

His Worship the Mayor
Councillors
CITY OF MARION



**NOTICE OF
AUDIT COMMITTEE MEETING**

Notice is hereby given pursuant to the provisions under Section 83 of the Local Government Act 1999 that a General Council meeting will be held

Tuesday 13 October 2015

Commencing at 3.00 p.m.

In the Council Chamber

Council Administration Centre

245 Sturt Road, Sturt

A copy of the Agenda for this meeting is attached in accordance with Section 83 of the Act.

Meetings of the Council are open to the public and interested members of this community are welcome to attend. Access to the Council Chamber is via the main entrance to the Administration building on Sturt Road, Sturt.

A handwritten signature in purple ink, appearing to read "Adrian Skull", is written over a faint, circular official stamp.

Adrian Skull
CHIEF EXECUTIVE OFFICER

9 October 2015

**CITY OF MARION
AUDIT COMMITTEE AGENDA
FOR THE MEETING TO BE HELD ON
TUESDAY 13 OCTOBER 2015
COMMENCING AT 3.00 PM
CHAMBER, ADMINISTRATION CENTRE
245 STURT ROAD, STURT**



1. OPEN MEETING

2. KAURNA ACKNOWLEDGEMENT

We acknowledge the Kurna people, the traditional custodians of this land and pay our respects to their elders past and present.

3. MEMBER'S DECLARATION OF INTEREST (if any)

4. CONFIRMATION OF MINUTES

Confirmation of the Minutes for the Audit Committee meeting
held 18 August 2015 4

5. BUSINESS ARISING

5.1 Review of the Action Statement & Improvement Plan identifying business
arising from previous meetings of the Audit Committee.....8

6. ELECTED MEMBER REPORT

6.1 Elected Member Communication Report
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Matters for Discussion

Corporate & Financial Management

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AC131015R7.123

7.2 Independence of Council's Auditor for the year ending 30 June 2015
AC131015R7.2 29

7.3 Audited Annual Financial Statements for the year ending 30 June 2015
AC131015R7.3 34

7.4 Debtors Report
AC131015R7.4 193

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AC131015R7.5 200

7.6	Investment Performance 2014/2015 AC131015R7.6	201
7.7	Asset Valuation Process and Outcomes for 2014/2015 AC131015R7.7	207

Risk Management

Program Evaluation

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7.9	Service Review Project Brief AC131015R7.9	219

8. CONFIDENTIAL ITEMS

Nil

9. ANY OTHER BUSINESS

10. MEETING CLOSURE

The Audit Committee meeting shall conclude on or before 6.00 pm unless there is a specific motion adopted at the meeting to continue beyond that time.

11. NEXT MEETING

The next meeting of the Audit Committee is scheduled to be held on:

Time: 3.00pm

Date: Tuesday, 15 December 2015

Venue: Chamber, Administration Building, 245 Sturt Road, Sturt

**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT THE ADMINISTRATION CENTRE
245 STURT ROAD, STURT
ON TUESDAY 18 AUGUST 2015**



PRESENT

Mr Greg Connor (Chair), Mr Lew Owens, Ms Kathryn Presser, Councillor Tim Pfeiffer

In Attendance

Mr Geoff Whitbread	Acting Chief Executive Officer
Ms Kathy Jarrett	Director
Ms Kate McKenzie	Manager, Governance
Mr Ray Barnwell	Manager Finance
Ms Sherie Walzac	Unit Manager Risk
Ms Fiona Harvey	Manager Strategy
Mr Kyffin Thompson	BDO

1. OPEN MEETING

The meeting commenced at 4.01 pm. The Chair welcomed all those present to the meeting.

2. KAURNA ACKNOWLEDGEMENT

We begin by acknowledging the Kurna people, the traditional custodians of this land and pay our respects to their elders past and present.

3. MEMBERS DECLARATION OF INTEREST

The Chair asked if any Member wished to disclose an interest in relation to any item being considered at the meeting. No interests were disclosed.

4. CONFIRMATION OF MINUTES

Moved Ms Presser, Seconded Councillor Pfeiffer that the minutes of the Audit Committee meeting held on 15 June 2015 be confirmed as a true and correct record of proceedings.

The Committee requested that the minutes reflect suggestions of the Committee as actions, to monitor progress.

Carried

5. BUSINESS ARISING

The statement identifying business arising from previous meetings of the Committee was reviewed and progress achieved against identified actions was noted.

Confirmation was sought regarding the deferral of the Valuation Report to the October 2015 Meeting. The Committee was advised that the delay had occurred as the valuation process is connected to a change in accounting standards for the residual values of the assets. Clarity was sought from Council's external auditor who advised that no change was required for the 2014/15 financial year but the valuation process would require change for 2015/16.

The Committee also queried the process regarding improvements to previously upgraded buildings/assets and how this is built into the valuation process, to ensure Council complies with the requirements of the Auditor General.

Advice was provided that these matters are addressed through the physical and desk top valuation process and reviewed via the external audit.

Action: The Audit Committee requested that the process regarding how further improvements to buildings/assets are captured be reported to the next Audit Committee Meeting.

6.1 Elected Member Representative Report to Audit Committee Report Reference: AC180815R6.1

Councillor Pfeiffer provided further detail to the written report confirming that Council had now set its budget with an average rate increase of 2.9% and achieved a \$3.2m savings with no impact on current service delivery outcomes. Council had also looked to the future and had adopted a 2.75% p.a. average rate increase over the course of the long term financial plan.

Council has also achieved a reduction in employee costs and has adopted an assumption of 2% employee cost increase per annum over the next 10 years.

Councillor Pfeiffer indicated that the asset management plans had been adopted and were now out to public consultation. The consultation was due to conclude at the end of August 2015.

Councillor Pfeiffer invited comment from other Elected Members in the gallery who confirmed that Council was making good progress on its goals.

The Committee noted the report.

7. REPORTS

CONFIDENTIAL ITEM

Program Evaluation

Meeting with Program Evaluation Service Provider (BDO) (in Confidence) Ref No: AC180815F8.1

Moved Mr Owens, seconded, Ms Presser, that this matter be considered in confidence under Section 90(2) and (3 (g) of the Local Government Act 1999 and orders that all persons present with the exception of Mr Kyffin Thompson (BDO) and Councillors Bryam and Telfer be excluded from the meeting as the Committee meets with the Council's program evaluation service provider, in order to ensure that the Council does not breach any law, order or direction of a court or tribunal by law, any duty of confidence or other legal obligation or duty.

Carried

4.15pm All staff and members of the public left the meeting and the meeting moved into confidence.

4.50pm the meeting came out of confidence.

The Audit Committee requested that the following comments be recorded within the minutes.

The Committee and Elected Members had a general discussion with the internal auditor and service review provider with regard to the provision of both services. There were no major issues identified.

Risk Management

Insurance Claims Management Activity Report Report Reference: AC180815R7.1

The Unit Manager Risk provided an overview of the report indicating that the number of vehicle incident reports had increased over the last period. This had been attributed to the introduction of an online reporting tool. Although the incident reports had increased, the claims loss value had decreased from the previous year.

The Committee queried the number of incidents suggesting that 136 seemed high and asked what corrective measures had been undertaken? Clarity was provided that the claims relate to any incident where a registered motor vehicle is involved (e.g. damage to Telstra cables by backhoe, stone from a mower). Driver safety training was provided by SAPOL in 2009 and update sessions have occurred through staff meetings.

The Committee queried if driver safety training or defensive driving could provide some benefit for staff that drive corporate vehicles. It was agreed this would be investigated.

The Committee noted that alcohol and other drugs training was occurring and queried if this was reactive or proactive? Confirmation was provided that this was a proactive program.

The Committee noted that 9 asset claims had been received and queried why some incidents had costs allocated to them. It was advised that this occurred when an incident was under the excess and therefore paid direct by Council. For example, a white ant incident was paid direct by the City of Marion and not submitted to the insurer.

The Committee discussed that road/path trips and falls continue to be prevalent. The Committee suggested that some further analysis of the claims would be beneficial to determine if this data would influence the risk management plans.

Action:

- **Investigate if the cost and benefit of driver safety training or defensive driving could provide some benefit for staff that drive corporate vehicles.**
- **Complete further analysis on the claims data to determine any area with high incidents and how the claims data can influence the risk management plans.**

8. CONFIDENTIAL ITEMS

Program Evaluation

Internal Audit & Service Reviews – Tender Assessment Report Reference: AC180815F8.2

Moved Councillor Pfeiffer, Seconded Ms Presser that pursuant to Section 90(2) and (3)(k) of the Local Government Act 1999 the Committee orders that all persons present, with the exception of the following persons Councillors Telfer and Byram, Geoff Whitbread (Acting Chief Executive Officer), Kathy Jarrett (Director), Kate McKenzie (Manager Governance), Heather Falckh (Manager Organisational Excellence), Fiona Harvey (Manager Strategy) and Ray Barnwell (Manager Finance) be excluded from the meeting as the Committee receives and considers information relating to the tender for the provision of Internal Audit and Service

Review Services upon the basis that the Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to a tender for the provision of services to the City of Marion.

Carried

5.06 pm the meeting went into confidence

5.31 pm the meeting came out of confidence

9. ANY OTHER BUSINESS

Moved Mr Owens, Seconded Ms Presser that in accordance with Section 91(7) and (9) of the Local Government Act 1999 the Committee orders the minutes arising from this item be considered in confidence under Section 90(2) and (3)(b) to ensure no commercial advantage on a person with whom the Council may conduct business and be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the December 2015 Council meeting.

Carried

10. MEETING CLOSURE

The meeting was declared closed at 5.45 pm

10. NEXT MEETING

The next meeting of the Audit Committee is scheduled to be held on:

Time: 3.00 pm - 6.00 pm

Date: 13 October 2015

Venue: Chamber, Administration Building, 245 Sturt Road, Sturt

.....
CHAIRPERSON

/ /

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
1.	16 December 2014	BDO Project Management Report to be presented to the April Audit Committee Meeting	Manager, Strategy	April 2015	This report is included on the agenda for 13 October 2015. This item is now complete	October 2015
2.	14 April 2015	Information be provided to the Committee regarding how postponed rates debts are reflected in the annual accounts. That a debtors aging report is presented to the Committee as a summary report once per year in line with the end of year accounts.	Manager Finance	Oct 2015	This report is included on the agenda for 13 October 2015. This item is now complete	Oct 2015
3.	18 August 2015	Valuations of Buildings and Assets **See Annual Work Program** The Audit Committee requested that the process regarding how further improvements to buildings/assets are captured be reported to the next Audit Committee Meeting (August 2015)	J Silverblade	18 August 2015	This report is included on the agenda for 13 October 2015. This item is now complete	October 2015
4.	18 August 2015	Investigate if the cost and benefit of driver safety training or defensive driving could provide some benefit for staff that drive corporate vehicles. Complete further analysis on the claims data to determine any area with high incidents and how the claims data can influence the risk management plans.	S Walczak	December 2015	Three driver safety training sessions have been booked for December. These sessions will be presented by SAPOL covers a number of topics including: <ul style="list-style-type: none"> • The Australian Road Rules • Choices, risks and consequences of being a road user • Road crash statistics and causes • Speeding, inattention, fatigue, seat belts, dangerous drivers, drink and drug driving. 	December 2015

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
					This item can be completed	
5.	13 October 2015	LGA MLS Risk Review **See Annual Work Program**	S Walczak	October 2015	This item was due to be presented to this meeting. To date, only a preliminary report has been received. Further discussion needs to occur with the LGA MLS and will be reported to the December 2015 Audit Committee Meeting	December 2015

* completed items to be removed are shaded

SCHEDULE OF MEETINGS 2015			
Day	Date	Time	Venue
Tuesday	14 April 2015	3.00 – 6.00 pm	Administration Centre
Monday	15 June 2015	3.00 – 6.00 pm	Administration Centre
Tuesday	18 August 2015	4.00 – 6.00 pm Followed by 7.00 – 9.00 pm (Joint workshop with Council and the Strategic Directions Committee)	Administration Centre
Tuesday	13 October 2015	3.00 – 6.00 pm	Administration Centre
Tuesday	15 December 2015	3.00 – 6.00 pm	Administration Centre

INDICATIVE AUDIT COMMITTEE WORK PROGRAM - 2015

TUESDAY, 14 April 2015

Topic	Action
Outcomes and Action Plan for Audit Committee	Review and Feedback
Annual Business Plan and Budget 2015/16	Review and Feedback
Corporate Risk Profile	Review and Feedback
Asset Management Plans & Associated Policies – Update	Review and Feedback
Community Facilitates Partnership Program	Review and Feedback
Acquisition and Disposal of Land/Assets	Review and Feedback
Program Evaluation (Internal Audit Tender)	Review and Feedback
Outstanding Debtors Report	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Note

