Government (Financial Management) Regulations 2011</i> .
21/22 Budget Allocation	Adjustments to the 2021-22 Budget and the year-to-date performance to end of December 2021, are detailed throughout the report and <b>Attachment A</b> .
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)	Adjustments to the 2021-22 Budget and the year-to-date performance to end of December 2021, are detailed throughout the report and <b>Attachment A</b> .
Ongoing Costs (eg maintenance cost)	Not as a result of this report.
Other Funding Sources	Not as a result of this report.

## DISCUSSION

### 2021-22 Quarter 2 Financial Result

1. The year-to-date financial position as at 31 December 2021 is an operating surplus of \$64.3m which is \$4.6m favourable compared to budget of \$59.7m. The \$4.6m variances consists of the following:
  - 1.1. Lower income of \$0.5m primarily due to the impact of COVID and the July lockdown.
  - 1.2. Also contributing to this favourable result is a reduction in spend in contractual services and other general expenditure of \$6.4m. This variance is caused by delay in spend across those areas directly impacted by the lockdown in July and reduced activities due to COVID. However, current operations are working to ensure these funds are spent as intended to ensure service levels and delivery to the community are maintained.
  - 1.3. Other favourable variances are due to vacancy management savings of \$2.5m. These are currently temporary in nature and not expected to be permanent to ensure service delivery is not adversely impacted.
  - 1.4. These favourable variances are offset by higher depreciation because of increased asset values following revaluations undertaken in 2020-21 by \$3.8m

### Proposed Budget Review 2

2. The proposed budget review retains an operating surplus of \$37k.
3. Council's borrowings (debt) at 30 June 2022 is forecasted to decrease by a further \$20.7 million from \$57.7m to \$37.0 million. This is due to the delay in the capital program as detailed in **Attachment A**.
4. The Revised Uniform Financial Statements are included as an Appendix to **Attachment A**
5. The nil variation to the operating result is due to the following offsets against the total of budget reconsiderations requested by Council of \$348,000:
  - 5.1. Inclusion of grant income received from the Supplementary Local Roads totalling \$128,000.
  - 5.2. Inclusion of additional income received from the E-Scooter program of \$50,000.
  - 5.3. Inclusion of income received from the Local Government Finance Authority for profit distributions of \$55,000.
  - 5.4. Transfer of funding from the Operating program to Capital program for works completed deemed to be capital in nature of \$90,000.
  - 5.5. Reductions in expenditure because of the cancellation of various Christmas events of \$25,000.
6. Risks and Opportunities for the rest of the financial year include:
  - 6.1. Ongoing risks of COVID-19 from possible lockdowns and reduced activity in the city continues to be a risk to the organisation's revenue targets and delivery of programs for the community.
  - 6.2. Opportunities exist through the sale of underperforming assets to enable the reduction of debt and improve long-term financial position.

### Savings Targets - Update

7. During the development of the Business Plan and Budget for 2021-22, a budget repair item was introduced to ensure a balanced budget for 2021-22. This has been entered into the draft budget with an even split between revenue and expenses to the value of \$4.75 million.
8. During Budget Review 1, items to the value of \$1.45m of the \$4.75 million budget repair item were confirmed.
9. It can be reported that some further items to achieve this target can be confirmed, totalling \$1.776m and are detailed in **Attachment A** and included in the revised budget figures.
10. With the adoption of Budget Review 2, total offsets across both expenditure and revenue totalling \$3.226 million towards the \$4.75 million savings target.
11. Administration remains committed to achieving this budget repair item in the 2021-22 financial year and will continue to report to Council on the progress of this achievement.

## Cash flow from Operations

12. The current year's debt collection continues to be better than last year despite lockdown:
- 12.1. As at the 31 December 2021, 51.8% of payments have been received, an increase from 50.8% last year. There are 151 active accounts in financial hardship (1.7% of total rates outstanding). There are some delays in collecting prior year debts as we see the effect of deferrals put in place in the height of COVID now impact current cashflows.

## Capital Projects - Adjustments

13. As detailed in the Capital Projects update presented to The Committee on 1 February 2022 (view [here](#)), adjustments of \$15.6 million for projects and infrastructure works from 2020-21 are included in the Revised Budget. The Capital Projects update provides the detail regarding delivery and progress of projects and the financial implications of any adjustments noted in that report are included in the budget revision for this quarter.

## Budget reconsiderations as requested by Council

14. The decision of Council on 9 November 2021 called for a budget reconsideration for maintenance and refurbishment on underperforming property assets identified for sale process considerations for an additional expenditure of \$348,000. This item is short-term in nature being for the sale of underperforming property assets. As such this item will not impact future years budgets.
15. Given the short-term nature of the operational items these have been able to be funded via other positive movements in the budget due to the receipt of grants and other income sources. For this reason, the ability to fund these items has been achieved without adversely impacting the overall operating result.

## Treasury Report

16. As per the requirements set out in the Treasury and Cash Investment Policy, the borrowing and cash investment performance at 31 December 2021 is reported in **Attachment A**.
17. Borrowings on 31 December 2021 were \$17.85 million.

Borrowings Facility	Available	Interest Type	Interest Rate	Borrowing(s) Amount as at 30 September 2021	Change since previous report	Maturity Date	CAD Interest Rate
LGFA CAD 554	\$30m	Variable	1.35%	\$17.85m	(\$4.15m)	16/12/2023	1.35%
LGFA CAD 555	\$70m	Variable	1.35%	-	-	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.

18. The Prudential Limits on 31 December 2021 based on borrowings of \$17.85 million are all within approved limits.

Prudential Limit Ratio	Comments	Limits	YTD Actual to December 2021
Interest Expense Ratio	Number of times annual General Rates Revenue (less Landscape Levy) can service the annual interest expense	Maximum 10%	0.16%
Leverage Test	Total borrowings relative to annual General Rates Revenue (Less Landscape Levy)	Max 1.5 years	0.17
Asset Test	The percentage of total borrowings to Council's saleable property assets.	Max 50%	5%

## Forecast Financial Statements and Long-Term Financial Plan

19. Council's Long Term Financial Plan has been updated to reflect the re-timing adjustments for projects and infrastructure works from 2021-22 financial year, along with revised estimates for interest expense and borrowings.



20. Financial statements and the Long-Term Financial Plan are provided in the appendices to **Attachment A**. These show the forecast operating surplus/(deficit), funding requirement and borrowings in 2021-22 and future years based on the proposed re-timing adjustments.
21. The Financial indicators have been included in **Attachment A** to support Council's strategic decision making by comparing the financial sustainability, asset sustainability, liquidity and capacity to respond in the context of the Long-Term Financial Plan.

