

Audit and Risk Committee Report - 1 September 2023

Tuesday, 12 September 2023
Council

Strategic Alignment - Enabling Priorities

Program Contact:
Alana Martin, Manager
Governance

Public

Approving Officer:
Michael Sedgman - Chief
Operating Officer

EXECUTIVE SUMMARY

The Audit and Risk Committee's role is to report to Council and provide appropriate advice and recommendations on matters relevant to its Terms of Reference in order to facilitate informed decision making in relation to discharging its legislative responsibilities and duties.

The Audit and Risk Committee is required to report to Council after every meeting. This report presents the outcomes of the Audit and Risk Committee following their meeting on 1 September 2023 (view the public component of the meeting documents at [Agenda for Audit and Risk Committee on Friday, 1st September, 2023, 8.30 am - City of Adelaide](#)).

The Audit and Risk Committee resolved to present recommendations on the following matters to Council for Council determination:

- Item 5.1 - Audit and Risk Committee Terms of Reference
- Item 5.3 - ACMA Audited Financial Statements & Report on Financial Results
- Item 5.4 - Adelaide Aquatic Centre Redevelopment – Prudential Review

RECOMMENDATION

1. **Recommendation 1** – Item 5.1 - Audit and Risk Committee Terms of Reference

THAT COUNCIL

1. Endorses the revised Terms of Reference as Attachment A to Item 5.1 on the Agenda for the meeting of the Audit and Risk Committee held on 1 September 2023 with the following addition:
 - 1.1. Reference to Kadaltilla/ Adelaide Park Lands Authority in item 2.2
2. Authorises the CEO to make any necessary typographical or syntactical revisions to the Terms of Reference for the Audit and Risk Committee.

2. **Recommendation 2** – Item 5.3 - ACMA Audited Financial Statements & Report on Financial Results

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.

3. **Recommendation 3 – Item 5.4 - Adelaide Aquatic Centre Redevelopment – Prudential Review**

THAT COUNCIL

1. Receives the BRM Advisory 'Prudential Report: Adelaide Aquatic Centre Redevelopment' August 2023' as per Attachment A to Item 5.4 on the Agenda for the meeting of the Audit and Risk Committee held on 1 September 2023 as required by the Audit and Risk Committee Terms of Reference. With the following typographical correction:
 - Page 2 Executive Summary and Page 7 of the document from "acquisition" to "disposition"
 - Include the reference to the resolution of Council on 27 June 2023 in relation to the \$20 million contribution
2. Notes that the Strategic Risks raised in the report will be monitored by the Administration through the Strategic Risk and Internal Audit Group.

DISCUSSION

1. The Audit and Risk Committee met on 1 September 2023 and considered the following items:
 - 1.1. Item 5.1 - Audit and Risk Committee Terms of Reference
 - 1.2. Item 5.2 - Q4 Report (advice to be included in report to the City Finance and Governance Committee held on 19 September 2023)
 - 1.3. Item 5.3 - ACMA Audited Financial Statements & Report on Financial Results
 - 1.4. Item 5.4 - Adelaide Aquatic Centre Redevelopment – Prudential Review
 - 1.5. Item 10.1 - Strategic Property Matter – Prudential Report, considered in confidence pursuant to Section 90(3) (b) & (d) of the *Local Government Act 1999 (SA)* (recommendation presented in the confidential Audit and Risk Report presented to this meeting of Council).

Resolutions of the Committee

2. Item 5.1 - Audit and Risk Committee Terms of Reference

THAT THE AUDIT AND RISK COMMITTEE RECOMMENDS TO COUNCIL

THAT COUNCIL

1. Endorses the revised Terms of Reference as Attachment A to Item 5.1 on the Agenda for the meeting of the Audit and Risk Committee held on 1 September 2023 for adoption by Council with the following addition:
 - 1.1 Reference to Kadaltilla/ Adelaide Park Lands Authority in Item 2.2
2. Authorises the CEO to make any necessary typographical or syntactical revisions to the Terms of Reference for the Audit and Risk Committee.
3. The Audit and Risk Committee Terms of Reference have been updated in response to the recommendation of the Audit and Risk Committee. The updated Terms of Reference are provided at Link 2 view [here](#).
4. Item 5.2 - Q4 Report
5. The advice of the Audit Committee will be included in the Q4 report to be presented to the City Finance and Governance Meeting on 19 September 2023