MONDAY, 15 June 2015

Topic	Action
Outcomes and Action Plan for Audit Committee	Review and Feedback
Audit Engagement for the Year Ending 30 June 2015	Review and Recommendation to Council
Draft Annual Business Plan and Budget (after public consultation) & Draft Long Term Financial Plan	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Note
Annual Review of WHS Program	Review and Feedback
Asset Management Plans – Final Draft	Review and Feedback

TUESDAY, 18 August 2015

Topic	Action
Outcomes and Action Plan for Audit Committee	Review and Feedback
Annual Claims and Insurance Renewal Report	Review and Feedback
Valuations of Buildings and Assets	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Note
Meeting with internal auditors in camera	Seeking feedback from Auditors

TUESDAY, 13 October 2015

Topic	Action
Outcomes and Action Plan for Audit Committee	Review and Feedback
Audit Committee Annual Report to Council	Review and Refer to Council
Independence of Council's Auditor for the year end 30 June 2015	Review and Recommendation to Council
Audited Annual Financial Statements for the year end 30 June 2015	Review and Recommendation to Council
Meeting with external auditors in camera	Seeking feedback from Auditors
Program Evaluation (Scopes and Reports)	Review and Notes
LGA MLS Risk Review **see actions arising statement**	Review and Feedback
Investment Performance 2014/15	Noting

Tuesday, 15 December 2015

Topic	Action
Outcomes and Action Plan for Audit Committee	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Feedback
Corporate Risk Profile	Review and Feedback
Work Program and Meeting Schedule 2016	Review and Feedback
Long Term Financial Plan – Half yearly update	Review and Feedback
Ombudsman SA Annual Report 2014-15	Review and Feedback

	Identified Improvement Opportunity (Audit Committee Effectiveness Survey)	Identified Improvement Activity	Responsible Officer	Original Due Date	Revised Due Date	Status	Completed

The Committee agreed at its meeting of 29 July 2014 to completed/remove the remaining item from the improvement plan. There are currently no outstanding items on the Audit Committee Improvement Plan.

**CITY OF MARION
AUDIT COMMITTEE MEETING
13 OCTOBER 2015**

Originating Officer: Kate McKenzie, Manager Governance
Councillor Tim Pfeiffer

Subject: Elected Member Representative Report to Audit Committee

Report Reference: AC131015R6.1

REPORT OBJECTIVE:

Section 4.19 of the Audit Committee Policy states *“where the Council makes a decision relevant to the Audit Committees Terms of Reference, the Elected Member Representative will report the decision to the Audit Committee at the next Committee meeting and provide any relevant context”*.

EXECUTIVE SUMMARY:

Since the last Audit Committee meeting on 18 August 2015, Council has held three (3) General Council meetings being the 25 August, 8 September and 22 September. At these meetings, the Council made the following decisions that relate to the Audit Committee Terms of Reference:

- Council appointed KPMG as the Internal Auditor at its meeting of 22 August
- At its meeting on the 9th and 22nd September, Council adopted a new Committee structure pursuant to section 41 of the *Local Government Act 1999*, comprising of:
 - Finance and Audit Committee (current Audit Committee)
 - Strategy Committee
 - People and Culture Committee
 - Urban Planning Committee
 - Infrastructure Committee

The new Finance and Audit Committee Policy and Terms of Reference are attached as **Appendix 1** to this report. The changes are minimal and include:

- The change in name from the Audit Committee to the ‘Finance and Audit Committee’
- The elected member representative has changed from one to two.
- The quorum has changed from two to three being one elected member and two expert representatives.
- The format of the Terms of Reference has changed to be consistent with the other committees.

During the meeting on 22 September 2015, Council also:

- Re-appointed Mr Lew Owens to the Finance and Audit Committee for a further three years until November 2018.
- Confirmed the sitting fees for the Finance and Audit Committee at \$1000 per meeting for expert members and \$1200 per meeting for the presiding member.

The two elected member representatives will be appointed at the 13th October 2015 Council Meeting to commence at the 15 December 2015 Finance and Audit Committee Meeting.

- At its meeting on 8 and 22 September 2015, Council endorsed development of a funding application to Round 3 of the Federal Government's National Stronger Regions Fund in support of the Edwardstown Oval redevelopment. Council authorised a costed concept plan to be developed on the basis of building and various ground improvements to a financial target of \$7 - \$8 million

The actions to be undertaken include:

- The development of costed concept plans,
- The calling of a select tender to engage architectural, civil engineering, landscape architecture and cost management services.

Council approved funding of up to \$135,000 for the necessary additional staff resources and specialist consultants required to develop a concept plan and a comprehensive NSRF submission.

Due to the value of the project, a prudential report will be required to be prepared pursuant to section 48 of the *Local Government Act 1999* and considered by the Audit Committee during the course of the project development.

RECOMMENDATION (1)

DUE DATE

The Audit Committee note the report.

October 2015

FINANCE AND AUDIT COMMITTEE POLICY



1. Establishment

- 1.1 Pursuant to section 41 of the *Local Government Act 1999* (the Act) the Council has established a Finance and Audit Committee to operate as an independent and objective advisory Committee to Council.
- 1.2 Section 59 of the *Local Government Act 1999* provides that the role of members of Councils includes a responsibility to keep the council's:
 - Objectives and policies under review to ensure that they are appropriate and effective.
 - Resource allocation, expenditure and activities, and the efficiency and effectiveness of its service delivery under review.

2. Objectives

- 2.1 The primary objective of the Finance and Audit Committee is to add value through the provision of advice to ensure that the resources of the City of Marion are being used efficiently and effectively. It will assist Council accomplish its objectives by contributing to a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.
- 2.2 As part of Council's governance obligations to the community, Council has constituted the Finance and Audit Committee to facilitate:
 - 2.2.1 Oversight of relevant activities to facilitate achieving the City of Marion's objectives in an efficient and orderly manner.
 - 2.2.2 Enhancing the credibility and objectivity of internal and external financial reporting.
 - 2.2.3 Effective management of risk and the protection of Council assets.
 - 2.2.4 Compliance with laws and regulations as well as use of best practice guidelines.
 - 2.2.5 The effectiveness of the service reviews function and maintaining a reliable system of internal control.
 - 2.2.6 The provision of an effective means of communication between the external auditor, service reviews provider, management and Council.
 - 2.2.7 The City of Marion's ethical development.

3. MEMBERSHIP

- 3.1 The Finance and Audit Committee will comprise five members:
 - (i) Two Elected Members (who are not the Mayor)
 - (ii) Three external expert members.

Elected Member Representative

- 3.2 Ideally, the Elected Members on this Committee will have experience in business, legal, audit or financial management / reporting knowledge and experience.
- 3.3 Appointment of the Elected Members to this Committee will be made by Council on a rotational basis, as resolved from time to time. Council may resolve to re-appoint the Elected Members on this Committee for consecutive terms.
- 3.4 No additional allowance will be paid to the Elected Member representative over and above the allowance already received by the Elected Member.
- 3.5 If required, training and development will be sourced and provided to the Elected Member Representatives on matters/subjects within the Finance and Audit Committee Terms of Reference.

External Expert Members

- 3.6 External expert members will have senior business, legal, audit knowledge and experience, and be conversant with the local government environment.
- 3.7 At least one external expert member will have expertise and knowledge in financial management/reporting.
- 3.8 In accordance with sections 5.20 and 5.22 of the People and Culture Committee Terms of Reference, the People and Culture Committee will source and recommend to Council the appointment of the expert members on a Council committee.
- 3.9 Appointment of external representatives will be made by Council for a term to be determined by Council. To ensure succession planning for the Committee, the terms of appointment should be arranged on a rotational basis and continuity of membership despite changes to Council's elected representatives. Council may resolve to re-appoint an external expert member for consecutive terms.
- 3.9 If Council proposes to remove an expert member from the Committee, it must give written notice to the expert member of its intention to do so and provide that expert member with the opportunity to be heard at a Council meeting which is open to the public, if that expert member so requests.
- 3.10 Remuneration will be paid to each expert member of the Committee to be set by Council from time to time. At a minimum, the remuneration paid to expert member will be reviewed within 12 months from the date of a Council (periodic) election. The basis will be a set fee per meeting, with an additional amount paid to the Chairperson.

4. BASIS FOR OPERATION

- 4.1 The Finance and Audit Committee is a formally constituted Committee of Council pursuant to Section 41 of the *Local Government Act 1999* and is responsible to Council. The Committee does not have any delegations or authority to implement actions in areas over which the Chief Executive Officer has responsibility. The Committee does not have any management functions and is therefore independent of management.
- 4.2 The Committee's role is to report to Council and provide appropriate advice and recommendations on matters relevant to this Policy and the Committee's Terms of Reference in order to facilitate decision-making by Council in relation to the discharge of its responsibilities.

- 4.3 The City of Marion considers that the ability of the Finance and Audit Committee to operate in a manner that adds value and also maintain independent judgement is vital. As such, the City of Marion has based this Policy on the ASX Principles of Good Corporate Governance and the Australian Standard AS 8000-2003 Good Governance Principles.
- 4.4 A Finance and Audit Committee Terms of Reference will outline the scope of the Committee's review activities. The Finance and Audit Committee Terms of Reference will be subject to Council adoption.
- 4.5 Council or the Chief Executive may refer any matter to the Finance and Audit Committee within its Terms of Reference.
- 4.6 The Chairperson of the Committee shall be appointed from the external representatives of the Committee by the Finance and Audit Committee. In the absence of the appointed Chairperson from a meeting, the meeting will appoint an acting Chairperson from the external members present.
- 4.7 A quorum shall be three members – 1 Elected Member and 2 Expert Members.
- 4.8 The Finance and Audit Committee, through the Chief Executive Officer, may seek information or obtain expert advice on matters of concern within the scope of its responsibilities.
- 4.9 The Chief Executive Officer will attend all meetings on an ex-officio basis, except when the Committee chooses otherwise. Other Elected Members or staff may be invited to attend at the discretion of the Committee to advise and provide information when required.
- 4.10 The Finance and Audit Committee will review its performance on a bi-annual basis to ensure the continual improvement to its performance.
- 4.11 Representatives of the external auditor will be invited to attend meetings at the discretion of the Committee, but must attend meetings at which there will be consideration of the annual financial report and results of the external audit.
- 4.12 The Finance and Audit Committee will meet with both the external auditor and service review provider without management present at least once a year.
- 4.13 **The Chief Executive Officer will ensure appropriate support is provided to Committee.**

Meetings

- 4.14 The Committee shall meet at least quarterly.
- 4.15 The time and place for the conduct of meetings will be determined by the Committee provided that all meetings will be held in a public environment within a City of Marion building.
- 4.16 The Committee will consider and determine its own meeting practice, processes and procedures within the parameters of the Local Government Act 1999 and the Local Government (Procedures at Meetings) Regulations 2000.
- 4.17 An annual schedule of meetings will be developed and agreed to by the Committee members. This schedule of meetings will include at least one joint workshop with the Council and the Committee.

- 4.18 Additional meetings shall be convened at the discretion of the Chairperson, or at the written request of Council or any member of the Committee, service review provider or external auditor.

Reporting

- 4.19 A copy of all agenda and reports forwarded to the Finance and Audit Committee will also be forwarded to Elected Members for information prior to the conduct of the Finance and Audit Committee meeting.
- 4.20 The minutes of each Finance and Audit Committee Meeting, shall be forwarded (as soon as practicable after the meeting) to a General Council meeting.
- 4.21 Where the Finance and Audit Committee makes a recommendation to Council on a matter within the scope of its Terms of Reference, the matter will be listed as a separate agenda item for consideration by Council at the next General Council meeting that is not being held on the same day as the Audit Committee meeting. An Elected Member Representative on the Committee will inform the Council during the Council meeting of the recommendation and any provide any relevant context.
- 4.22 Where the Council makes a decision relevant to the Committee's Terms of Reference, an Elected Member Representative will report the decision to the Committee at the next Committee meeting and provide any relevant context.
- 4.23 The Committee shall report annually to the Council summarising the activities of the Committee during the previous year.

Authority

- 4.24 The Committee is authorised to seek any information it requires from any employee of the Council (after advising the CEO) in order to perform its duties.
- 4.25 The Committee is authorised, at the Council's expense, (after consultation with the CEO) to obtain outside legal or other professional advice on any matter within its terms of reference.

5. RESPONSIBILITIES / COMMITMENT

Council:

- 5.1 Establish a Finance and Audit Committee to add value and improve the City of Marion's operations.
- 5.2 Appoint 2 Elected Members and 3 external experts as members of the Finance and Audit Committee.
- 5.3 Determine appropriate levels of remuneration to be paid to the external expert members on the Finance and Audit Committee.
- 5.4 Adopt the Terms of Reference of the Finance and Audit Committee.
- 5.5 Receive and review reports from the Finance and Audit Committee and monitor that effective controls have been implemented.
- 5.6 Periodically review the effectiveness of the Finance and Audit Committee.