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## DATA AND SUPPORTING INFORMATION

Link 1 - Quarter 2 Capital Works Status Report presented to The Committee on 1 February 2022

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## ATTACHMENTS

**Attachment A** – 2021-22 Quarter 2 Finance Report

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- END OF REPORT -

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# City of Adelaide 2021-22 Quarter 2 Finance Report – Attachment A

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## December 2021

Prepared for the City of Adelaide  
by Finance

# Contents

**Uniform Presentation of Finances**

**Adjustments**

**Financial Dashboard**

**Long Term Financial Plan**

## Glossary

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

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

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

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

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

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

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

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

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

**Vacancy Management:** Centralisation of vacancies across operations against an annual target of \$2.1m

# Uniform Presentation of Finances

## Explanation

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

This summary is presented in a format consistent with the Uniform Presentation of Finances.

\$'000s	2021-22 YTD Actuals	2021-22 YTD Budget	Variance	Full Year 2021-22 Budget (Approved BR1)	2021-22 Budget Review 2	Variance
Income	161,477	161,989	(512)	203,689	204,269	581
less Expenses	97,124	102,268	5,145	(203,651)	(204,233)	(581)
<b>Operating Surplus / (Deficit) before Capital Amounts</b>	64,353	59,720	4,633	37	37	-
<b>less Net Outlays on Existing Assets</b>						
Net Capital Expenditure on Renewal & Replacement of Existing Assets	(8,963)	(12,338)	3,375	(34,670)	(39,135)	(4,465)
Add back Depreciation, Amortisation and Impairment	29,747	25,991	3,757	52,614	52,541	(73)
Add back Proceeds from Sale of Replaced Assets	648	245	403	650	650	-
<b>Net Outlays on Existing Assets</b>	21,432	13,898	7,535	18,594	14,056	(4,538)
<b>less Net Outlays on New and Upgraded Assets</b>						
Net Capital Expenditure on New and Upgraded Assets	(9,143)	(10,281)	1,138	(46,743)	(26,831)	19,912
less Amounts received specifically for New and Upgraded Assets	318	2,064	(1,746)	7,877	9,152	1,762
less Proceeds from Sale of Assets	1,384	1,384	-	1,384	5,360	3,975
<b>Net Outlays on New and Upgraded Assets</b>	(7,441)	(6,833)	(608)	(37,482)	(12,319)	25,650
<b>Net Lending / (Borrowing) for the Financial Year</b>	78,344	66,785	11,559	(18,851)	1,773	21,111

# Operating program

## Adjustments

Item Explanation	Current Approved Budget (BR1) \$'000	Budget Review 2 \$'000	Adjustment \$'000
<b>Property Maintenance</b> Maintenance and refurbishment on underperforming property assets identified for sale.	-	(348)	(348)
<b>Grants for Asset Renewals</b> Additional funding received from State Government and external parties for the renewal and replacement of assets from LG Supplementary Local Roads.	1,761	1,889	128
<b>Investment Income</b> Local Government Finance Authority fund performance distribution.	-	55	55
<b>E-Scooters Income</b> Additional income recognised.	85	135	50
<b>Funds Transferred to Capital</b> Operating projects delivered which are capital in nature, including Rymill Kiosk Sewer \$30k, and North Adelaide Golf Course 6 <sup>th</sup> hole \$60k	(90)	-	90
<b>Cancelled Events</b> Savings identified as a result of cancelled/reduced Christmas events held by the Lord Mayor.	(408)	(383)	25
<b>Total Adjustment</b>			-

### Summary of Adjustments

The adjustments on the left reflect changes since 2021-22 Budget Review 1 (BR1) to the existing funding allocated to the items listed in the operating program as a result of new funding received from external sources and decisions of Budget Reconsiderations required by Council.

# Operating program

## Adjustments – offsetting to \$4.75m savings target

Item Explanation	Adopted Budget	Current Approved Budget (BR1) \$'000	Budget Review 2 (BR2) \$'000	BR2 Adjustment \$'000
<b>Property</b> Additional net property income following the announcement of the delay in the Central Market Arcade Redevelopment commencement, as well as the operating impact on the sale of underperforming property assets.	(7,516)	(7,516)	(5,882)	1,634
<b>Building Compliance Fees</b> A new building development compliance fee applied to Class 1-9 Developments through the Development Approval process. This fee is introduced in 2021/22 net of additional resource requirements.	-	-	142	142
<b>Budget Repair</b> \$4.75m budget repair established in the development of the 2021/22 Business Plan and Budget and LTFP.	4,750	3,300	1,524	(1,776)
<b>Total Adjustment</b>				<b>0</b>

### Summary of Adjustments

The budget repair of \$4.75m was set by Council via the adopted budget. The achievement of \$1.78m in Q2 have materialised taking the total achievement to \$3.3m.

Further updates on the remaining \$1.52m will be provided in future budget reviews.

# Capital program

## Adjustments

Item Explanation	Current Approved Budget (BR1) \$'000	Budget Review 2 \$'000	Adjustment \$'000
<b>Renewals</b> Works of a capital nature that are replacing an existing asset like for like or like for modern equivalent.	32.4	34.0	1.6
<b>New and Upgrades</b> Works of a capital nature that are either introducing new assets or significantly upgrading existing assets. Usually by extending the footprint of an asset or increasing the level of service the asset provides.	9.4	6.7	(2.7)
<b>Major Projects</b> Significant works of a capital nature that are over the prudential limit, multi year or have significant grant funding being administered via a contractual deed.	33.5	19.1	(14.4)
<b>Capital Program Management</b>	7.7	7.7	-
<b>Total Capital Expenditure</b>	<b>83.0</b>	<b>67.5</b>	<b>(15.5)</b>
<b>Capital Write-Off</b>	(1.5)	(1.5)	-
<b>Total Net Capital (per Uniform Presentation of Finances)</b>	<b>81.5</b>	<b>66.0</b>	<b>(15.5)</b>

### Summary of Adjustments

The adjustments on the left reflect changes since 2021-22 BR1 to the existing funding allocated to projects.

