

# Audit Committee Report – 9 October 2020

**ITEM 9.2** 13/10/2020  
**Council**

Strategic Alignment - Enabling Priorities

**Program Contact:**

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2018/04062  
Public

**Approving Officer:**

Mark Goldstone, Chief Executive  
Officer

## EXECUTIVE SUMMARY

The Audit Committee plays a critical role supporting the Council and Chief Executive Officer in the financial reporting framework of Council, by overseeing and monitoring the participation of management and external auditors in the financial reporting process. It also addresses issues such as the approach being adopted by Council and management to address business risks, corporate and financial governance responsibilities and legal compliance.

The Audit Committee held a meeting on Friday, 9 October 2020 and is required to report to Council after every meeting to identify and present advice and recommendations.

A precis of the matters considered by the Audit Committee is presented within this report.

The Recommendation below is in response to the deliberation of the Audit Committee on the Audited Financial Statements 2019-20 and the Review undertaken of Audited Financial Statements 2019-20.

## RECOMMENDATION

### 1. Report of the Audit Committee – 9 October 2020

THAT COUNCIL

- Notes the report of the meeting of the Audit Committee held on 9 October 2020.

### 2. Audited Financial Statements 2019-20

THAT COUNCIL

- Considers that the Consolidated Financial Statements present fairly the financial position of the City of Adelaide, having reviewed the Consolidated Financial Statements for 2019-20, contained in Attachment A to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020.
- Receives the City of Adelaide's Consolidated Financial Statements for 2019-20, contained in Attachment A to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, subject to minor administrative changes and subsequent balance date event adjustments, to be certified by the Chief Executive Officer and the Lord Mayor.
- Considers it is appropriate that the representation letter requested by the external auditor, contained in Attachment B to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, is signed by management.
- Notes the Certification of Auditor Independence contained in Attachment C to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020 by the Chief Executive Officer and the Presiding Member of the Audit Committee.

5. Notes the audited Adelaide Central Market Authority Financial Statements for 2019-20 as contained in Attachment D to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, have been audited and have been approved by the Adelaide Central Market Authority Board on 24 September 2020. These financial results have been included in the Consolidated Financial Statements of the City of Adelaide.
6. Notes the Rundle Mall Management Authority Financial Statements for 2019-20, contained in Attachment E to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, have been approved by the Rundle Mall Management Authority Board at its meeting on 21 September 2020, and certified by the Chair of the Board. These financial results are included in the Consolidated Financial Statements of the City of Adelaide; and
  - 6.1. Considers the Financial Statements for 2019-20 present fairly the financial position of the Rundle Mall Management Authority.
  - 6.2. Notes the Certification of Auditor Independence in relation to Rundle Mall Management Authority, contained in Attachment E to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020 is signed by the Chief Executive Officer and the Presiding Member of the Audit Committee.
  - 6.3. Notes the representation letter requested by the external auditor of the Rundle Mall Management Authority, contained in Attachment F to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, is signed by management.
7. Notes the Adelaide Park Lands Authority Financial Statements for 2019-20, contained in Attachment G to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, are included in the Consolidated Financial Statements of the City of Adelaide; and
  - 7.1. Considers the Financial Statements for 2019-20 present fairly the financial position of the Adelaide Park Lands Authority and can be certified by the Lord Mayor as Chair of Adelaide Park Lands Authority.
  - 7.2. Considers it is appropriate that the representation letter requested by the external auditor of the Adelaide Park Lands Authority, contained in Attachment H to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, is signed by management;
  - 7.3. Notes the Certification of Auditor Independence in relation to the Adelaide Park Lands Authority, contained in Attachment I to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, and considers it is appropriate to be signed by the Chief Executive Officer and the Presiding Member of the Audit Committee;
8. Notes the Council Solutions Regional Authority Financial Statements for 2019-20 as contained in Attachment J to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020 have been audited and approved by the Council Solutions Regional Authority Board. These financial results have been included in the Consolidated Financial Statements of the City of Adelaide.
  - 8.1. Notes the Financial Statements for 2019-20 are as at 28 February 2020. Pursuant to Clause 33(1)(a) of Schedule 2 to the *Local Government Act 1999 (SA)*, and at the request of the constituent councils, City of Adelaide, City of Charles Sturt, City of Marion, City of Onkaparinga, City of Salisbury and the City of Tea Tree Gully, the Hon Stephan Knoll MP declared Council Solutions wound up, effective 2 April 2020.
9. Notes the Brown Hill and Keswick Creeks Stormwater Board's Financial Statements for 2019-20 as contained in Attachment K to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020. Council's equity interest of eight percent (8%) is included in the Consolidated Financial Statements of the City of Adelaide.
10. Recommends the 2019-20 Consolidated Financial Statements of the City of Adelaide, and the Financial Statements of the Rundle Mall Management Authority, Adelaide Park Lands Authority, Adelaide Central Market Authority, Brown Hill and Keswick Creeks Stormwater Board and Council Solutions Regional Authority be presented to Council for noting on 13 October 2020.
11. Requests a report to Audit Committee from the administration on capital work in progress to include specific examples and timelines
12. Requests the CEO to implement KPIs within the infrastructure team to deliver within the timeframes specified.
13. Requests a report to Audit Committee on improvements in the process of delivering capital works and financial reporting.