Finance and Audit Committee:

- 5.7 Undertake all responsibilities as identified in the Finance and Audit Committee Policy and Terms of Reference with respect to financial management, risk management, internal controls, financial reporting and other accountability and governance processes.
- 5.8 Report to Council outcomes from Finance and Audit Committee meetings.
- 5.9 Make recommendations to Council regarding risk management and audit outcomes.

Elected Member Representatives

- 5.10 Act as a conduit of information between Council and the Committee, and the Committee and Council.
- 5.11 Raise matters (within the scope of the Audit Committee Terms of Reference) with the Audit Committee, on behalf of Council.
- 5.12 Provide a verbal report to Council on the key matters and recommendations within the Committee meeting, when the minutes and / or Committee recommendation reports, are presented to Council for adoption.
- 5.13 Provide a report to the Committee on any Council decisions or discussions that are relevant to the Committee's Terms of Reference.

Chief Executive Officer:

- 5.14 Ensure appropriate support is provided to the Finance and Audit Committee.

Adopted by Council:	22 September 2015
Next Review:	December 2016
Previous Version:	25 November 2014 (GC251114R06) 11 March 2013 (GC110314R02) 27 September 2011 (GC270911R09) 9 December 2008 (GC091208R18) 28 November 2006 (GC281106R05)
Owner:	Manager Governance
Applicable Legislation:	Local Government Act 1999
Other related References:	City of Marion Risk Management Policy (GC120313R01) City of Marion Audit Committee Terms of Reference Australian Standard AS 8000-2003 Good Governance Principles

FINANCE AND AUDIT COMMITTEE TERMS OF REFERENCE



OBJECTIVES

The primary objective of the Finance and Audit Committee is to add value through the provision of advice to ensure that the resources of the City of Marion are used efficiently and effectively. It will assist Council to accomplish its objectives by contributing to a systematic and disciplined approach to evaluating and improving the effectiveness of financial management, risk management, internal controls, and governance processes through the following activities:

1. External Audit

- 1.1 Review and recommend for endorsement by Council the engagement of the City of Marion's external auditor. The review should look to satisfy Council that the provider of external audit services can demonstrate adequate independence from the operations of the City of Marion.
- 1.2 Critically analyse and follow up any external audit report that raises significant issues relating to risk management, accounting, internal controls, financial reporting and other accountability or governance issues. Review management's response to, and actions taken as a result of, issues raised.
- 1.3 Liaise with the City of Marion's external auditor including discussion on:
 - a) The scope and planning of annual audits.
 - b) Any issues arising from audits, including any management letter issued by the auditor and the resolution of such matters.
- 1.4 Recommend to Council, if considered appropriate, that the external auditor, or some other person suitably qualified in the circumstances, examine and report on any matter related to financial management, or the efficiency and economy with which the City of Marion manages or uses its resources to achieve its objectives, that would not otherwise be addressed or included as part of the annual audit (under Div. 4 of Part 3 of Ch. 8 of the Act).

2 Internal Audit and Service Reviews

- 2.1 Review and recommend for endorsement by Council the engagement of the City of Marion's internal audit and service review provider. The review should look to satisfy Council that the provider of the services can demonstrate adequate independence from the operations of the City of Marion.
- 2.2 Review, and provide information relevant to, the scope of the internal audit and service review programs, including whether the program systematically addresses:
 - Internal controls over significant risk, including non-financial management control systems.

- Internal controls over revenue, expenditure, assets and liability processes.
 - The efficiency, effectiveness and economy of significant Council programs and activities.
 - Compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements,
 - Whether employees have sufficient competencies (facilitated by up to date training) to enable them to fulfil their roles.
 - A review of the City of Marion's strategic management plans and annual business plans to ensure appropriate allocation of resources necessary to achieve the objectives of the plans.
- 2.3 Critically analyse and follow up any internal audit or service reviews report that raises significant issues and review management's response to, and actions taken as a result of issues raised.
- 2.4 Review the appropriateness of special assignments undertaken by the internal audit and service reviews provider at the request of the Chief Executive.
- 2.5 Review the level of resources allocated to service review and the scope of its services and authority.
- 2.6 Facilitate liaison between the internal audit/service review provider, and external auditor to promote compatibility, to the extent appropriate, between their programs.

3. Service Reviews

- 3.1 Review and provide advice on service reviews, and in particular:
- a) the scope of the review before it is commenced
 - b) input into the questions to be asked and the data to be collected and analysed
 - c) comment on all draft service review reports before the final report is presented to Council.

4. Financial Reporting and Prudential Requirements

- 4.1 Review Council's annual financial statements to ensure that they present fairly the state of affairs of the City of Marion, including focus on:
- Accounting policies and practices and any changes to them.
 - The process used in making significant accounting estimates.
 - Significant adjustments to the financial report (if any) arising from the audit process.
 - Compliance with accounting standards and other reporting requirements.
 - Significant variances from prior years.
- 4.2 Provide comment on the assumptions underpinning Council's Strategic Management Plans (Strategic Plan, Annual Business Plan, Budget and Long Term Financial Plan), the consistency between plans, and the adequacy of Council's plans in the context of maintaining financial sustainability.

- 4.3 Recommend adoption of the annual financial statements to Council. Review any significant changes that may arise subsequent to any such recommendation but before the financial report is signed.
- 4.4 Review the recommendations of business cases developed by Management in association with significant activities or major projects. Such reviews should have regard to the requirements of Section 41 of the *Local Government Act 1999* which relates to prudential requirements for certain activities.

5. Internal Controls and Risk Management Systems

- 5.1 Review the City of Marion's annual Risk Profile and monitor the risk exposure of Council. Review risk management processes and management information systems.
- 5.2 Review the adequacy of the accounting, internal control, reporting and other resource and financial management systems and practices of the City of Marion on a regular basis.

6. Other

- 6.1 Where Council has exempted a subsidiary from the requirement to have an audit committee, undertake the functions that would have been performed by the subsidiary's audit committee.
- 6.2 Monitor ethical standards and conflicts of interest by determining whether the systems of control are adequate.
- 6.3 Address issues brought to the attention of the Committee, including responding to requests from Council or the Chief Executive for advice that are within the parameters of this Terms of Reference.
- 6.4 Make recommendations to the Council to amend these Terms of Reference if the Committee forms the opinion that such amendments are necessary to improve its performance.
- 6.5 Review the Committee's performance on a bi-annual basis using performance indicators developed for that purpose.

Adopted by Council:	22 September 2015
Next Review:	September 2017
Previous Version:	25 November 2014 (GC251114R06) 27 September 2011 (GC270911R09) 9 December 2008 (GC091208R18) 28 November 2006 (GC281106R05)
Owner:	Manager Governance
Applicable Legislation:	Local Government Act 1999
Other related References:	City of Marion Risk Management Policy (GC120313R01) City of Marion Audit Committee Policy Australian Standard AS 8000-2003 Good Governance Principles

**CITY OF MARION
AUDIT COMMITTEE MEETING
13 OCTOBER 2015**

Originating Officer: Kate McKenzie, Manager Governance

Director: Kathy Jarrett

Subject: Audit Committee Annual Report to Council 2014/15

Report Reference: AC131015R7.1

REPORT OBJECTIVES:

Clause 4.23 of the Audit Committee Policy provides that the Audit Committee shall report annually to the Council on its operation and activities during the previous financial year. This report provides an important communication tool with Council in addition to the minutes received after each meeting.

EXECUTIVE SUMMARY:

Provided at **Appendix 1** is a draft Audit Committee Annual Report to Council for 2014/15 that provides information against the requirements outlined in the Audit Committee Policy and Terms of Reference. This report focuses on the Committee's operations from 1 July 2014 to 30 June 2015.

Feedback is now sought from the Committee as to the content of the report prior to its submission to Council at the 27 October 2014 General Council meeting.

RECOMMENDATION

DUE DATES

That the Audit Committee

- 1. Endorses the Annual Report to Council for 2014/15 provided at Appendix 1 to this report, subject to amendments as required, prior to being presented to Council at the 27 October 2015 General Council meeting.**

Oct 2015

APPENDIX 1

REPORT TO THE CITY OF MARION COUNCIL ON THE OPERATIONS OF THE AUDIT COMMITTEE FOR 2014/15

INTRODUCTION

This report provides an overview of the City of Marion Audit Committee operations for 2014/15.

Clause 4.23 of the Audit Committee Policy provides that the Audit Committee shall report annually to the Council on its operation and activities during the year. This report includes:

- Key discussion points from Committee meetings for Council to note;
- A summary of the work the Committee performed during the year aligned to the Committee's Terms of Reference;
- A summary of the Committee's assessment of the City of Marion's risk and control framework;
- Details of meetings, including the number of meetings held during the period, and the number of meetings attended by each member;
- Advising future work scheduled for 2015/16;

The report is intended to invite comment from the Council on all of the above.

KEY DISCUSSION POINTS FOR COUNCIL TO NOTE

From the 2014/15 financial year, the key points that the Audit Committee would like Council to note are;

Annual Business Plan and Budget & Long Term Financial Plan

The Audit Committee highlighted early within this financial year that the likelihood of financial regulations for rate capping in Local Government was high. This provides an opportunity for the City of Marion to be sector leaders and adopt a sustainable rate increase closer to CPI. The draft Annual Business Plan and Budget for 2015/16 was considered by the Committee in conjunction with the LTFP and the following key points were raised:

- A consistent rate increase is preferable over the course of the Long Term Financial Plan as this avoids uncertainty and improves sustainability for rate payers.
- Long Term Financial sustainability should be the focus.
- Productivity improvements and efficiency gains would allow more to be done with fewer resources.
- A lower rate increase would be prudent.
- It would be unwise to reduce the rate knowing that it would create a forecast deficit in the future years without knowing the fiscal impact and assumptions used in modelling.

At its June 2015 meeting, the Committee congratulated the City of Marion on the savings achieved and acknowledged that Council set the rate for 2015/16 at 2.9%. The Committee did however caution the Council about the assumptions within the LTFP as these may create challenges in the future and further reviews should be considered.

Asset Management Framework and Plans

The development and implementation of the Asset Management Framework and Plans was closely monitored by the Audit Committee throughout 2014/15. The Committee provided oversight and direction regarding the Asset Management Policy which places a priority on maintenance before renewal and renewal of assets before acquisition of new or upgrade of existing assets where it is costs effective to do so. The Committee was pleased to see that Asset Management Plans were in final draft by the end of the financial year and ready for community consultation. The Committee did note the funding shortfall of \$10.2m in the LTFP which was highlighted as a best case scenario and suggested Council needs to regularly review this figure to ensure that any funding gaps are identified.

It is noted community consultation has been undertaken and that the outcomes are planned to be brought to Council during the 2015/16 financial year.

Significant Organisational Change

The Committee has noted the significant organisational change during the 2014/15 financial year with the Local Government Elections held in November 2014. This meant a change in Mayor and seven (7) new Councillors being elected. Former Chief Executive Officer, Mark Searle resigned in March 2015 which created a change in key personnel. The Committee observed the organisation responded well to this change period.

SUMMARY OF WORK PERFORMED DURING THE YEAR

Significant items brought before the Committee for consideration during the year included:

External Audit 2013/14

- The 2013/14 external audit was completed in accordance with the Australian Auditing Standards. No contraventions of the *Local Government Act 1999* were identified, and a unqualified audit opinion was given by Deloitte's identifying that:
 - The City of Marion financial report provides a true and fair view of the Council's financial position as at year end 2013/14.
 - Council would receive an unqualified audit opinion for the 2013/14 financial year with respect to the effectiveness of its internal control environment and Council's compliance with section 125 of the *Local Government Act 1999*.
 - The auditors did not note any issues regarding fraud (concerning an employee or management), there were no uncorrected misstatements or any uncorrected disclosure deficiencies in the financial statements.
- Key focus areas of the audit included infrastructure, property, plant and equipment and ensuring that major project spends were appropriately capitalised. The Auditors noted that the fair value of the assets as at 30 June 2014 was appropriately determined and disclosed. The Committee is now working on the end of financial year audit for the 2014/15 financial year.
- Other associated items received by the Audit Committee included Council's investment performance, Council Reserve Funds and confirmation of the on-going independence of Council's auditor.
- The Audit Committee met with Council's external Auditors in the absence of management. The Committee also met with the Internal Auditors without management being present. In both instances, both sets of auditors reported no significant issues regarding management.