# Financial Indicators

## Explanation

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

Financial Indicator	Explanation	Target	2021-22 Adopted	2021-22 BR1	2021-22 BR2
<b>Operating Surplus Ratio</b>	Operating surplus as a percentage of operating revenue	0%-20%	0%	0%	0%
<b>Net Financial Liabilities</b>	Financial liabilities and a percentage of operating income	Less than 80%	48%	40%	30%
<b>Asset Sustainability Ratio</b>	Expenditure on asset renewals as a percentage of forecast required expenditure in the asset management plans	90%-110%	60%	71%	77%
<b>Asset Test Ratio</b>	Borrowings as a percentage of total saleable property assets	Maximum 50%	22%	17%	11%
<b>Interest Expense Ratio</b>	Number of times General Rates Revenue (less Landscape Levy) can service the annual interest expense	Maximum 10%	0.9%	0.3%	0.3%
<b>Leverage Test Ratio</b>	Total borrowings relative to General Rates Revenue (Less Landscape Levy)	Maximum 1.5 years	0.6	0.5	0.3
<b>Cash Flow fom Operations Ratio</b>	Operating income as a percentage of Operating Expenditure plus expenditure on renewal/replacement of assets	Greater than 100%	111%	110%	107%
<b>Borrowings</b>	Total borrowings	Within Prudential Limits	77.5	57.7	37.1
			45%	33%	22%
<b>Operating Position</b>	Operating Income less Expenditure	\$2m - \$10m	0.0	0.0	0.0
<b>Future Fund</b>	Proceeds from the sale of Council assets to fund new income generating assets or new strategic capital projects	N/A	2.2	2.7	6.6



# Long Term Financial Plan

## Statement of Comprehensive Income

\$'000s	2020-21 Actuals	2021-22 Budget	2021-22 Budget Review 2	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan
<b>Income</b>												
Rates Revenues	118,510	121,190	122,140	125,127	128,548	132,008	137,346	141,686	145,731	149,857	154,065	158,357
Statutory Charges	10,709	11,601	11,653	12,171	12,371	12,574	12,781	13,029	13,282	13,539	13,802	14,078
User Charges	61,250	62,267	62,994	63,249	64,318	65,479	72,567	73,947	75,413	76,908	78,433	80,032
Grants, Subsidies and Contributions	5,432	3,274	6,283	3,579	3,388	3,442	3,498	3,563	3,424	3,436	3,505	3,575
Investment Income	276	20	75	26	26	27	27	28	28	29	29	30
Reimbursements	665	541	441	710	722	735	748	763	778	794	810	826
Other Income	540	3,029	684	1,721	1,751	1,782	1,813	1,849	1,886	1,924	1,963	2,002
<b>Total Income</b>	<b>197,382</b>	<b>201,923</b>	<b>204,269</b>	<b>206,583</b>	<b>211,124</b>	<b>216,048</b>	<b>228,780</b>	<b>234,865</b>	<b>240,543</b>	<b>246,488</b>	<b>252,607</b>	<b>258,900</b>
<b>Expenses</b>												
Employee Costs	74,410	73,950	72,633	74,874	76,437	78,032	79,660	81,285	82,943	84,635	86,361	88,133
Materials, Contracts & Other Expenses	71,353	73,501	77,732	77,450	77,908	78,955	82,694	83,764	86,165	91,352	90,594	97,732
Depreciation, Amortisation & Impairment	56,808	52,614	52,541	51,680	52,896	52,147	57,257	53,339	56,819	51,065	57,081	57,467
Finance Costs	1,740	1,826	1,326	1,521	1,399	910	460	131	(113)	(214)	(308)	(376)
Net loss - Equity Accounted Council Businesses	4	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>204,315</b>	<b>201,891</b>	<b>204,233</b>	<b>205,526</b>	<b>208,640</b>	<b>210,044</b>	<b>220,072</b>	<b>218,518</b>	<b>225,814</b>	<b>226,838</b>	<b>233,728</b>	<b>242,955</b>
<b>Operating Surplus / (Deficit)</b>	<b>(6,933)</b>	<b>31</b>	<b>37</b>	<b>1,057</b>	<b>2,485</b>	<b>6,004</b>	<b>8,708</b>	<b>16,347</b>	<b>14,729</b>	<b>19,650</b>	<b>18,879</b>	<b>15,945</b>
Physical Resources Received Free of Charge	450	-	-	-	-	-	-	-	-	-	-	-
Asset Disposal & Fair Value Adjustments	(6,527)	(861)	1,244	3,088	2,213	-	-	-	-	-	-	-
Amounts Received Specifically for New or Upgraded Assets	2,698	156	9,152	6,693	-	-	-	-	-	-	-	-
<b>Net Surplus / (Deficit)</b>	<b>(10,312)</b>	<b>(674)</b>	<b>10,432</b>	<b>10,838</b>	<b>4,698</b>	<b>6,004</b>	<b>8,708</b>	<b>16,347</b>	<b>14,729</b>	<b>19,650</b>	<b>18,879</b>	<b>15,945</b>
Changes in Revaluation Surplus - I, PP&E	48,206	-	-	-	-	46,144	-	-	-	-	-	-
Net Actuarial Gains/(Loss) on Defined Benefit Plan	203	-	-	-	-	-	-	-	-	-	-	-
<b>Total Other Comprehensive Income</b>	<b>48,409</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,144</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Comprehensive Income</b>	<b>38,097</b>	<b>(674)</b>	<b>10,432</b>	<b>10,838</b>	<b>4,698</b>	<b>52,148</b>	<b>8,708</b>	<b>16,347</b>	<b>14,729</b>	<b>19,650</b>	<b>18,879</b>	<b>15,945</b>

