

ACMA Audited Financial Statements & Report on Financial Results

Friday, 1 September 2023

Audit and Risk Committee

Strategic Alignment - Enabling Priorities

Program Contact:

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Finance & Procurement

Public

Approving Officer:

Michael Sedgman, Chief
Operating Officer

EXECUTIVE SUMMARY

This report presents the Adelaide Central Market Authority (ACMA) audited financial statements for the 2022/23 financial year.

The *Retail and Commercial Leases Act 1995* (the Act) requires the Central Market Marketing Fund's (CMMF) Income and Expenditure Statement to be presented before 30 September each year. External auditors prepare both the ACMA Financial Statements and the CMMF's Income and Expenditure Statement and both sets of statements are presented together before 30 September.

Previously ACMA financial statements have been presented with the City of Adelaide consolidated statements, but a 2021 change to ACMA's Charter requires the presentation of the financial statements to the Audit and Risk Committee (ARC) before being presented to the ACMA Board. The timing of ARC meetings for 2023/24 means the ACMA statements are being presented to ARC separately this year to meet Act deadlines.

The end of year financial result is as follows:

- Operating surplus of \$83,000 (deficit of \$146,000 in 2021/22)
- Total operating income of \$4.775 million (\$4.282 million 2021/22)
- Total operating expenditure of \$4.692 million (\$4.428 million 2021/22)

RECOMMENDATION

THAT THE AUDIT AND RISK COMMITTEE RECOMMENDS TO COUNCIL

THAT COUNCIL

1. Notes the 2022-23 Financial Position as presented in Attachment A to Item 5.3 on the Agenda for the meeting of the Audit and Risk Committee held on 1 September 2023, which includes:
 - 1.1 An operating surplus of \$83,000 (deficit of \$146,000 in 2021/22)
 - 1.2 Total operating income of \$4.775 million (\$4.282 million 2021/22)
 - 1.3 Total operating expenditure of \$4.692 million (\$4.428 million 2021/22)
2. Notes the audited Adelaide Central Market Authority Financial Statements for 2022-23 as contained in Attachment A to Item 5.3 on the Agenda for the meeting of the Audit and Risk Committee held on 1 September 2023, have been reviewed by the Adelaide Central Market Authority Board at its meeting on 24 August 2023. These financial results will be included in the Consolidated Financial Statements of the City of Adelaide.
3. Notes the Adelaide Central Market Authority Annual Completion Report for the year ended 30 June 2023 from Council's external auditors, BDO, contained in Attachment B to Item 5.3 on the Agenda for the meeting of the Audit and Risk Committee held on 1 September 2023.