Financial Reporting and Prudential Requirements

- The Committee requested that a body of work be completed regarding the financial indicators currently used by Council. It was suggested that a more holistic approach be applied that looked beyond the operating statement. Three new indicators were introduced being Working Capital Ratio (Quick Ratio), Debt Service Coverage Ratio and Operating Cash Flow Average Ratio.
- The Committee requested and reviewed a debtors and debt collection report noting that debtors are split into two categories being sundry and rates. The Committee recommended that an ageing debtors report is presented to Council and Audit Committee at least once per year. It is noted that the reporting of ageing debtors on a monthly basis to Council has now been implemented.
- The Audit Committee did not consider any prudential reports pursuant to section 48 of the Local Government Act 1999 in the 2013/14 financial year.

Asset Management

- The Committee reviewed the Community Facilities Partnership Program (CFPP) noting that the provisions set aside for this program were for building renewal. It was noted that the CFPP funding is now quarantined as part of the Asset Sustainability Reserve and the funds can only be accessed via Council resolution. It was noted that discipline needed to be applied by Council when accessing these funds to ensure used for building renewal.
- The Committee reviewed and recommended that Council adopt the Acquisition and Disposal of Land Assets Policy.

Internal Audit & Service Reviews

- The Committee noted that Internal Audit and Service Reviews would be tendered in the 2014/15 financial year.
- A number of scopes and reports were considered by the Committee which included both mandatory and discretionary service reviews as well as a series of core assurance audits.
- Various service review scopes and reports included:
 - Employer of Choice
 - Contractor Management
 - GST and FBT health check
 - Grant Management and Funding to the Community

Internal Controls and Risk Management

- Strategic Risk Profile was reviewed and the Committee noted the next steps of reviewing of the Risk Management Framework/Policy and completion of the operational risk reviews at a business unit level.
- The Annual Work Health and Safety (WHS) Performance and Update Report was considered highlighting that focus was being applied to systems, processes and implementation/training on key focus areas.
- Review of Council's claims management activity for the previous year.

Other

- Various reports and/or policies were considered by the Committee including;
 - The draft CEO's Key Performance Indicators
 - Ombudsman's Annual Report 2013-14

- A joint workshop was held with Council and the independent members from the Strategic Directions Committee in July 2014 that focused on the future directions of the Asset Management Plans.

COMMITTEE'S ASSESSMENT OF THE CITY OF MARION'S RISK & CONTROL FRAMEWORK

The Committee's assessment of the Council's Risk, Control and Audit Frameworks draws from a number of sources including Council's external and internal audits/reviews, and Council's control and risk frameworks.

The City of Marion's Enterprise Wide Risk Management Framework and Policy was revised in 2012/13 to further align to the ISO 31000 Risk Management Standard. The Framework and Policy will be further refined in 2015/16 to further mature the risk management practices across the City of Marion.

It is evident that the risk framework and processes continue to mature and the current focus is on greater alignment between operational and strategic activities across the organisation. This creates a level of empowerment for the organisation as individuals can relate to how they are contributing to the strategic outcomes for the Council and community.

The Committee considered the corporate risk profile at its meeting on 15 June 2015 which was based on the six community themes within the Community Plan and one additional risk focused on the organisation. The Committee noted 7 main risks including controls and treatments.

The City of Marion Risk Framework and processes continue to be tailored to meet the needs of the organisation and form an integral part of the organisations decision making processes.

DETAILS OF MEETINGS

During 2014/15, a total of five (5) Audit Committee meetings were held being:

- 29 July 2014
- 14 October 2014
- 16 December 2014
- 14 April 2015
- 15 June 2015

The above meeting cycle is consistent with the requirements of the Committee's Terms of Reference which requires, at a minimum, the conduct of quarterly meetings. During 2014/15 financial year, the Committee thanked Ms Cathy Cooper for her 8 years of service on the Audit Committee and welcomed Ms Kathryn Presser.

Audit Committee member attendance at meetings during the year was:

Member	Number of Meetings Eligible to Attend	Number of Meetings Attended
Mr Greg Connor (Chairperson since Dec 2013)	5	5
Ms Cathy Cooper	2	2
Mr Lew Owens	5	4
Ms Kathryn Presser	1	1
Councillor Tim Pfeiffer	3	3
Councillor Alice Campbell	2	2

FUTURE WORK PROGRAM PROPOSAL

Major items for the Committee to review and provide comment / feedback on during 2015/16 include:

- Asset Management Plans including asset renewal, purchase and/or disposal
- Service Reviews
- Bi Annual review of the Committees operations and performance
- Draft Section 48 prudential reports for Councils progress on its strategic priorities.
- Service Reviews and Internal Audit Reports
- The annual joint workshop held between Council and the Committee.

CONCLUSION

In conclusion, this report indicates that the Committee has undertaken its principal functions as set out in Section 126(4) of the Local Government Act 1999 which include:

- a) reviewing annual financial statements to ensure that they present fairly the state of affairs of the Council;
- b) proposing, and providing information relevant to, a review of the Council's strategic management plans or annual business plan; and
- c) Liaising with the Council's auditor.

The body of work undertaken by the Committee is continuing to develop over time and the Committee is striving to ensure that its work is useful in the context of contributing to the City of Marion's strategic objectives. The Committee invites Council's feedback on the opportunities for continuing development of the Committee's operations.

Finally, I record my thanks for the support and diligence of those involved in the Committee being my fellow Audit Committee members and the Council's Elected Members. I would also like to thank the management team for their hard work in the production of quality reporting that allows robust and fruitful discussions.

Greg Connor

Chairperson

City of Marion Audit Committee

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CITY OF MARION
AUDIT COMMITTEE MEETING
13 October 2015

Originating Officer: David Harman, Financial Accountant

Director: Vincent Mifsud

Subject: Independence of Council's Auditor for the year ended 30 June 2015

Report Reference: AC131015R7.2

EXECUTIVE SUMMARY:

In accordance with the Local Government Act 1999, Council's auditor can only undertake work for the Council that is within the scope and function of the auditor as prescribed under the Act. This includes undertaking the annual financial audit, and any audits as requested by Council under Section 130A in relation to the economy and efficiency of Council operations.

The underlying principle of the above requirement is to ensure that auditor independence is not compromised.

Regulation 16A(2) requires Council's Chief Executive Officer and the Presiding Member of the Audit Committee to each provide, on an annual basis, a statement that provides a certification as to compliance for the relevant financial year with the requirement that the auditor be independent of the City of Marion (refer to **Appendix 1**).

During the 2014/15 financial year, Council has not engaged Deloitte Touch Tohmatsu to provide any services outside the scope of the auditor's functions as prescribed in the *Local Government Act 1999*.

Furthermore, management confirms that it is not aware of any circumstance that would impact on the independence of Council's Auditor and that the CEO will be signing the certification accordingly.

In addition to the above statement, regulation 16A(4) also requires that Council's Auditor provide a statement (in the form provided at **Appendix 2**) attesting to their independence.

Auditor independence is an important aspect of an auditor's role. Independence is key to the confidence with which the audit is undertaken.

RECOMMENDATIONS (3)

DUE DATES

That the Audit Committee:

- | | |
|---|-----------------|
| 1. Note the statement provided by Council's Auditor attesting to their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2014/15 financial year. | 13 October 2015 |
| 2. Note that the CEO will be signing a statement that Council's external auditor Deloitte Touche Tohmatsu maintained their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2014/15 financial year. | 13 October 2015 |
| 3. Endorse the Chairperson signing a statement that Council's external auditor Deloitte Touche Tohmatsu maintained their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2014/15 financial year. | 13 October 2015 |

City of Marion

General Purpose Financial Statements for the year ended 30 June 2015

Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of City of Marion for the year ended 30 June 2015, the Council's Auditor, Deloitte Touche Tohmatsu has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act

This statement is prepared in accordance with the requirements of Regulation 22(3) *Local Government (Financial Management) Regulations 2011*.

Adrian Skull
CHIEF EXECUTIVE OFFICER

Greg Connor
PRESIDING MEMBER, AUDIT COMMITTEE

Date:

Appendix E

Draft independence declaration



Corporation of the City of Marion
245 Sturt Road
STURT, SA 5047

October 2015

Dear Members,

Auditor's Independence Declaration to the Corporation of the City of Marion

In accordance with the Local Government (Financial Management) Regulations 2011, I am pleased to provide the following declaration of independence to the councillors of the Corporation of the City of Marion.

I confirm that, for the audit of the financial statements of the Corporation of the City of Marion for the 30 June 2015 financial year, I have maintained my independence in accordance with the requirements of APES 110—Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, and in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

Yours faithfully

Deloitte Touche Tohmatsu

Penny Woods
Partner

Member of Deloitte Touche Tohmatsu Limited
Liability limited by a scheme approved under Professional Standards Legislation

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Appendix F

Independence letter for the Board Audit Committee



Corporation of the City of Marion
Chair, Audit Committee
245 Sturt Road
STURT, SA 5047

October 2015

Dear Sir,

Independence letter for the Audit Committee

Deloitte Touche Tohmatsu ("Deloitte") has prepared the following letter to facilitate our communication with the Audit Committee of the Corporation of the City of Marion ("the Council") and to assist you in meeting your requirements under the *Local Government Act 1999* to communicate matters to the members of Council regarding Auditor independence.

Independence

The *Local Government Act 1999* and our professional standards require that we communicate with you whether there have been any contraventions of the auditor independence requirements of the *Local Government Act 1999* or of any applicable code of professional conduct in relation to the audit.

To the best of our knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Local Government Act* or of any applicable code of professional conduct in relation to the audit for the financial year ended 30 June 2015.

We are not aware of any relationships between Deloitte and the Council that, in our professional judgment, may reasonably be thought to bear on our independence.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

11 Waymouth Street
Adelaide SA 5000
GPO Box 1969
Adelaide SA 5001 Australia

Tel: +61 8 8407 7000
Fax: +61 8 8407 7001
www.deloitte.com.au

Appendix F (cont)

Independence letter for the Board Audit Committee (cont)

This report is intended solely for the information and use of the Council and management for the purposes stated herein, and is not intended to be and should not be used or relied upon by any other person or by any person for any other purpose.

Should you have any queries or wish to discuss this matter further please do not hesitate to contact me on 8407 7085.

Yours faithfully

Penny Woods
Partner

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CITY OF MARION
AUDIT COMMITTEE MEETING
13 October 2015

Originating Officer: David Harman, Financial Accountant

Corporate Manager: Ray Barnwell, Manager Finance

Director: Vincent Mifsud

Subject: Annual Financial Statements for the year ended 30 June 2015

Report Reference: AC131015R7.3

REPORT OBJECTIVES:

This report presents the City of Marion's Annual Financial Statements for the financial year ended 30 June 2015. Reports provided include:

1. Representation letters (Appendix 1) - audit of annual financial report for period 1 July 2014 to 30 June 2015. The purpose of these letters is to express an opinion as to whether the financial report is prepared in accordance with Australian Accounting Standards, the Local Government Act 1999 and other mandatory reporting requirements in Australia. These letters will be signed by Adrian Skull, CEO and Vincent Mifsud, Director.
2. Annual Financial Statements for year ended 30 June 2015 – Appendices 2 to 4.
3. External Auditor (Deloitte Touché Tohmatsu) report to Council – Appendix 5.
4. Comparative analysis to prior year Audited Financial Statements (Analytical Review) – Appendix 6

These reports are provided for consideration by the Audit Committee prior to adoption by Council at its meeting on 27 October 2015.

EXECUTIVE SUMMARY:

The 2014/15 Annual Financial Statements demonstrate Council's continued improvement in its financial performance, providing a sound basis for Council's long-term objectives set out in its Strategic Plan. In adopting the 2014/15 Annual Budget in June 2014 there was a commitment given to making a concerted effort and having a strong focus throughout the year on achieving efficiency and effectiveness savings across the organisation, without impacting on service delivery outcomes. A primary objective of this was to ease the financial burden on rate payers. This has been achieved and is reflected in the significantly lower adopted rate rise of 2.9% for the 2015/16 year and forecast on-going average rate increases in the recently adopted Long Term Financial Plan of 2.75% from 2016/17 onwards. The outcomes of these efficiency and effectiveness savings achieved have been identified in the analysis of the Statement of Comprehensive Income with further detail attached at Appendix 6 (Analytical Review). The Analytical Review also provides an analysis of major variances in the Statement of Financial Position.