# Long Term Financial Plan

## Statement of Financial Position

\$'000s	2020-21 Actuals	2021-22 Budget	2021-22 Budget Review 2	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan
<b>ASSETS</b>												
<b>Current Assets</b>												
Cash and Cash Equivalents	1,912	800	800	800	800	6,017	21,390	40,638	61,730	51,759	75,669	57,332
Trade & Other Receivables	16,299	13,489	16,488	16,352	16,623	16,977	17,974	18,451	18,896	19,363	19,843	20,337
Other Financial Assets	-	41	-	-	-	-	-	-	-	-	-	-
Inventories	506	576	506	506	506	506	506	506	506	506	506	506
Non-Current Assets Held for Sale	958	-	-	-	-	-	-	-	-	-	-	-
<b>Total Current Assets</b>	<b>19,675</b>	<b>14,907</b>	<b>17,794</b>	<b>17,658</b>	<b>17,929</b>	<b>23,500</b>	<b>39,870</b>	<b>59,595</b>	<b>81,132</b>	<b>71,627</b>	<b>96,017</b>	<b>78,176</b>
<b>Non-Current Assets</b>												
Financial Assets	376	249	338	305	274	247	222	200	180	162	146	131
Equity Accounted Investments in Council Businesses	1,119	605	1,439	1,439	1,439	1,439	1,439	1,439	1,439	1,439	1,439	1,439
Investment Property	2,870	2,600	2,899	2,928	2,957	2,987	3,016	3,047	3,077	3,108	3,139	3,170
Infrastructure, Property, Plant & Equipment	1,897,255	1,882,879	1,906,564	1,916,684	1,903,480	1,916,852	1,905,093	1,896,970	1,886,088	1,911,192	1,902,174	1,933,193
Other Non-Current Assets	2,107	2,161	2,107	2,107	2,107	2,107	2,107	2,107	2,107	2,107	2,107	2,107
<b>Total Non-Current Assets</b>	<b>1,903,727</b>	<b>1,888,494</b>	<b>1,913,347</b>	<b>1,923,462</b>	<b>1,910,257</b>	<b>1,923,631</b>	<b>1,911,878</b>	<b>1,903,763</b>	<b>1,892,891</b>	<b>1,918,008</b>	<b>1,909,004</b>	<b>1,940,040</b>
<b>TOTAL ASSETS</b>	<b>1,923,402</b>	<b>1,903,400</b>	<b>1,931,141</b>	<b>1,941,120</b>	<b>1,928,185</b>	<b>1,947,132</b>	<b>1,951,748</b>	<b>1,963,358</b>	<b>1,974,023</b>	<b>1,989,635</b>	<b>2,005,022</b>	<b>2,018,216</b>
<b>LIABILITIES</b>												
<b>Current Liabilities</b>												
Trade & Other Payables	24,843	18,837	24,134	24,013	31,132	24,233	24,916	25,068	25,272	25,322	25,463	25,612
Provisions	13,320	12,305	13,586	13,858	14,135	14,418	14,706	15,000	15,300	15,607	15,919	16,237
Borrowings (Lease Liability)	4,690	5,093	4,771	4,877	4,989	5,102	5,224	4,525	4,518	3,989	3,262	3,344
<b>Total Current Liabilities</b>	<b>42,853</b>	<b>36,236</b>	<b>42,491</b>	<b>42,748</b>	<b>50,256</b>	<b>43,753</b>	<b>44,846</b>	<b>44,594</b>	<b>45,090</b>	<b>44,917</b>	<b>44,643</b>	<b>45,194</b>
<b>Non-Current Liabilities</b>												
Trade & Other Payables	1,293	1,293	1,293	7,293	293	293	293	293	293	293	293	293
Borrowings	34,700	77,483	37,103	34,839	21,636	-	-	-	-	-	-	-
Provisions	1,816	1,616	1,852	1,889	1,927	1,966	2,005	2,045	2,086	2,128	2,170	2,214
Borrowings (Lease Liability)	50,463	46,782	45,693	40,803	35,828	30,726	25,502	20,977	16,377	12,470	9,209	5,865
<b>Total Non-Current Liabilities</b>	<b>88,272</b>	<b>127,174</b>	<b>85,941</b>	<b>84,825</b>	<b>59,684</b>	<b>32,985</b>	<b>27,801</b>	<b>23,315</b>	<b>18,756</b>	<b>14,891</b>	<b>11,672</b>	<b>8,371</b>
<b>TOTAL LIABILITIES</b>	<b>131,125</b>	<b>163,410</b>	<b>128,432</b>	<b>127,573</b>	<b>109,940</b>	<b>76,738</b>	<b>72,646</b>	<b>67,909</b>	<b>63,846</b>	<b>59,808</b>	<b>56,315</b>	<b>53,565</b>
<b>Net Assets</b>	<b>1,792,277</b>	<b>1,739,990</b>	<b>1,802,709</b>	<b>1,813,547</b>	<b>1,818,245</b>	<b>1,870,394</b>	<b>1,879,102</b>	<b>1,895,448</b>	<b>1,910,177</b>	<b>1,929,827</b>	<b>1,948,706</b>	<b>1,964,651</b>
<b>EQUITY</b>												
Accumulated Surplus	806,973	802,195	812,046	812,575	792,273	772,777	781,485	797,832	812,560	832,210	851,090	867,034
Asset Revaluation Reserves	982,216	934,010	982,216	982,216	982,216	1,028,360	1,028,360	1,028,360	1,028,360	1,028,360	1,028,360	1,028,360
Other Reserves	1,815	1,612	1,815	1,815	1,815	1,815	1,815	1,815	1,815	1,815	1,815	1,815
Future Reserve Fund	1,273	2,173	6,633	16,941	41,941	67,441	67,441	67,441	67,441	67,441	67,441	67,441
<b>Total Council Equity</b>	<b>1,792,277</b>	<b>1,739,990</b>	<b>1,802,709</b>	<b>1,813,547</b>	<b>1,818,245</b>	<b>1,870,394</b>	<b>1,879,102</b>	<b>1,895,448</b>	<b>1,910,177</b>	<b>1,929,827</b>	<b>1,948,706</b>	<b>1,964,651</b>

# Long Term Financial Plan

## Statement of Changes in Equity

\$'000s	2020-21 Actuals	2021-22 Budget	2021-22 Budget Review 2	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan
<b>Balance at the end of previous reporting period</b>	1,754,180	1,740,664	1,792,277	1,802,709	1,813,547	1,818,245	1,870,394	1,879,102	1,895,448	1,910,177	1,929,827	1,948,706
a. Net Surplus / (Deficit) for Year	(10,312)	(674)	10,432	10,838	4,698	6,004	8,708	16,347	14,729	19,650	18,879	15,945
b. Other Comprehensive Income	48,409				-	46,144						
Total Comprehensive Income	38,097	(674)	10,432	10,838	4,698	52,148	8,708	16,347	14,729	19,650	18,879	15,945
<b>Balance at the end of period</b>	<b>1,792,277</b>	<b>1,739,990</b>	<b>1,802,709</b>	<b>1,813,547</b>	<b>1,818,245</b>	<b>1,870,394</b>	<b>1,879,102</b>	<b>1,895,448</b>	<b>1,910,177</b>	<b>1,929,827</b>	<b>1,948,706</b>	<b>1,964,651</b>