### 3. Review undertaken of Audited Financial Statements 2019-20

#### THAT COUNCIL

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

1. The Audit Committee met on Friday, 9 October 2020. The Agenda with Reports for the public component of the meeting can be viewed [here](#).
2. The following matters were subject of deliberations:

### **2.1. Internal Audit Progress Update**

#### THAT THE AUDIT COMMITTEE

1. Notes the Internal Audit Progress Update report.

### **2.2. Audited Financial Statements 2019-20**

#### THAT THE AUDIT COMMITTEE RECOMMENDS TO COUNCIL

##### That Council:

1. Considers that the Consolidated Financial Statements present fairly the financial position of the City of Adelaide, having reviewed the Consolidated Financial Statements for 2019-20, contained in Attachment A to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020.
2. Receives the City of Adelaide's Consolidated Financial Statements for 2019-20, contained in Attachment A to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, subject to minor administrative changes and subsequent balance date event adjustments, to be certified by the Chief Executive Officer and the Lord Mayor.
3. Considers it is appropriate that the representation letter requested by the external auditor, contained in Attachment B to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, is signed by management.
4. Notes the Certification of Auditor Independence contained in Attachment C to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020 by the Chief Executive Officer and the Presiding Member of the Audit Committee.
5. Notes the audited Adelaide Central Market Authority Financial Statements for 2019-20 as contained in Attachment D to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, have been audited and have been approved by the Adelaide Central Market Authority Board on 24 September 2020. These financial results have been included in the Consolidated Financial Statements of the City of Adelaide.
6. Notes the Rundle Mall Management Authority Financial Statements for 2019-20, contained in Attachment E to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, have been approved by the Rundle Mall Management Authority Board at its meeting on 21 September 2020, and certified by the Chair of the Board. These financial results are included in the Consolidated Financial Statements of the City of Adelaide; and
  - 6.1. Considers the Financial Statements for 2019-20 present fairly the financial position of the Rundle Mall Management Authority.
  - 6.2. Notes the Certification of Auditor Independence in relation to Rundle Mall Management Authority, contained in Attachment E to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020 is signed by the Chief Executive Officer and the Presiding Member of the Audit Committee.
  - 6.3. Notes the representation letter requested by the external auditor of the Rundle Mall Management Authority, contained in Attachment F to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, is signed by management.
7. Notes the Adelaide Park Lands Authority Financial Statements for 2019-20, contained in Attachment G to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, are included in the Consolidated Financial Statements of the City of Adelaide; and
  - 7.1. Considers the Financial Statements for 2019-20 present fairly the financial position of the Adelaide Park Lands Authority and can be certified by the Lord Mayor as Chair of Adelaide Park Lands Authority.

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

### **2.3. Matters arising from the 2019-20 External Audit**

#### THAT THE AUDIT COMMITTEE

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

### **2.4. Report on Financial Results 2019-20**

#### THAT THE AUDIT COMMITTEE

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

### **2.5. Review undertaken of Audited Financial Statements 2019-20**

#### THAT THE AUDIT COMMITTEE RECOMMENDS TO COUNCIL

##### That Council:

1. Notes the approach undertaken to prepare the 2019-20 Financial Statements.
2. Notes the focus on financial sustainability and progress made towards improved financial planning and reporting this financial year, which has included Council's adoption of an Asset Accounting Policy and Fixed Asset Guidelines on 8 September 2020.
3. Recommends the following improvement plan for the management of the work in progress (WIP) for the infrastructure program:
  - 3.1. Revise practices and processes so that all asset custodians and employees who have asset management and asset accounting responsibilities are acting in accordance with the Asset Accounting Policy and Fixed Asset Guidelines.

- 3.2. Formalise the focus on the management of capital Work in Progress in the context of the City of Adelaide's budget setting process, quarterly budget reviews and the preparation of financial statements, including:
  - 3.2.1 Review and refine the budgeting and forecasting capitalisation and write-off expense per project and review and resolve variances quarterly.
  - 3.2.2 Review and refine the capital project overhead expenses allocation and adjust quarterly to reflect any changes to the infrastructure program overall.
  - 3.2.3 Improve the end of year revaluation process to allow for adjustments to end of year processes.

## **2.6. Confidential Report - Update on Activities of the Strategic Risk and Internal Audit Group Meetings**

Considered in confidence pursuant to Section 90(3)(i) of the *Local Government Act 1999 (SA)*

### THAT THE AUDIT COMMITTEE

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

## **2.7. Confidential Report - Confidential Discussion with External Auditors 2019-20**

Considered in confidence pursuant to Section 90(3)(b) of the *Local Government Act 1999 (SA)*

### THAT THE AUDIT COMMITTEE

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

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- END OF REPORT -