In summary an Operating Surplus of \$10.027m was achieved, which was \$6.284m above the original 2014/15 budget adopted by Council. The key factors resulting in this higher than expected operating surplus are:-

- Operating Expenditure (excluding Depreciation) – net savings of \$2.677m (4.3%) compared to adopted budget, including \$1.020m (3.1%) in Employee Costs primarily due to efficiency gains and savings achieved through vacancy management.
- Rates Rebates – savings of \$0.415m as a result of budgeted rebates anticipated for the transfer of SA Housing Trust properties in Mitchell Park to Community Housing Associations not eventuating.
- Operating Grants & Subsidies – an additional \$2.027m in grants were received, primarily as a result of an additional \$1.4m in Financial Assistance Grant revenue being received in the current year.
- Other Income - \$0.401m higher, predominantly as a result of contributions being received from lessees for renewal works relating to the Major Sporting Hubs (\$0.460m).

The Annual Financial Statements of the City of Marion, for the year ended 30 June 2015, have been completed and Council's Auditors have indicated that they expect to issue an unmodified audit opinion subject to the satisfactory completion of the following matters:

- A subsequent events review up to the date of the audit opinion
- Receipt of management's signed representation letters

As outlined in their Management Letter (Appendix 5) Deloitte are satisfied that 11 of the 12 prior year audit findings have now been fully implemented with the one finding not implemented being acknowledged as acceptable given the cost of implementation against the low level of risk. This year there was one Audit finding which management agree with and will implement the recommended action as noted. In addition there were 7 recommendations made to further strengthen our Internal Control environment, with 6 of these being categorised as 'insignificant' under the risk matrix and the other one as 'minor'. Management have agreed to appropriately implement all of these recommendations.

In accordance with Council's 'Audit Committee Policy' and 'Terms of Reference' the Audit Committee provides independent advice and support to Council in helping it achieve its governance and prudential management obligations, including the review of Council's annual financial statements to ensure they present fairly the state of affairs of the City of Marion.

The information paper 'Model Work Program for Council Audit Committees' developed by the Local Government Association highlights an area of focus for Audit Committees as being to:

- Identify areas of accounting treatment that are open to discretion, and in particular have material impact on reported financial performance and position (eg. Assumed asset lives, depreciation methodology, asset revaluation frequency and techniques, capitalisation policies and overhead accounting treatments all can have material effect on the operating result and net asset values).
- Ensure that financial information included in publications for external audiences (eg. Annual report, Council newspaper, brochure to all ratepayers, etc) accurately reflects key accrual based financial information and where appropriate sector-endorsed financial indicators.
- Ensure that asset values and depreciation rates are up to date and soundly based, including that they have particular regard to local conditions and do not just reflect common practice elsewhere e.g.
 - whether land values reflect the current local market;
 - whether infrastructure asset values reflect local replacement costs and the condition of existing assets;
 - whether an infrastructure asset condition audit has been undertaken recently to assist in making this judgement

This report has been prepared in accordance with section 127 of the Local Government Act and the Local Government Accounting Regulations.

In accordance with section 125 of the Local Government Act 1999 Council's external auditors have also assessed the Internal Financial Control environment in regards to Council's compliance with all material aspects of the Act.

As part of the annual audit process, Council's external auditors perform a number of minor grant audits, which are required as part of each individual funding agreement.

Next Steps

Following the adoption of the 2014/15 Audited Financial Statements the 1st Budget Review 2015/16 process will be conducted, which includes:-

- transferring the 2014/15 Carryovers & Unexpended Grants of \$15.156m (being Carryovers of \$8.771m and Unexpended Grants of \$6.385m) into the 2015/16 budget;
- reconciling and identifying the 2014/15 funding savings achieved against adopted budget

RECOMMENDATIONS (3)

DUE DATES

That the Audit Committee:

- | | |
|--|--------------------|
| 1. recommend to Council that the audited Annual Financial Statements for the year ended 30 June 2015, as attached at Appendices 1-4, be adopted. | 13 Oct 2015 |
| 2. note Deloitte's management letter, as attached at Appendix 5 | 13 Oct 2015 |
| 3. note the comparative analysis to prior year Audited Financial Statements (Analytical Review), as attached at Appendix 6 | 13 Oct 2015 |

BACKGROUND AND DISCUSSION

The Statements have been prepared in accordance with applicable Australian Accounting Standards and the Local Government Regulations.

The Local Government Accounting Regulations require that a Council must prepare its accounts for audit by the second Friday in October and on or before 30 November, supply a copy of the Audited Financial Statements to each of the following:

- The Minister
- The Local Government Grants Commission
- The Deputy Commonwealth Statistician and Government Statistician

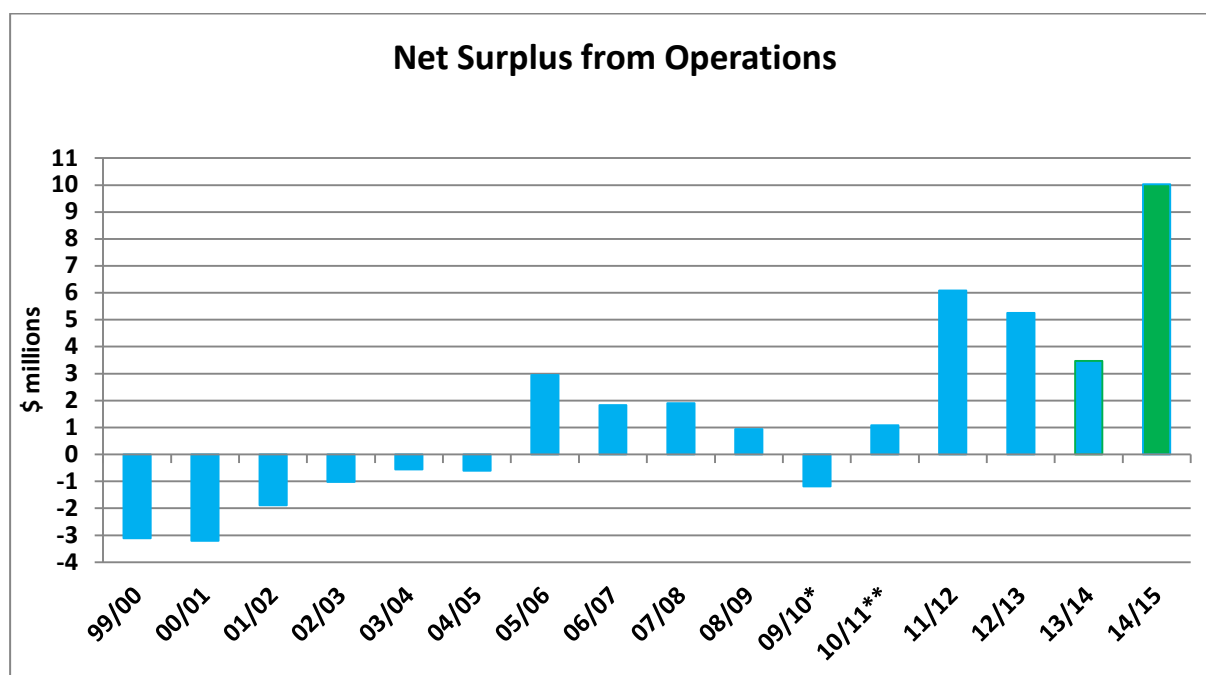
Four main Statements are prepared and these are summarised below.

ANALYSIS:

Statement of Comprehensive Income

The Statement of Comprehensive Income details Council's revenues and expenses for the reporting period and reveals an operating surplus (before capital revenues and contributed assets) of \$10.027m for 2014/15 compared to an operating surplus of \$3.467m for 2013/14.

The increase in Operating Surplus is primarily due to an increase in operating income of \$7.082m whilst maintaining operating expenses to a minimal increase of \$0.522m for the 2014/15 year.



* The underlying operating surplus for 2009/10 after adjusting for the once-off Domain Land transfer for the SA Aquatic and Leisure Centre is \$4.787m.

** The underlying operating surplus for 2010/11 after adjusting for the once-off cash contribution for the SA Aquatic and Leisure Centre is \$6.078m

Operating Income

Total Operating income for 2014/15 was \$81.976m compared to \$74,894m in 2013/14. The increase of \$7.082m (9.4%) is mainly attributed to the adopted increase in Rates of \$3.7m (4.1% + growth of 1.0%) and a substantial increase in Grants, Subsidies and Contributions of \$2.3m (42.7%).

This substantial increase in Grants, Subsidies and Contributions of \$2.3m predominantly relates to timing of the payment of the Grants Commission's Financial Assistance Grants (FAG) which is normally paid in quarterly instalments. The first two payments for 2013/14 were received in advance in June 2013 (\$1m), after which the timing of these payments was scheduled to revert back to normal. This resulted in only two instalments (\$1.7m) of the 2013/14 FAG being received in 2013/14. The full payment of the 2014/15 FAG (\$2.7m) was paid in 2014/15 financial year, however on 30 June 2015 the Grants Commission paid in advance the first two instalments of the 2015/16 FAG, resulting in a total of six quarterly instalments being paid in 2014/15 compared to only two in 2013/14. The table below illustrates the distortion created by the timing of the grants.

	Financial Year FAG Paid				
	2012/13	2013/14	2014/15	Variance 2014/15	2015/16
Grants Commission's Financial Assistance Grants - 2013/14	\$1.0m	\$1.7m	-		-
Grants Commission's Financial Assistance Grants - 2014/15	-	-	\$2.7m		-
Grants Commission's Financial Assistance Grants - 2015/16	-	-	\$1.4m		\$1.3m
	\$1.0m	\$1.7m	\$4.1m	\$2.4m	\$1.3m

Operating Expenses

Total Operating expenses for 2014/15 were \$71.949m compared to \$71,427m in 2013/14. The minimal increase of \$0.522m (0.73%) is mainly attributed to a concerted effort and strong focus on achieving efficiency and effectiveness savings across the organisation.

Employee costs increased marginally \$0.225m (0.7%) in 2014/15 from 2013/14. This is primarily due to efficiency gains and savings achieved through vacancy management (\$1.020m) which have to a large degree offset increased costs incurred through Councils wages and salaries EB agreements.

Finance costs rose by \$0.442m in 2014/15 as a result of borrowings (\$9m) taken out for one of Councils major projects, the construction of the recently opened Cove Civic Centre.

Achieving a reduction in Materials, Contracts and Other expenses of \$0.563m in 2014/15 helped to offset the increases outlined above.

Capital Revenues and Contributed Assets

Other key variances reported on the Statement of Comprehensive Income are *Amounts Received Specifically for New or Upgraded Assets* (up \$1.4m) relating to an increased number of projects attracting external funding, and *Contributed Assets* (up \$6.8m) with the majority of this relating to infrastructure in a new residential development at Hallett Cove.

Variances against the 2013/14 Statement of Comprehensive Income are discussed in detail in Appendix 6.

Key Operating Ratios

OPERATING SURPLUS RATIO	2015	2014	2013	2012	2011
<u>Operating Surplus (before capital revenues)</u>	15%	6%	9%	11%	2%
Rates - general and other less NRM levy					

This ratio expresses the operating surplus/ (deficit) as a percentage of general and other rates, net of rebates. Council has set a target for this ratio of between 0 and 5% on a 5 year rolling average.

Comment:

- The target set in Council's Long Term Financial Plan is to "maintain a financial position at an average of between 0 and 5% over any five financial years" however this was exceeded in the 5 years to 2014/15, with an average ratio of 8.6%. As per the 2015/16 Annual Business Plan and Budget, the target for next year is between 0 and 6% (adjusted for extraordinary items). This year's ratio has been impacted by significant savings achieved as a result of an organisation wide focus on efficiency and effectiveness savings together with the receipt of operating revenues over and above original budget. As a result the total operational costs have only marginally increased \$0.522m (0.7%). In addition, the impact on this ratio caused by the receipt of two of the 2015/16 FAG payments of \$1.4m being received in advance in the 2014/15 year as discussed earlier is 2%.

RATE REVENUE RATIO	2015	2014	2013
<u>Rate Revenue</u>	82%	85%	81%
Operating Revenue			

This ratio expresses rate revenue as a percentage of operating revenue.

Although this ratio is not a prescribed ratio required by the 'Model Set of Accounts' it is a valuable indicator as it highlights Council's reliance on rates as a revenue source and the need for Council to seek alternative sources of income.

Comment:

To address the dependency of Council on rate revenue the following programs have been implemented:

- Grants Co-Design Group focused on internal training and development of Council officers to maximise grant opportunities.
- Annual review of Fees and Charges Schedule.