# Long Term Financial Plan

## Statement of Cash flows

\$'000s	2020-21 Actuals	2021-22 Budget	2021-22 Budget Review 2	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan
<b>Cash Flows from Operating Activities</b>												
<b>Receipts</b>												
Operating Receipts	198,848	202,230	204,080	206,719	210,854	215,693	227,784	234,388	240,097	246,021	252,127	258,406
<b>Payments</b>												
Operating Payments to Suppliers and Employees	(145,970)	(149,070)	(152,100)	(153,666)	(155,295)	(157,477)	(161,811)	(164,701)	(168,548)	(175,305)	(176,166)	(184,994)
<b>Net Cash provided by (or used in) Operating Activities</b>	<b>52,878</b>	<b>53,160</b>	<b>51,980</b>	<b>53,053</b>	<b>55,558</b>	<b>58,216</b>	<b>65,973</b>	<b>69,687</b>	<b>71,549</b>	<b>70,717</b>	<b>75,961</b>	<b>73,411</b>
<b>Cash Flows from Investing Activities</b>												
<b>Receipts</b>												
Amounts Received Specifically for New/Upgraded Assets	2,698	156	9,152	6,693	-	-	-	-	-	-	-	-
Proceeds from Surplus Assets	1,405	3,100	5,360	16,308	25,000	18,500	-	-	-	-	-	-
Sale of Replaced Assets	815	650	650	-	-	-	-	-	-	-	-	-
<b>Payments</b>												
Expenditure on Renewal/Replacement of Assets	(23,205)	(34,231)	(39,135)	(44,853)	(51,618)	(44,875)	(45,498)	(45,216)	(45,937)	(76,170)	(48,062)	(88,486)
Expenditure on New/Upgraded Assets	(12,425)	(33,451)	(26,831)	(24,167)	(10,861)	-	-	-	-	-	-	-
Net Purchase of Investment Securities	(17)											
Capital Contributed to Equity Accounted Council Businesses	(451)											
<b>Net Cash provided by (or used in) Investing Activities</b>	<b>(31,180)</b>	<b>(63,776)</b>	<b>(50,804)</b>	<b>(46,019)</b>	<b>(37,479)</b>	<b>(26,375)</b>	<b>(45,498)</b>	<b>(45,216)</b>	<b>(45,937)</b>	<b>(76,170)</b>	<b>(48,062)</b>	<b>(88,486)</b>
<b>Cash Flows from Financing Activities</b>												
<b>Receipts</b>												
Proceeds from Borrowings	87,900	15,671	2,403	-	-	-	-	-	-	-	-	-
Proceeds from Bonds and Deposits	1,007											
<b>Payments</b>												
Repayment from Borrowings	(104,800)			(2,263)	(13,203)	(21,636)	-	-	-	-	-	-
Repayment of Lease Liabilities	(4,838)	(5,055)	(4,690)	(4,771)	(4,877)	(4,989)	(5,102)	(5,224)	(4,521)	(4,518)	(3,989)	(3,262)
<b>Net Cash provided by (or used in) Financing Activities</b>	<b>(20,731)</b>	<b>10,616</b>	<b>(2,288)</b>	<b>(7,034)</b>	<b>(18,080)</b>	<b>(26,625)</b>	<b>(5,102)</b>	<b>(5,224)</b>	<b>(4,521)</b>	<b>(4,518)</b>	<b>(3,989)</b>	<b>(3,262)</b>
<b>Net Increase (Decrease) in Cash Held</b>	<b>967</b>	<b>(0)</b>	<b>(1,112)</b>	<b>0</b>	<b>(0)</b>	<b>5,217</b>	<b>15,373</b>	<b>19,248</b>	<b>21,092</b>	<b>(9,971)</b>	<b>23,910</b>	<b>(18,336)</b>
plus: Cash & Cash Equivalents at beginning of period	945	800	1,912	800	800	800	6,017	21,390	40,638	61,730	51,759	75,669
<b>Cash &amp; Cash Equivalents at end of period</b>	<b>1,912</b>	<b>800</b>	<b>800</b>	<b>800</b>	<b>800</b>	<b>6,017</b>	<b>21,390</b>	<b>40,638</b>	<b>61,730</b>	<b>51,759</b>	<b>75,669</b>	<b>57,332</b>

# Long Term Financial Plan

## Uniform Presentation of Finances

\$'000s	2020-21 Actuals	2021-22 Budget	2021-22 Budget Review 2	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan
Income	197,382	201,923	204,269	206,583	211,124	216,048	228,780	234,865	240,543	246,488	252,607	258,900
less Expenses	(204,315)	(201,891)	(204,233)	(205,526)	(208,640)	(210,044)	(220,072)	(218,518)	(225,814)	(226,838)	(233,728)	(242,955)
<b>Operating Surplus / (Deficit) before Capital Amounts</b>	(6,933)	31	37	1,057	2,485	6,004	8,708	16,347	14,729	19,650	18,879	15,945
<b>Net Outlays on Existing Assets</b>												
Capital Expenditure on Renewal & Replacement of Existing Assets	(23,205)	(34,231)	(39,135)	(44,853)	(51,618)	(44,875)	(45,498)	(45,216)	(45,937)	(76,170)	(48,062)	(88,486)
add back Depreciation, Amortisation and Impairment	56,808	52,614	52,541	51,680	52,896	52,147	57,257	53,339	56,819	51,065	57,081	57,467
add back Proceeds from Sale of Replaced Assets	815	650	650	-	-	-	-	-	-	-	-	-
<b>Net Outlays on Existing Assets</b>	34,418	19,033	14,056	6,827	1,278	7,272	11,759	8,123	10,883	(25,104)	9,019	(31,019)
<b>Net Outlays on New and Upgraded Assets</b>												
Capital Expenditure on New and Upgraded Assets	(12,425)	(33,451)	(26,831)	(24,167)	(10,861)	-	-	-	-	-	-	-
add back Amounts received specifically for New and Upgraded Assets	2,698	156	9,152	6,693	-	-	-	-	-	-	-	-
add back Proceeds from Sale of Surplus Assets	1,405	2,100	5,360	10,308	25,000	25,500	-	-	-	-	-	-
<b>Net Outlays on New and Upgraded Assets</b>	(8,322)	(31,195)	(12,319)	(7,166)	14,139	25,500	-	-	-	-	-	-
<b>Net Lending / (Borrowing) for Financial Year</b>	19,163	(12,130)	1,773	718	17,902	38,776	20,467	24,469	25,611	(5,454)	27,898	(15,074)

# Long Term Financial Plan

Financial Indicator	Explanation	Target	2021-22 Adopted	2021-22 BR2	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
<b>Operating Surplus Ratio</b>	Operating surplus as a percentage of operating revenue	0%-20%	0%	0%	1%	1%	3%	4%	7%	6%	8%	7%	6%
<b>Net Financial Liabilities</b>	Financial liabilities and a percentage of operating income	Less than 80%	48%	30%	31%	24%	8%	1%	-7%	-16%	-11%	-21%	-13%
<b>Asset Sustainability Ratio</b>	Expenditure on asset renewals as a percentage of forecast required expenditure in the asset management plans	90%-110%	60%	77%	90%	90%	90%	90%	90%	90%	90%	90%	90%
<b>Asset Test Ratio</b>	Borrowings as a percentage of total saleable property assets	Maximum 50%	23%	11%	10%	6%	0%	0%	0%	0%	0%	0%	0%
<b>Interest Expense Ratio</b>	Number of times General Rates Revenue (less Landscape Levy) can service the annual interest expense	Maximum 10%	0.9%	0.3%	0.5%	0.5%	0.1%	-0.1%	-0.3%	-0.4%	-0.4%	-0.4%	-0.4%
<b>Leverage Test Ratio</b>	Total borrowings relative to General Rates Revenue (Less Landscape Levy)	Maximum 1.5 years	0.7	0.3	0.3	0.2	-	-	-	-	-	-	-
<b>Cash Flow fom Operations Ratio</b>	Operating income as a percentage of Operating Expenditure plus expenditure on renewal/replacement of assets	Greater than 100%	111%	107%	104%	102%	107%	110%	112%	112%	98%	112%	94%
<b>Borrowings</b>	Total borrowings	Within Prudential Limits	78.5	37.1	34.8	21.6	-	-	-	-	-	-	-
			46%	22%	20%	11%	0%	0%	0%	0%	0%	0%	0%
<b>Operating Position</b>	Operating Income less Expenditure	\$2m - \$10m	0.0	0.0	1.1	2.5	6.0	8.7	16.3	14.7	19.7	18.9	15.9
<b>Future Fund</b>	Proceeds from the sale of Council assets to fund new income generating assets or new strategic capital projects	N/A	2.2	6.6	16.9	41.9	67.4	67.4	67.4	67.4	67.4	67.4	67.4