THAT THE AUDIT AND RISK COMMITTEE

1. Notes the 2022-23 Preliminary Financial Position as presented in Attachment A to Item 5.2 on the Agenda for the meeting of the Audit and Risk Committee held on 1 September 2023, which include:
 - 1.1. Total operating income of \$215.454 million (\$213.446 million estimated in Q3)
 - 1.2. Total operating expenditure (including depreciation) of \$213.914 million (\$213.359 million estimated in Q3)
 - 1.3. An operating surplus of \$1.54 million (\$87,000 estimated in Q3)
2. Notes results presented are subject to external audit, and therefore are estimates at this stage.
3. Notes the Capital Works Quarter 4 Review as presented in Attachment A to Item 5.2 on the Agenda for the meeting of the Audit and Risk Committee held on 1 September 2023, which include:
 - 3.1. Major Projects expenditure of \$14.19 million (\$17.1 million estimated in Q3)
 - 3.2. New and Upgrades expenditure of \$4.02 million (\$6.5 million estimated in Q3)
 - 3.3. Renewals expenditure of \$30.12 million (\$38.2 million estimated in Q3)
 - 3.4. Capital Program Management expenditure of \$8.95 million (\$9.8 million in Q3)
 - 3.5. Grant funding to support capital expenditure on new/upgraded assets of \$6.7 million (\$11.7 million in Q3).
4. Notes the Adelaide Central Market Authority Quarter 4 report 2022/23 (Attachment B to Item 5.2 on the Agenda for the meeting of the Audit and Risk Committee held on 1 September 2023).
5. Notes the Adelaide Economic Development Agency Quarter 4 report 2022/23 (Attachment C to Item 5.2 on the Agenda for the meeting of the Audit and Risk Committee held on 1 September 2023).

6. Notes the Kadaltilla / Park Lands Authority Quarter 4 report 2022/23 (Attachment D to Item 5.2 on the Agenda for the meeting of the Audit and Risk Committee held on 1 September 2023).
 7. Notes the Brown Hill Keswick Creek Quarter 4 report 2022/23 (Attachment E to Item 5.2 on the Agenda for the meeting of the Audit and Risk Committee held on 1 September 2023).
 8. Notes that at the end of this Quarter 93% of Projects were capitalised within 10 Weeks, exceeding the 70% target proposed by the Audit and Risk Committee at its meeting of 5 February 2021.
6. Item 5.3 - ACMA Audited Financial Statements & Report on Financial Results

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:
 - 1.4 An operating surplus of \$83,000 (deficit of \$146,000 in 2021/22)
 - 1.5 Total operating income of \$4.775 million (\$4.282 million 2021/22)
 - 1.6 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.
7. Item 5.4 - Adelaide Aquatic Centre Redevelopment – Prudential Review

THAT THE AUDIT AND RISK COMMITTEE RECOMMENDS TO COUNCIL

THAT COUNCIL

1. Receives the BRM Advisory 'Prudential Report: Adelaide Aquatic Centre Redevelopment' August 2023' as per Attachment A to Item 5.4 on the Agenda for the meeting of the Audit and Risk Committee held on 1 September 2023 as required by the Audit and Risk Committee Terms of Reference. With the following typographical correction:
 - Page 2 Executive Summary and Page 7 of the document from "acquisition" to "disposition"
 - Include the reference to the resolution of Council on 27 June 2023 in relation to the \$20 million contribution
2. Notes that the Strategic Risks raised in the report will be monitored by the Administration through the Strategic Risk and Internal Audit Group.

8. The BRM Advisory 'Prudential Report: Adelaide Aquatic Centre Redevelopment' August 2023' has been updated in response to the recommendation of the Audit and Risk Committee. The updated report is provided at Link 3 view [here](#).
9. The following item was considered in confidence pursuant to Section 90(3) (b) & (d) of the *Local Government Act 1999 (SA)*
10. Item 10.1 - Strategic Property Matter – Prudential Report

Confidentiality Order:

That, in accordance with Section 91(7) and (9) of the *Local Government Act 1999 (SA)* and because Item 10.1] listed on the Agenda for the meeting of the Audit and Risk Committee on 1 September 2023 was received, discussed and considered in confidence pursuant to Section 90(3) (b) and (d) of the *Local Government Act 1999 (SA)*, this meeting of the Audit and Risk Committee do order that:

1. The resolution, 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 2030.
2. The confidentiality of the matter be reviewed in December 2024.
3. The Chief Executive Officer be delegated the authority to review and revoke all or part of the order herein and directed.

DATA AND SUPPORTING INFORMATION

Link 1 – Public component of the Audit and Risk Committee Agenda – 1 September 2023

Link 2 – Update Audit and Risk Committee Terms of Reference

Link 3 – Updated City of Adelaide Prudential Report: Adelaide Aquatic Centre Redevelopment August 2023

ATTACHMENTS

Nil

- END OF REPORT -