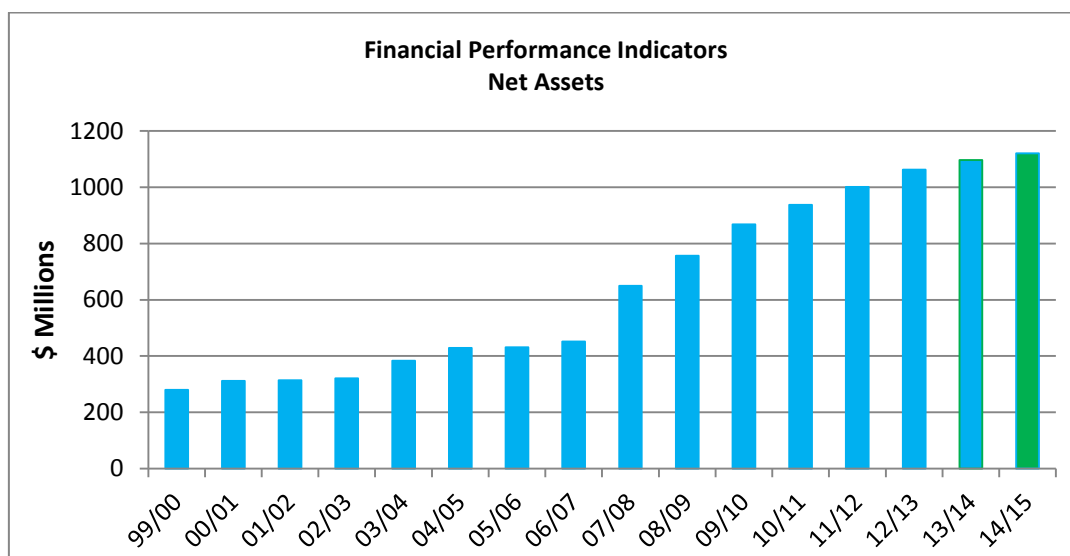
Statement of Financial Position

The Statement of Financial Position provides details of Council's assets, liabilities and equity as at 30 June 2015.

It should be noted that there has been a reclassification to the 2013/14 year of \$8.9m from Cash to "Other Financial Assets" as the maturity dates of these fixed term deposits were greater than 90 days from the end of the Financial Year. This compares with a figure of \$2.7m for 2014/15, with the reduction being predominantly due to funding for the construction of the Cove Civic Centre which utilised loan funding taken out in June 2014.

The majority of Council's assets relate to community property and infrastructure assets (roads, paths, drainage, etc).

The following graph illustrates the increase in Council's total equity from \$279.8m in 1999/00 to \$1,120.5m in 2014/15.



This identifies the continued increase in Council's net assets which can mainly be attributed to revaluations of its Infrastructure assets as noted in the following table.

	2014 \$'000	2015 \$'000	Increase \$'000
Infrastructure	633,645	651,612	17,967
Buildings	85,096	92,075	6,979

Infrastructure, Property, Plant & Equipment (IPPE):

Council's IPPE increased by \$24.032m (2.2%) compared to 2013/14. The majority of the increase relates to a revaluation of \$6.8m in infrastructure assets, the construction of the Cove Civic Centre (\$10.4m to date) and the contribution of \$8.2m in assets, predominantly encompassing infrastructure from Developers.

Other variances when comparing 2014/15 against the 2013/14 Statement of Financial Position are discussed in detail in the Analytical Review provided at Appendix 6.

Key Financial Position Ratios

WORKING CAPITAL RATIO	2015	2014
	1.0	0.8

Current Assets – (Less Restricted Assets)

Current Liabilities – (Liabilities Associated with Restricted Assets)

This ratio focuses on the liquidity position of Council, adjusting for restricted assets (eg. unspent specific tied grants that would need to be excluded from Council's current assets as Council would be restricted from using this cash to meet short term liabilities).

Council's target for this ratio is between 1.0 and 1.1.

Comment:

Council's cash flow is in a good position to undertake day to day operations.

ASSET SUSTAINABILITY RATIO	2015	2014	2013
<u>Net Asset Renewals</u>	76%	57%	80%
Depreciation Expense			

Net asset renewal expenditure is defined as net capital expenditures on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.

This ratio indicates whether the Council is renewing or replacing existing assets at the rate of consumption. A long term average ratio of 95-100% would indicate that Council is investing adequately in maintaining its asset base.

Comment:

Council's Long Term Financial Plan (LTFP) achieves a target of 95-100% in future years by providing increased funding for renewal of assets, including the upgrade and renewal of Council's City Services Depot. Going forward this ratio will be calculated using the average required renewal as per Council's Asset Management Plans.

ASSET CONSUMPTION RATIO	2015	2014	2013
<u>Carrying value of depreciable assets</u>	80%	81%	81%
Gross value of depreciable assets			

This ratio shows the consumption of the asset stock at a point in time (or the percentage of useful life remaining). Depreciation represents the reduction in value of the assets each year and therefore accumulated depreciation is the total reduction in the carrying value of the assets. The ratios reflected above indicate on average a relatively high remaining useful life for assets.

Council's target for this ratio is between 80-100%.

Comment:

A ratio higher than 80% indicates that Council's overall asset base has on average a relatively high remaining useful life.

Borrowings

In assessing Council's financial position it is appropriate to consider liabilities in relation to borrowings. Borrowings are required by Council from time to time to finance strategic long-term assets for the orderly development of the City. Council's total borrowings as at the 30 June 2015 were \$11.9m a net decrease of \$1.6m over the level of borrowings in June 2014.

The following indicators are used to monitor Council's performance in relation to its current level of debt.

Key Debt Ratios

NET FINANCIAL LIABILITIES	2015	2014	2013
<u>Net Financial Liabilities</u>	\$'000	\$'000	\$'000
Total Operating Revenue	(1,284)	(6,271)	(12,815)

Net Financial Liabilities for the purpose of this financial indicator is defined as total liabilities less non-equity financial assets. This indicator is a measure of Council's total indebtedness. The level of net financial liabilities increases when a net borrowing occurs.

Comment:

The negative result as shown above indicates that Council's non-equity financial assets are greater

than its total liabilities. This result is due to a substantial holding of cash and other financial assets totalling \$22.4m, of which \$15.2m is allocated for unexpended grants and uncompleted capital projects carried over to 2015/16 which, when taken into account would give Council a Net Financial Liability position of \$13.9m.

NET FINANCIAL LIABILITIES RATIO	2015	2014	2013
<u>Net Financial Liabilities</u>	(2%)	(9%)	(18%)
Total Operating Revenue			

This ratio indicates the extent to which net financial liabilities of the council can be met by the council's total operating revenue and is based on the Net Financial Liabilities above.

Comment:

Without the additional cash holding and other financial assets mentioned above this ratio would actually be 17%. Council's capacity to meet its financial obligations from operating revenues is strong and it has capacity to meet future requirements identified in its Long Term Financial Plan.

INTEREST COVER RATIO	2015	2014	2013
<u>Net Interest Expense</u>	(0.1%)	(0.5%)	(1.0%)
Total Operating Revenue			

Net interest costs are defined as total interest expenses less total interest revenues. This ratio indicates the extent to which Council's commitment to interest expenses are met by total operating revenues.

Comment:

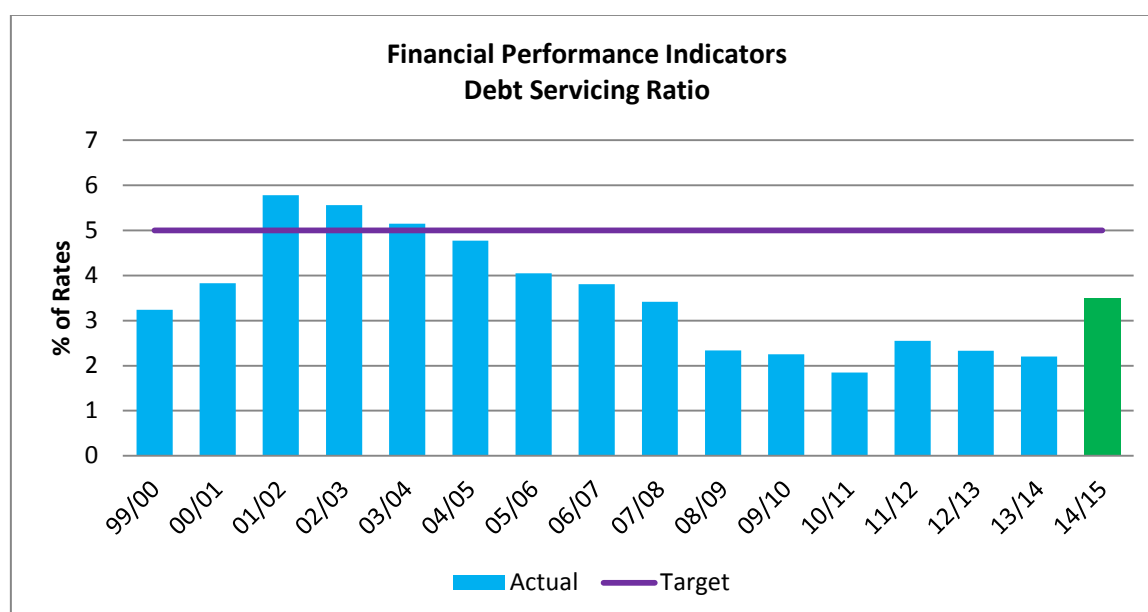
Negative ratios have been recorded for the past 3 years reflecting interest revenues being greater than interest expenses.

DEBT SERVICING RATIO	2015	2014	2013
<u>Principal + Interest</u>	3.5%	2.2%	2.3%
Total Rate Revenue			

This ratio identifies Council's ability to services its debt obligations from rate revenues, with a maximum target set at 5%.

Comment:

The ratio confirms that Council has a low debt holding and is well positioned for an extensive borrowing program as outlined in its Long Term Financial Plan. The 3.5% result is below the maximum target of 5% as illustrated in the graph below.



Statement of Changes in Equity

The Statement of Changes in Equity reconciles the opening and closing balances of Council's equity over the reporting period.

The balance of equity represents Council's net worth of \$1,120.5m as reflected in the Statement of Financial Position.

Cash Flow Statement

The Cash Flow Statement details the cash movements for the year ended and reconciles with Note 11 of the Annual Financial Statements. In line with the Statement of Financial Position, the Cash Flow Statement has seen a restatement of the 2013/14 year with \$8.9m now being classified as "Other Financial Assets" and therefore is no longer included in the Cash Flow Statement.

The Statement indicates a cash surplus of \$19.7m compared with \$19.2m in 2013/14. As previously mentioned a significant portion of the cash position is committed to carryovers, unexpended grants and retimed works (\$15.2m).

Key Cash Ratios

OPERATING CASH FLOW COVERAGE	2015	2014
	133.8%	100.8%

Cash Flows from Operations – (Loan Principal Repayments)

Average Annual Optimal Level of Expenditure per Council's Asset Management Plans

This ratio identifies Council's abilities to fund its operating and capital expenditure requirements without the need for significant sudden rate increases or service reductions, and whilst continuing to maintain intergenerational equity and the sustainable and responsible use of borrowings.

Council's target for this ratio is between 100% and 105%.

Comment:

Whilst the 2014/15 result is above the targeted range, this is predominantly due to the strong focus this year on achieving efficiency and effectiveness savings across the organisation (\$2.677m against original budget), together with higher than budgeted operating revenue (\$3.052m against original budget). If these were excluded (net \$5.729m) then this ratio would be 98.5%.

RESERVE FUNDS

A review of the balances of these reserves indicates that they are at a level sufficient to meet their purpose and intent which are listed in *Note 9 Reserves* in Appendix 2. Council's current Reserve funds are made up of the following:

Grants and Carryovers Reserve: \$15.211m

This is predominantly made up of capital works totalling \$6.943m and grant funded carryover projects totalling \$6.385m including Grants Commission Financial Assistance grant funding received in advance for the 2015/16 year (\$1.437m).

Open Space Reserve: \$0.857m

It is considered by management that the current balance of this fund is adequate to meet its intended purpose.

Asset Sustainability Reserve**\$3.136m**

It is considered by management that the current balance of this fund is adequate to meet its intended purpose which now includes the Community Facility Partnership Program (CFPP) funding.

Note: As at the 30 June 2015, taking into consideration all carried over and retimed works, current payables and receivables these reserve funds are 100% cash-backed.

CONCLUSION:

The Annual Financial Statements demonstrate Council's continued improvement in its financial performance, providing a sound basis for Council's long-term objectives set out in its Strategic Plan.

Appendix 1 – Representation letter

Appendix 2 – Audited Financial Statements 2014/15

Appendix 3 – Audited SRWRA General Purpose Financial Reports 2014/15

Appendix 4 – Audited Council Solutions General Purpose Financial Reports 2014/15

Appendix 5 – External Auditor Report to Council and Board Audit Committee Report

Appendix 6 – Analytical Review of Statement of Comprehensive Income and
Statement of Financial Position

(client letterhead)

[Date]

Deloitte Touche Tohmatsu
11 Waymouth Street
Adelaide SA 5000

This representation letter is provided in connection with your audit of the financial report of Corporation of the City of Marion for the year ended 30 June 2015, for the purpose of expressing an opinion as to whether the financial report is presented fairly, in all material respects, in accordance with the Local Government Act 1999 including compliance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government (Financial Management) Regulations 2011.