## Q2 2021 – 22 Consultants Report

**ITEM 5.4 04/02/2022**  
**Audit and Risk Committee**

Strategic Alignment - Enabling Priorities

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

2021/00122  
 Public

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

## EXECUTIVE SUMMARY

Council at its meeting on 13 April 2021 resolved to bring a quarterly report to the Audit Committee regarding consultant spend.

The decision also called for an alteration of procurement thresholds with regards to consultants expenditure in order to increase transparency. The Procurement Contract and Approvals Guidelines have been updated to reflect this decision. A further decision of Council at its meeting on 7 December 2021, resulted in an amendment to these Guidelines to reduce the CEO delegation to \$2m.

Feedback from the presentation of the first report to the Audit and Risk Committee has been incorporated into this report.

The consultants report per **Attachment A** to this report is for the Audit and Risk Committee to review and provide feedback.

## RECOMMENDATION

### THAT THE AUDIT AND RISK COMMITTEE

1. Receives the quarterly consultants report per Attachment A to Item 5.4 on the Agenda for the meeting of the Audit and Risk Committee held on 4 February 2022.

## IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	<b>Strategic Alignment – Enabling Priorities</b> Procurement practices are a key element to providing value for money for Council and support organisational efficiencies.
Policy	The Procurement Contract & Approvals guidelines are in direct support of the Council approved Procurement 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	The budget for consultants expenditure is spread across all areas of the organisation and all expenditure in the report cannot be initiated without confirming approved budget in accordance with the Procurement Policy.
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. On 13 April 2021, Council decided the following:
  1. *Requests the CEO amend current delegations that exist within the Administration for the engagement of consultants and that those delegations are as follows:*
    - a. *The approval to engage a consultant where the contracted work is to the value up to \$49,999 will rest with an Associate Director level staff member, or higher; and,*
    - b. *The approval to engage a consultant where the contracted work is to the value of \$50,000 or greater will rest with a Director level staff member, or higher.*
  2. *Resolves that all engagements of consultants that are of a value greater than \$10,000 are recorded and provided to the Audit Committee quarterly, and that the report will include for each record:*
    - a. *The name of the consultant*
    - b. *The dollar value of the contracted works*
    - c. *The purpose for their engagement*
    - d. *The team or department the engaged consultant was assisting*
    - e. *The contracts approving officer*
    - f. *Whether the work was openly tendered and/or whether competing quotes for the work were sought, and if so, how many.*
2. On 8 June 2021, Council adopted the Procurement Policy. The Procurement Contract and Approvals Guidelines (the Guidelines) exist to support both the Procurement Policy as well as the financial delegations issued to the Chief Executive Officer by Council.
3. As a result of part 1 of the Council decision the guidelines required updating for threshold expenditure for consultants spend. While reviewing the guidelines other improvements were made to increase efficiency of the procurement process. A summary of changes to the guidelines are:
  - 3.1 Altering consultants threshold spend to limit Associated Directors to spend up to \$50,000 per Council decision.
  - 3.2 Altering the spend limit for the CEO to \$4m to align with the Procurement Policy approved by Council.
  - 3.3 Removing the process of 'calling-in' procurements from the forward procurement plan.
4. The Guidelines were provided to Council along with the updated Prudential Management Policy and a decision was made to alter the CEO limit to \$2m. The decision also called for an amendment to the Procurement Policy.
5. The second part of the Council decision refers to the generation of a quarterly report for the review of Audit and Risk Committee with regards to consultants spend, the report is included in **Attachment A**.
6. Consultant engagement contracts are a particular defined type of procurement contract and the report consists of all contracted consultants spend in the second quarter of the 2021-22 financial year.
7. It is worth noting, that the procurement policy has a threshold of \$150,000 for procurement to be offered in the open market, while the guidelines have all spend over \$50,000 being under contract even if not sought via open market offerings.
8. It is therefore expected that some consultants can be engaged outside of contract. A further review of all 'off-contract' expenditure is being undertaken, however as noted in the response to the motion on notice to generate this level of information for all consultants spend over \$10,000 requires substantial administrative effort to ensure the data is quality reviewed and meets the definition of consultants. It is anticipated that this report will expand as we work to improve systems to generate this information more efficiently.

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## ATTACHMENTS

**Attachment A** – Consultants Report Q2 2021 - 22

- END OF REPORT -

## Consultant Spend Q2 - October to December 2021

Showing only consultant spend under contract arrangements.

Purpose of Engagement	Consultant	Team or Department the Consultant was assisting		Contract Approving Officer	Dollar value of Consultant engagement		Complies with Procurement Policy
Contract Title	Supplier	Program	Team	Approver	Contract Sum	Market Approach	Contract Form
Karrawirra Parri Wetland and Nature Space	Taylor & Cullity Pty Ltd	CITY OPERATIONS	PARKLANDS MAINTENANCE	Associate Director, Park Lands, Policy & Sustainability	\$59,360.00	Open Market - SA Tenders	Lump Sum - Fixed Price Y
Climate Strategy Engagement, Facilitation and Consultation	URPS	PARKLANDS POLICY SUSTAINABILITY	LOW CARBON - CIRCULAR ECONOMY	Associate Director, Park Lands, Policy & Sustainability	\$70,000.00	Select Quote - SA Tenders	Lump Sum - Fixed Price Y

# 2022 Audit and Risk Committee Meeting Schedule and Work Plan

**ITEM 5.5** 04/02/2022  
**Audit and Risk Committee**

Strategic Alignment - Enabling Priorities

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

2019/02483  
Public

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

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## EXECUTIVE SUMMARY

The report proposes the Audit Committee meeting schedule and work plan for the 2022 calendar year.