4. Considers the Financial Statements for 2022-23 as contained in Attachment A to Item 5.3 on the Agenda for the meeting of the Audit and Risk Committee held on 1 September 2023 present fairly the financial position of the Adelaide Central Market Authority, and subject to minor administrative changes and subsequent balance date event adjustments, be certified by the City of Adelaide Chief Executive Officer and the Acting Chair of Adelaide Central Market Authority.
 5. Considers it is appropriate that the representation letter requested by the external auditor of the Adelaide Central Market Authority, contained in Attachment C to Item 5.3 on the Agenda for the meeting of the Audit and Risk Committee held on 1 September 2023 is signed by management.
 6. Notes the Certification of Auditor Independence in relation to Adelaide Central Market Authority, contained in Attachment D to Item 5.3 on the Agenda for the meeting of the Audit and Risk Committee held on 1 September 2023.
 7. Notes the audited Central Market Marketing Fund (CMMF) Financial Statements for 2022-23 as contained in Attachment E to Item 5.3 on the Agenda for the meeting of the Audit and Risk Committee held on 1 September 2023, have been audited and present fairly the position of the CMMF.
 8. Notes the representation letter requested by the external auditor of the Central Market Marketing Fund, contained in Attachment F to Item 5.3 on the Agenda for the meeting of the Audit and Risk Committee held on 1 September 2023, is signed by management.
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IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	Strategic Alignment – Enabling Priorities Regular reporting to the Audit and Risk Committee on the performance of the organisation and its subsidiaries demonstrates good governance and supports sound financial management and decision making that enables Council to achieve financial sustainability.
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 regular monitoring and reporting of Council's performance is a key step in mitigating risk-related events that could impact the delivery of the Strategic Plan and Business Plan and Budget. This includes monitoring the performance of services, business activities, project delivery and the performance of subsidiaries.
Opportunities	Not as a result of this report.
23/24 Budget Allocation	Not as a result of this report.
Proposed 24/25 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.
23/24 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. This report presents Adelaide Central Market Authority (ACMA) audited financial statements for the 2022/23 financial year.
2. ACMA's financial statements are prepared by City of Adelaide (CoA) finance staff and audited by CoA's external auditor (BDO) consistent with the approach taken with CoA's own financial statements.
3. ACMA operates the Central Market Marketing Fund (CMMF) whereby revenue raised from market operators is expended on marketing activities for the Market.
4. Under the *Retail and Commercial Leases Act 1995* (the Act), operation of the CMMF requires the CMMF's Income and Expenditure Statement to be presented and adopted prior to 30 September.
5. The external auditors prepare both the ACMA Financial Statements and the CMMF's Income and Expenditure Statement and both these sets of statements are presented together prior to 30 September.
6. In previous years, the ACMA statements have been presented with the CoA consolidated statements.
7. A change made to ACMA's Charter in 2021 requires presentation of the financial statements to the Audit and Risk Committee (ARC) before being presented to the ACMA Board.
8. Due to the timing of the Audit and Risk Committee meetings for 2023/24, this year the ACMA statements are being presented to ARC on their own to meet the deadline under the Act.
9. The end of year financial result is as follows:
 - 9.1. Operating surplus of \$83,000 (deficit of \$146,000 in 2021/22)
 - 9.2. Total operating income of \$4.775 million (\$4.282 million 2021/22)
 - 9.3. Total operating expenditure of \$4.692 million (\$4.428 million 2021/22)
10. Key highlights in the ACMA financial statements include:
 - 10.1. Delivery of an operating surplus compared to deficit in previous years
 - 10.2. 11.5% growth in revenue primarily from user charges (leasing and recoveries)
 - 10.3. 6.0% increase in costs predominantly from staffing and utilities
 - 10.4. Positive cash flow from operating activities
11. Note that due to the operating surplus, no parent contribution from CoA was required in 2022/23, compared to \$146,000 contributed in 2021/22, and a cumulative contribution of \$795k. Insofar as operations continue to produce surpluses, there is an expectation contributions made to ACMA will be repaid to CoA over time.

Report on Matters Arising from the Audit

12. The external auditor, BDO has completed the audit of the financial statements and provided audit clearance for the Audited Financial Statements subject to:
 - 12.1. Receipt of Knight Frank Type 2 audit report for the year ended 30 June 2023
 - 12.2. Review of events subsequent to 30 June 2023
 - 12.3. Receipt of written management representation on various matters
 - 12.4. Receipt of formally adopted Annual Financial Statements certified by the CEO and the Acting Chair of Adelaide Central Market
13. These are scheduled to be completed subsequent to the Audit and Risk Committee meeting on 1 September 2023.
14. As part of their audit process BDO have tabled their final Annual Completion Report dealing with matters arising from the audit included as Attachment B. This report addresses the following:
 - 14.1. The status of the audit
 - 14.2. Areas of audit focus
 - 14.3. Adoption and impacts of new accounting standards
 - 14.4. Internal controls.
15. The audit was conducted in accordance with the Australian Auditing Standards as required by the Act and provides Council with reasonable assurance that the Financial Statements are free of material misstatement.

16. The report identified no material deficiencies existed in the accounting treatment and disclosures of matters previously identified as significant risks.
17. The audit did not identify any significant deficiencies with internal controls.
18. The audit has concluded that the financial reports of the Adelaide Central Market Authority present fairly, in all material respects, the entities financial position as at 30 June 2023.

DATA AND SUPPORTING INFORMATION

Nil

ATTACHMENTS

Attachment A – Adelaide Central Market Authority General Purpose Financial Statements for the year ended 30 June 2023

Attachment B – Adelaide Central Market Authority Annual Completion Report for year ended 30 June 2023

Attachment C - Adelaide Central Market Audit Representation Letter

Attachment D – Certification of Auditor Independence ACMA

Attachment E - Central Market Marketing Fund Income and Expenditure Statement

Attachment F- Central Market Marketing Fund Audit Representation Letter

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