We confirm that:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated 11 June 2015, for the preparation of the financial report in accordance with the Local Government Act 1999 including compliance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government (Financial Management) Regulations 2011; in particular the financial report is presented fairly, in all material respects, in accordance therewith.
2. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial report such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit;
 - Unrestricted access to the persons within the entity from whom you determined it necessary to obtain audit evidence; and
 - All requested information, explanations and assistance for the purposes of the audit.
3. All transactions have been recorded in the accounting records and are reflected in the financial report.
4. We are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
5. We have disclosed to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
6. There has been no fraud or suspected fraud affecting the entity involving management, employees who have significant roles in internal control or others where the fraud could have a material effect on the financial report.
7. There have been no allegations of fraud, or suspected fraud, affecting the entity's financial report communicated by employees, former employees, analysts, regulators or others.
8. There have been no instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial report.
9. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

10. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
11. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the *Local Government Act 1999*, including compliance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Local Government (Financial Management) Regulations 2011*.
12. All known actual or possible litigation and claims whose effects should be considered when preparing the financial report have been disclosed to you and accounted for and disclosed in accordance with the *Local Government Act 1999*, including compliance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Local Government (Financial Management) Regulations 2011*.
13. The effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial report as a whole. A summary of such items is attached to the representation letter as Appendix A.
14. All events occurring subsequent to the date of the financial report and for the *Local Government Act 1999*, including compliance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Local Government (Financial Management) Regulations 2011* which require adjustment or disclosure have been adjusted or disclosed within the financial report.
15. The selection and application of accounting policies as described in Note 1 in the financial report are appropriate.
16. We have no plans or intentions that may affect the carrying value or classification of assets and liabilities.
17. Liabilities, both actual and contingent, have been properly recorded and, when appropriate, adequately disclosed in the financial report.
18. The entity has satisfactory title to, or control over all assets and there are no liens or encumbrances on such assets that have not been disclosed nor has any asset been pledged as collateral.
19. We have properly recorded and, when appropriate, adequately disclosed in the financial report the effects of any laws, regulations and contractual agreements on the financial report, including non-compliance.
20. We have communicated to you all deficiencies in internal control of which we are aware.
21. All post-employment benefits have been identified and properly accounted for and all events impacting the plans have been brought to the actuary's attention.
22. For defined benefit plans:
 - (a) the actuarial assumptions underlying the valuation of the plan are in accordance with the Council's best estimate of future events and are consistent with our knowledge of the business;
 - (b) the actuary's calculations have been based on complete and up-to-date member information; and
 - (c) the amounts included in the financial report derived from the work of the actuary are in accordance with the requirements of AASB 119 "Employee Benefits".
23. For any transactions and structures, including "Special Purpose Vehicles/Entities" that we consider are appropriately classified as off-balance sheet, we have not withheld any information

and documentation from you and there are no side agreements that we have not disclosed to you. In addition, there are no other relationships of a related party nature which would affect how these transactions and structures are accounted for, that we have not disclosed to you.

24. We have obtained all necessary information from subsidiaries that are not subject to Accounting Standards in Australia, to enable us to make appropriate adjustments for the purpose of preparing the financial report. Appropriate adjustments have been made to the information provided by the subsidiaries, to enable the preparation of the financial report.
25. We have disclosed to you all financial guarantees that we have given to third parties and we have accounted for these guarantees in accordance with the requirements of AASB 139 “Financial Instruments Recognition and Measurement”.

We understand that your audit was conducted in accordance with Australian Auditing Standards and was, therefore, designed primarily for the purpose of expressing an opinion on the financial report of the entity taken as a whole, and that your test of the financial records and other auditing procedures were limited to those which you considered necessary for that purpose.

Yours faithfully

Adrian Skull
Chief Executive Officer

Date

Vincent Mifsud
Director

Date

Appendix A to the Management Representation Letter

City of Marion 30 June 2015

Account Name	Account Number	Assets DR/(CR)	Liabilities DR/(CR)	Retained Earnings DR/(CR)	Other Equity DR/(CR)	Income Statement DR/(CR)	Total DR/(CR)
Known misstatements							
None noted							
Likely misstatements							
None noted							
Carry over effects of prior year misstatements							
None noted							
		0	0	0	0	0	0

Description of Disclosure Deficiency	Disclosure Title	Disclosure Number	Amount (where applicable)	Management Reason for Disclosure Deficiency (e.g., not deemed material for disclosure)
None noted				

(client letterhead)

Deloitte Touche Tohmatsu
11 Waymouth Street,
Adelaide, South Australia,
5000, Australia

Management Representations to the Compliance Plan Auditor as at 30 June 2015

This representation letter is provided in connection with your audit of the compliance of City of Marion Council ("the Council") with the requirements of Section 125 of the Local Government Act 1999 ("the Act") in relation to the Internal Controls established by the Council to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2014 to 30 June 2015 are in accordance with legislative provisions.

Purpose of the Audit

The purpose of your audit, in accordance with Section 125 of the Local Government Act 1999, is to form an opinion as to whether the Council has complied, in all material respects, with the requirements of Section 125 of the Act, in relation to internal controls, for the period 1 July 2014 to 30 June 2015.

Responsibilities of Management

We acknowledge that it is our responsibility to implement and maintain an adequate system of internal controls, in accordance with Section 125 of the Local Government Act 1999 in relation to Internal Controls, to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and incurring of liabilities are in accordance with legislative provisions.

Representations

We confirm, to the best of our knowledge and belief:

- We are responsible for the design and implementation of the compliance framework to prevent and detect fraud and error. We have established and maintained an adequate internal control structure to ensure that compliance with our obligations has been maintained, and that adequate documentation to demonstrate compliance exists.
- There have been no irregularities including fraud or suspected fraud involving management or employees who have a significant role in the compliance function and internal control systems that could have a material effect on the adequacy of compliance.
- There have been no allegations of fraud, or suspected fraud, affecting City of Marion Council's compliance with Section 125 of the Act.
- We have made available to you the control documentation for controls implemented at the Council.
- The information provided by you regarding the identification of controls deficiencies is complete.
- There have been no instances of non-compliance with laws and regulations involving management or employees who have a significant role in compliance or internal control.
- There have been no communications from Local Government or other agencies concerning non-compliance with, or deficiencies in, the compliance with Section 125 of the Act that could have a material effect on us meeting our compliance obligations.

- We have complied with the requirement of Section 125 of the Act during the year, in all material respects.
- We accept the internal control environment would be strengthened with the implementation of your recommendations as listed below in Appendix A.
- No events have occurred subsequent to 30 June 2015 that impacted the compliance framework, compliance reporting or breaches that occurred during the period.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We understand that your examination was made in accordance with applicable Australian Standards on Assurance Engagements ASAE 3100 *Compliance Engagements*, as applicable, and was, therefore, designed primarily for the purpose of expressing a conclusion on the Council's compliance with the requirements of Section 125 of the Act in relation to the Internal Controls established by the Council to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2014 to 30 June 2015, and that your tests of our records and controls and other auditing procedures were limited to those which you considered necessary for that purpose.

Yours sincerely,

Adrian Skull
Chief Executive Officer

Date

Vincent Mifsud
Director

Date

Appendix A to the Management Representation Letter - internal control		
30 June 2015		
Control	Observation	Recommendation
ASS-PET-0004	Deloitte note that petty cash reconciliations are being performed on a daily basis, but are not always evidenced with the signature of an independent person	Deloitte recommends that the practice of crosschecking and signing petty cash reconciliations on a daily basis is enforced and reviewed by management. In addition, the person reviewing should be independent from the preparer.
EXP-PAY-0034	There is no termination policy in place, and the current exit procedure does not directly address the statutory regulations, or enterprise agreement requirements that may need to be adhered to.	Deloitte recommends a centralised procedure for actions on terminating employment
EXP-PAY-0015	There is no documented evidence that a payroll deduction report is reviewed on a regular basis	Deloitte recommends that formal process be put in place to ensure that the payroll deduction review is fully documented and signed off.
LIA-TAX-0008	There is no formal, documented Fringe Benefit Tax procedure used in the preparation of the annual return. In previous years an accounting assistant prepared the calculation and this was reviewed by the Financial Accountant, however this did not occur in the current year due to the Financial Accounting Assistant leaving the City of Marion immediately prior to the preparation of the return. In the current period the calculation was performed by the Financial Accountant and a high level review was conducted by the Manager Finance and a summary including prior year comparative data was presented to the director of Finance.	Deloitte recommends that a Fringe Benefits Tax procedure be documented and utilised to ensure a standard procedure is followed in the preparation of all future returns.
ASS-PET-0005 ASS-PET-0006	1. Although petty cash is always kept locked away, the access to the storage points is not highly restricted 2. Security levels of petty cash drawers may lead to a chance of theft/fraud	Deloitte recommends a review of the security surrounding petty cash in the council chamber front office
REV-OTR-0003	There is no documented policy for reconciling receipting to cash at remote locations	Deloitte recommends that a formal policy for cash receipts outside the council receipting area be documented and adopted.
ASS-LOA-0002	Signed acquittal was not received before deadline.	Deloitte has noted that outstanding acquittals are followed up by management. It is recommended that the final follow-up (i.e. once they are overdue) is completed in a more timely fashion.

City of Marion

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

Our purpose is wellbeing



City of Marion

General Purpose Financial Statements for the year ended 30 June 2015

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City of Marion

General Purpose Financial Statements for the year ended 30 June 2015

Certification of Financial Statements

We have been authorised by the Council to certify the financial statements in their final form.

In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999*, *Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards,
- the financial statements present a true and fair view of the Council's financial position at 30 June 2015 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect the Council's accounting and other records.

Adrian Skull
CHIEF EXECUTIVE OFFICER

Kris Hanna
MAYOR

Date:

City of Marion

Statement of Comprehensive Income

for the year ended 30 June 2015

\$ '000	Notes	2015	2014
Income			
Rates Revenues	2a	67,465	63,765
Statutory Charges	2b	1,749	1,715
User Charges	2c	1,689	1,571
Grants, Subsidies and Contributions	2g	7,694	5,391
Investment Income	2d	888	793
Reimbursements	2e	874	898
Other Income	2f	800	315
Net Gain - Equity Accounted Council Businesses	19	817	446
Total Income		81,976	74,894
Expenses			
Employee Costs	3a	31,757	31,532
Materials, Contracts & Other Expenses	3b	26,418	26,981
Depreciation, Amortisation & Impairment	3c	12,974	12,556
Finance Costs	3d	800	358
Total Expenses		71,949	71,427
Operating Surplus / (Deficit)		10,027	3,467
Asset Disposal & Fair Value Adjustments	4	(202)	(527)
Amounts Received Specifically for New or Upgraded Assets	2g	1,831	438
Physical Resources Received Free of Charge	2i	8,242	1,490
Net Surplus / (Deficit) ¹		19,898	4,868
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in Revaluation Surplus - I,PP&E	9a	3,556	30,242
Share of Other Comprehensive Income - Equity Accounted Council Businesses	19	-	(890)
Total Other Comprehensive Income		3,556	29,352
Total Comprehensive Income		23,454	34,220

¹ Transferred to Equity Statement

City of Marion

Statement of Financial Position

as at 30 June 2015

\$ '000	Notes	2015	2014
ASSETS			
Current Assets			
Cash and Cash Equivalents	5a	19,688	19,165
Trade & Other Receivables	5b	4,036	3,545
Other Financial Assets	5c	2,750	8,900
Inventories	5d	166	172
Total Current Assets		26,640	31,782
Non-Current Assets			
Equity Accounted Investments in Council Businesses	6a	5,120	4,363
Infrastructure, Property, Plant & Equipment	7a	1,101,403	1,077,371
Other Non-Current Assets	6b	12,495	8,837
Total Non-Current Assets		1,119,018	1,090,571
TOTAL ASSETS		1,145,658	1,122,353
LIABILITIES			
Current Liabilities			
Trade & Other Payables	8a	7,278	6,408
Borrowings	8b	1,671	1,572
Provisions	8c	5,155	4,932
Total Current Liabilities		14,104	12,912
Non-Current Liabilities			
Borrowings	8b	10,229	11,900
Provisions	8c	857	527
Total Non-Current Liabilities		11,086	12,427
TOTAL LIABILITIES		25,190	25,339
Net Assets		1,120,468	1,097,014
EQUITY			
Accumulated Surplus		360,929	340,053
Asset Revaluation Reserves	9a	740,335	736,779
Other Reserves	9b	19,204	20,182
Total Council Equity		1,120,468	1,097,014