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## RECOMMENDATION

### THAT THE AUDIT AND RISK COMMITTEE

1. Adopts the following meeting schedule for the Audit and Risk Committee to be held in the Colonel Light Room, Town Hall, Adelaide at 8.30am on:
    - 1.1. Friday 25 March 2022
    - 1.2. Friday 29 April 2022
    - 1.3. Friday 17 June 2022
    - 1.4. Friday 30 July 2022
    - 1.5. Friday 30 September 2022
    - 1.6. Friday 28 October 2022
    - 1.7. Friday 3 February 2023
  2. Approves the forward 2022 Work Plan as included in Attachment A to Item 5.5 on the Agenda for the meeting of the Audit and Risk Committee held on 4 February 2022 to assist the Administration in bringing forward reports as appropriate.
-

## IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	<b>Strategic Alignment – Enabling Priorities</b> The role of the City of Adelaide is to uphold the values of integrity and accountability. To ensure that the Council delivers services to the community as a leader, advocate, and facilitator by maintaining a transparent decision-making process.
Policy	Pursuant to the Audit and Risk Committee Terms of Reference, the schedule of meetings needs to be determined by the Audit and Risk Committee.
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	Proposed reporting times are in line with legislative requirements.
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

### Meeting Schedule

1. Council endorsed the Audit and Risk Committee's Terms of Reference at its meeting on 12 October 2021.
2. The Audit and Risk Committee meetings are to be held in the Colonel Light Room, Town Hall, Adelaide.
3. The Chief Executive Officer may vary the meeting schedule (including the commencement time, meeting place, date or cancellation of committee meeting) after liaison with the Audit and Risk Committee Presiding Member.
4. The Chief Executive Officer is authorised to not call a meeting of the Audit and Risk Committee within the meeting schedule should there be no matters for consideration.
5. Special meetings of the Audit and Risk Committee can be called as and when required in accordance with the *Local Government (Procedures at Meetings) Regulations 2013*.
6. Taking into consideration the feedback received from Audit and Risk Committee Members, the Audit and Risk Committee will meet at least seven times a calendar year.

### Work Plan

7. To support Members of the Audit and Risk Committee, a forward Work Plan of reports aligned to the Terms of Reference has been developed (**Attachment A**).
8. The Work Plan identifies the areas of responsibility in the context of the Terms of Reference and provides an indicative date of the presentation of reports to the Audit and Risk Committee.
9. The Work Plan is flexible and provides the opportunity for additional reports to be presented at the request of the Audit and Risk Committee or to meet operational needs.

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## ATTACHMENTS

### Attachment A – Audit and Risk Committee 2022 Work Plan

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- END OF REPORT -

## AUDIT & RISK COMMITTEE: 2022 WORK PLAN

Terms of Reference	Report	Frequency	Timing <i>*March &amp; September meeting is for finance reporting only</i>						Legislative Ref (LG Act 1999 SA / LG (Financial Management) Regulations 2011)	Responsible Officer
			25-Mar-22	29-Apr-22	17-Jun-22	30-Jul-21	30-Sep-22	28-Oct-22		
<b>Financial Reporting</b>	Quarterly Finance Reports	Quarterly							Requested by ARC	Manager, Finance & Procurement
	Review of the Long Term Financial Plan	Before and after consultation							LG Act s.126(4)(ab) Terms of Reference (5.1)	Manager, Finance & Procurement
	Update on the Business Plan & Budget process	Before and after consultation							LG Act s.126(4)(ab)	Manager, Finance & Procurement
	Review of the draft 2022/23 Business Plan & Budget - all - CoA, APLA, ACMA, AEDA	Annually							LG Act s.126(4)(ab)	Manager, Finance & Procurement
	Consideration of financial indicators and ratios	Annually							LG Act s.126(4)(ab)	Manager, Finance & Procurement
	CEO Sustainability Report	Annually		*or March meeting if Financial Sustainability Policy is to be adopted					LG Act s.126(4)(ab)	Manager, Finance & Procurement
<b>Internal Control &amp; Risk Management</b>	<ul style="list-style-type: none"> <li>Results of the LGRS Risk Management Evaluation <i>(Due to COVID-19, review postponed from Sept 2020 to 2022 - current draft will be presented to ARC in Feb 2022, then not due again until Feb 2024)</i></li> </ul>	Biennially (due in 2022)							-	Manager, Governance / Manager, People
	<ul style="list-style-type: none"> <li>Activity of Strategic Risk &amp; Internal Audit Group</li> </ul>	All meetings							Terms of Reference (4.3)	Manager, Governance
	<ul style="list-style-type: none"> <li>Risk Statement</li> </ul>	Annually							-	Manager, Governance
<b>Internal Audit</b>	<ul style="list-style-type: none"> <li>Strategic Internal Audit Plan</li> </ul>	Annually							LG Act s.126(4)(c) Terms of Reference (6.1)	Manager, Governance
	<ul style="list-style-type: none"> <li>Confidential Meeting with Internal Auditors</li> </ul>	Annually							LG Act s.126(4)(b) Terms of Reference (6.3)	Manager, Governance
	<ul style="list-style-type: none"> <li>Internal Audit Progress Report</li> </ul>	All meetings							LG Act s.126(4)(c) Terms of Reference (6.2)	Manager, Governance

Terms of Reference	Report	Frequency	Timing <i>*March &amp; September meeting is for finance reporting only</i>						Legislative Ref (LG Act 1999 SA / LG (Financial Management) Regulations 2011)	Responsible Officer
			25-Mar-22	29-Apr-22	17-Jun-22	30-Jul-21	30-Sep-22	28-Oct-22		
<b>External Audit</b>	• End of Financial Year Audit Approach & Reporting Timetable	Annually							Terms of Reference (7.2.1)	Manager, Finance & Procurement
	• External Audit Interim Management Letter	Annually							Terms of Reference (7.4)	Manager, Finance & Procurement
	• Audited Financial Statements & report on Financial Results - all - CoA, APLA, ACMA and AEDA	Annually							LG Act s.126(4)(a) Terms of Reference (3.1 & 3.3.5)	Manager, Finance & Procurement
	• Confidential Meeting with External Auditors	Annually							LG Act s.126(4)(b) Terms of Reference (7.3)	Manager, Finance & Procurement
	• Matters arising from the External Audit	Annually							LG Act s.126(4)(b) Terms of Reference (7.5)	Manager, Finance & Procurement
<b>Other Business</b>	• Annual Report from the Presiding Member	Annually							Terms of Reference (14.4)	Manager, Governance
	• Audit & Risk Committee Self-Assessment Results	Annually							Terms of Reference (14.4)	Manager, Governance
	• Audit & Risk Committee Meeting Schedule and Work Plan	Annually							Terms of Reference (11.1)	Manager, Governance
	• Review of the Terms of Reference	Annually							Terms of Reference (14.4)	Manager, Governance
	• Review Council's Draft Annual Report	Annually							Terms of Reference (8.2)	Manager, Governance
<b>Service Planning &amp; Performance</b>	• Update on Service Planning & Performance	All meetings							Requested by ARC	Manager, Strategy & Insights
<b>Subsidiary updates</b>	• Adelaide Central Market Authority (ACMA) • Adelaide Economic Development Agency (AEDA) • Adelaide Park Lands Authority (APLA)	Quarterly							Requested by ARC	Managing Director, AEDA / Director, City Shaping

# Internal Audit Progress Update

**ITEM 5.6 04/02/2022**  
**Audit and Risk Committee**

Strategic Alignment - Enabling Priorities

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

2021/00982  
Public

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

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## EXECUTIVE SUMMARY

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

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## RECOMMENDATION

THAT THE AUDIT AND RISK COMMITTEE

1. Notes the report.
- .....



## IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	<b>Strategic Alignment – Enabling Priorities</b> The role of the City of Adelaide is to uphold the values of integrity and accountability. To ensure that the Council delivers services to the community as a leader, advocate, and facilitator by maintaining a transparent decision-making process.
Policy	Not as a result of this report
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	Not as a result of this report
Opportunities	The Internal Audit program provides to the Audit and Risk Committee on assurance related activities to meet best practice standards.
21/22 Budget Allocation	\$70,000
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 role of Internal Audit is to assist Council, Audit and Risk Committee and the Chief Executive Officer in meeting their assurance obligations relating to corporate governance, the system of internal controls and identifying areas for more efficient and effective processes.
2. Pursuant to the Audit and Risk Committee's Terms of Reference, approved by Council on 12 October 2021, the Audit and Risk Committee shall receive reports on all Internal Audit projects and review and monitor management's responsiveness to the findings and recommendations of the Internal Auditors (currently KPMG) and inhouse advice. At the request of the Audit and Risk Committee, full copies of all completed audit reports are included at Link 1 [here](#).
3. At its meeting 18 June 2021, the City of Adelaide Audit and Risk Committee recommended to Council to approve the Internal Audit Plan (the Plan) 2021/2022. The Plan was approved by Council at its meeting on 13 July 2021. The Audit and Risk Committee can any time consider an amendment to the plan in context of operational needs and priorities.
4. A summary of internal audits, strategic reviews and internal investigations for the period November 2021 to January 2022 is provided below:

Completed projects:	Post Audit Implementation Review Rundle Mall Performance Internal Audit Services (this item will be discussed separately as part of AEDA Update and KPMG review of Rundle Mall Program report presented on 4 February 2022)
Continuing projects:	PCI Compliance LGRS Risk Evaluation Planning, Development and Infrastructure Act 2016 Implementation
Projects commenced:	Fleet Management and Fuel Cards

5. Recommendations arising from Internal Audit and Strategic Reviews are reported to the Strategic Risk and Internal Audit Group (SRIA). Associate Directors and Managers are involved (as required) in the review and assist in drafting the management responses, agree on actions, and have overall responsibility of the completion dates.
6. Recommendations, agreed actions, responsibilities and timeframes for implementation are recorded centrally in Council's process mapping software, Promapp. The implementation status of recommendations is tracked and reported to the Audit and Risk Committee.
7. As agreed by SRIA, all extension requests for outstanding actions are to be approved by the Chief Executive Officer. This process will ensure that there is appropriate accountability before a request is granted an extension.
8. Since the last Internal Audit Progress Update reported to the Audit and Risk Committee at its meeting on 29 October 2021, 16 internal audit recommendations have been completed and 35 recommendations are in progress – view Link 2 [here](#), as summarised in the table below:

Risk	Definition	Overdue	In Progress	Total
High	Issue represents a control weakness which could have or is having major adverse effect on the ability to achieve project objectives. Requires a detailed plan of action to be put in place within 60 days with an expected resolution date and a substantial improvement within 3-6 months.	1	4	<b>5</b>
Moderate	Issue represents a control weakness which could have or is having a moderate effect on the ability to achieve process objectives.	2	3	<b>5</b>

	Requires a detailed plan of action to be put in place within 90 days with an expected resolution date and a substantial improvement within 6-9 months.			
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve project objectives. Timeframe for action is subject to competing priorities and cost/benefit analysis, e.g. 9-12 months	1	4	8
	<b>Total</b>	7	11	18
N/A	Improvement Opportunity	3	14	17

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## DATA AND SUPPORTING INFORMATION

**Link 1** – Completed Audit Reports

**Link 2** – Progress Summary of Recommendations Report

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## ATTACHMENTS

Nil

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- END OF REPORT -

## Exclusion of the Public

**ITEM 9.1** 04/02/2022  
**Audit and Risk Committee**

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

2018/04291  
 Public

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

## EXECUTIVE SUMMARY

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

It is the recommendation of the Chief Executive Officer that the public be excluded from this Audit and Risk 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]

The Order to Exclude for Item 10.1:

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

## ORDER TO EXCLUDE FOR ITEM 10.1

### THAT THE AUDIT AND RISK 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 and Risk Committee dated 4 February 2022 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 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 and Risk 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 and Risk Committee dated 4 February 2022 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.
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## DISCUSSION

1. Section 90(1) of the *Local Government Act 1999 (SA)* (the Act), directs that a meeting of a Council Committee must be conducted in a place open to the public.
2. Section 90(2) of the Act, states that a Council Committee may order that the public be excluded from attendance at a meeting if the Council Committee considers it to be necessary and appropriate to act in a meeting closed to the public to receive, discuss or consider in confidence any information or matter listed in section 90(3) of the Act.
3. Section 90(3) of the Act prescribes the information and matters that a Council may order that the public be excluded from.
4. Section 90(4) of the Act, advises that in considering whether an order should be made to exclude the public under section 90(2) of the Act, it is irrelevant that discussion of a matter in public may -
  - (a) *cause embarrassment to the council or council committee concerned, or to members or employees of the council; or*
  - (b) *cause a loss of confidence in the council or council committee; or*
  - (c) *involve discussion of a matter that is controversial within the council area; or*
  - (d) *make the council susceptible to adverse criticism.'*
5. Section 90(7) of the Act requires that an order to exclude the public:
  - 5.1 Identify the information and matters (grounds) from section 90(3) of the Act utilised to request consideration in confidence.
  - 5.2 Identify the basis – how the information falls within the grounds identified and why it is necessary and appropriate to act in a meeting closed to the public.
  - 5.3 In addition identify for the following grounds – section 90(3) (b), (d) or (j) of the Act - how information open to the public would be contrary to the public interest.
6. Section 87(10) of the Act has been utilised to identify in the Agenda and on the Report for the meeting, that the following matter is submitted seeking consideration in confidence.
  - 6.1 Information contained in Item 10.1 - 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.

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## ATTACHMENTS

Nil

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- 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 126 to 130

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