City of Marion

Statement of Changes in Equity
for the year ended 30 June 2015

\$ '000	Notes	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	Total Equity
2015					
Balance at the end of previous reporting period		340,053	736,779	20,182	1,097,014
a. Net Surplus / (Deficit) for Year		19,898	-	-	19,898
b. Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	3,556	-	3,556
Other Comprehensive Income		-	3,556	-	3,556
Total Comprehensive Income		19,898	3,556	-	23,454
c. Transfers between Reserves		978	-	(978)	-
Balance at the end of period		360,929	740,335	19,204	1,120,468
2014					
Balance at the end of previous reporting period		333,847	707,427	21,520	1,062,794
a. Net Surplus / (Deficit) for Year		4,868	-	-	4,868
b. Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	30,242	-	30,242
- Share of OCI - Equity Accounted Council Businesses	19	-	(890)	-	(890)
Other Comprehensive Income		-	29,352	-	29,352
Total Comprehensive Income		4,868	29,352	-	34,220
c. Transfers between Reserves		1,338	-	(1,338)	-
Balance at the end of period		340,053	736,779	20,182	1,097,014

City of Marion

Statement of Cash Flows
for the year ended 30 June 2015

\$ '000	Notes	2015	2014
Cash Flows from Operating Activities			
<u>Receipts</u>			
Rates Receipts		67,321	64,020
Statutory Charges		1,749	1,851
User Charges		1,819	4,595
Grants, Subsidies and Contributions (operating purpose)		7,835	5,795
Investment Receipts		888	798
Reimbursements		938	988
Other Receipts		5,378	2,139
<u>Payments</u>			
Payments to Employees		(31,100)	(31,190)
Payments for Materials, Contracts & Other Expenses		(30,818)	(28,642)
Finance Payments		(800)	(346)
Net Cash provided by (or used in) Operating Activities	11b	23,210	20,008
Cash Flows from Investing Activities			
<u>Receipts</u>			
Amounts Received Specifically for New/Upgraded Assets		1,831	168
Sale of Replaced Assets		721	532
Sale of Surplus Assets		-	69
Distributions Received from Equity Accounted Council Businesses		817	75
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(10,546)	(6,982)
Expenditure on New/Upgraded Assets		(19,332)	(16,186)
Net Purchase of Investment Securities		6,150	(8,900)
Capital Contributed to Equity Accounted Council Businesses		(757)	-
Net Cash provided by (or used in) Investing Activities		(21,116)	(31,224)
Cash Flows from Financing Activities			
<u>Receipts</u>			
Proceeds from Borrowings		-	9,000
Proceeds from Bonds & Deposits		1	-
<u>Payments</u>			
Repayments of Borrowings		(1,572)	(1,063)
Net Cash provided by (or used in) Financing Activities		(1,571)	7,937
Net Increase (Decrease) in Cash Held		523	(3,279)
plus: Cash & Cash Equivalents at beginning of period	11	19,165	22,444
Cash & Cash Equivalents at end of period	11	19,688	19,165

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2015

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n/a - not applicable

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Basis of Preparation

1.1 Compliance with Australian Accounting Standards

This general purpose financial report has been prepared in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011* dated 1 July 2013.

1.2 Historical Cost Convention

Except as stated below, these financial statements have been prepared in accordance with the historical cost convention.

1.3 Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying Council's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of these Notes.

1.4 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

2 The Local Government Reporting Entity

The City of Marion is incorporated under the South Australian *Local Government Act 1999* and has its principal place of business at 245 Sturt Road, Sturt. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

Other entities in which Council has an interest but does not control are reported in Note 19.

3 Income Recognition

Income is measured at the fair value of the consideration received or receivable. Income is recognised when the Council obtains control over the assets comprising the income, or when the amount due constitutes an enforceable debt, whichever first occurs.

Where grants, contributions and donations recognised as incomes during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts subject to those undischarged conditions are disclosed in these notes. Also disclosed is the amount of grants, contributions and receivables recognised as incomes in a previous reporting period which were obtained in respect of the Council's operations for the current reporting period.

4 Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

Receivables for rates and annual charges are secured over the subject land, and bear interest at rates determined in accordance with the *Local Government Act 1999*. Other receivables are generally unsecured and do not bear interest.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies (continued)

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments forms part of Note 13.

5 Inventories

Inventories held in respect of stores have been valued by using the weighted average cost on a continual basis, after adjustment for loss of service potential. Inventories held in respect of business undertakings have been valued at the lower of cost and net realisable value.

6 Infrastructure, Property, Plant & Equipment

6.1 Land under roads

Council has elected not to recognise land under roads acquired prior to 1 July 2008 as an asset in accordance with AASB 1051 Land under Roads. Land under roads acquired after 30 June 2008 has not been recognised as in the opinion of Council it is not possible to reliably attribute a fair value, and further that such value if determined would be immaterial.

6.2 Initial Recognition

All assets are initially recognised at cost. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition.

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use". Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

6.3 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in periodically reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year are given below. No capitalisation threshold is applied to the acquisition of land or interests in land.

Category	Individual Threshold
Infrastructure	\$5,000
Land	N/a
Land Improvements	\$5,000
Buildings	\$5,000
Furniture and Fittings	\$3,000
Equipment	\$3,000
Other	\$3,000

Thresholds are also applied to Aggregated Assets in determining whether the value is considered material.

Category	Aggregated Threshold
Infrastructure	
Reserve Lighting	\$1,000,000
Reserve Pathways	\$1,000,000
Reserve Irrigation	\$1,000,000
Buildings	
Bus Shelters	\$1,000,000
Shelters/Gazebos	\$100,000
Fencing	\$100,000
Furniture and Fittings	\$25,000
Equipment	\$100,000
Other	
BBQs	\$100,000
Reserve Furniture	\$500,000
Cricket Practice Nets	\$100,000
Drink Fountains	\$50,000
Play Equipment Softfall	\$50,000
Reserve Bollards	\$500,000
Reserve Bins	\$100,000
City Band Instruments	\$100,000
Council Artwork	\$100,000
Library Stock	\$1,000,000

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies (continued)

6.4 Subsequent Recognition

All material asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. Significant uncertainties exist in the estimation of fair value of a number of asset classes including land, buildings and associated structures and infrastructure. Further detail of these uncertainties, and of existing valuations, methods and valuers are provided at Note 7.

6.5 Depreciation of Non-Current Assets

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives on a straight-line basis which, in the opinion of Council, best reflects the consumption of the service potential embodied in those assets.

Depreciation methods, useful lives and residual values of classes of assets are reviewed annually.

Major depreciation periods for each class of asset are listed below. Depreciation periods for infrastructure assets have been estimated based on the best information available to Council, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

Furniture & Equipment

Office Equipment	3 to 15 years
Office Furniture	10 to 15 years
Vehicles and Road-making Equip	3 to 15 years
Other Plant & Equipment	7 to 25 years

Building & Other Structures

Buildings	15 to 80 years
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Infrastructure

Sealed Roads – Surface	25 years
Road Base	50 to 80 years
Road Formation	100 years
Kerb	80 years
Footpath – Bitumen/Rubber	25 years
Footpath – Concrete	50 years
Footpath – Paved	50 years
Other Road Structures	15 years
Traffic Signs	15 years
Bridges	80 years
Stormwater Pipes	60 to 100 years
Junction Boxes	100 years

Pollutant Traps	100 years
Box Culverts	100 years
Headwalls	100 years
Drainage Pits	100 years

Other Infrastructure

Wetland Assets	15-100 years
Car Parks	25 to 40 years
Irrigation	25 years
Lighting	15-40 years
Recreation Pathways	40 years
Sports Floodlights	25 years

Other Assets

Library Books - Paperbacks	7 years
Library Books - Hardcover	7 years
Other Library Stock incl. CD's, DVD's, Toys	3 to 7 years
Playground Equipment	20 years
Reserve Furniture	7-40 years
Band Instruments	60 years
Civic Art Structures	30 to 80 years

6.6 Impairment

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash inflows or value in use).

For assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, the value in use is the depreciated replacement cost. In assessing impairment for these assets, a rebuttable assumption is made that the current replacement cost exceeds the original cost of acquisition.

Where an asset that has been revalued is subsequently impaired, the impairment is first offset against such amount as stands to the credit of that class of assets in Asset Revaluation Reserve, any excess being recognised as an expense.

6.7 Borrowing Costs

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with AASB 123 "Borrowing Costs". The amounts of borrowing costs recognised as an expense or as part of the carrying amount of

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies (continued)

qualifying assets are disclosed in Note 3, and the amount (if any) of interest revenue offset against borrowing costs in Note 2.

7 Payables

7.1 Goods & Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

7.2 Payments Received in Advance & Deposits

Amounts other than grants received from external parties in advance of service delivery, and security deposits held against possible damage to Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

8 Borrowings

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates, and is recorded as part of "Payables".

9 Employee Benefits

9.1 Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date.

9.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme. The Scheme

has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 18.

10 Leases

Lease arrangements have been accounted for in accordance with Australian Accounting Standard AASB 117.

In respect of operating leases, where the lessor substantially retains all of the risks and benefits incident to ownership of the leased items, lease payments are charged to expense over the lease term.

11 Equity Accounted Council Businesses

Council participates in cooperative arrangements with other Councils for the provision of services and facilities. Council's interests in cooperative arrangements, which are only recognised if material, are accounted for in accordance with AASB 128 and set out in detail in Note 19.

12 GST Implications

In accordance with Interpretation 1031 "Accounting for the Goods & Services Tax"

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupment.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

13 New accounting standards and interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2015.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies (continued)

Council has not adopted any of these standards early.

Council's assessment of the impact of these new standards and interpretations is set out below.

Apart from the AASB disclosures below, there are no other standards that are "not yet effective" which are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Applicable to Local Government:

AASB 9 - Financial Instruments (and associated amending standards)

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value and
- amortised cost (where financial assets will only be able to be measured at amortised cost where very specific conditions are met).

AASB 15 - Revenue from contracts with customers and associated amending standards

AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

The full impact of AASB 15 has not yet been ascertained or quantified.

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2017.

AASB 124 - Related Party Disclosures

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

AASB 2014-10 - Sale or contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2016.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies (continued)

This standard will only impact Council where there has been a sale or contribution of assets between the entity and the associate/joint venture.

AASB 2014-3 - Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]

This Standard amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.

The amendments require:

- (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and
- (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

This Standard also makes an editorial correction to AASB 11.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2016.

If a joint operation is acquired during the reporting period, then this standard clarifies the accounting for the acquisition to be in accordance with AASB 3, i.e. assets and liabilities acquired to be measured at fair value.

14 Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes. Refer to Note 5.

15 Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

Note 2. Income

\$ '000	Notes	2015	2014
(a). Rates Revenues			
General Rates			
General Rates		66,701	63,000
Less: Mandatory Rebates		(953)	(915)
Less: Discretionary Rebates, Remissions & Write Offs		(9)	(26)
Total General Rates		65,739	62,059
Other Rates (Including Service Charges)			
Natural Resource Management Levy		1,523	1,496
Total Other Rates		1,523	1,496
Other Charges			
Penalties for Late Payment		203	210
Total Other Charges		203	210
Total Rates Revenues		67,465	63,765
(b). Statutory Charges			
Development Act Fees		820	724
Town Planning Fees		81	109
Animal Registration Fees & Fines		435	432
Parking Fines / Expiation Fees		413	450
Total Statutory Charges		1,749	1,715
(c). User Charges			
Admission Fees		416	314
Hall & Equipment Hire		199	188
Rental Income		200	190
Sales - General		221	282
Sundry		653	597
Total User Charges		1,689	1,571

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

Note 2. Income (continued)

\$ '000	Notes	2015	2014
(d). Investment Income			
Interest on Investments			
- Local Government Finance Authority		882	783
- Banks & Other		6	10
Total Investment Income		888	793
(e). Reimbursements			
Private Works		142	230
Other		732	668
Total Reimbursements		874	898
(f). Other Income			
Insurance & Other Recoupments - Infrastructure, IPP&E		17	43
Donations & Contributions income		632	240
Sundry		151	32
Total Other Income		800	315
(g). Grants, Subsidies, Contributions			
Amounts Received Specifically for New or Upgraded Assets		1,831	438
Other Grants, Subsidies and Contributions		6,257	5,391
Individually Significant Item - Additional Grants Commission Payment (refer (ii) below)		1,437	-
Total Grants, Subsidies, Contributions		9,525	5,829
The functions to which these grants relate are shown in Note 12.			
(i) Sources of grants			
Commonwealth Government		6,319	3,790
State Government		2,474	1,801
Other		732	238
Total		9,525	5,829
(ii) Individually Significant Items			
Grant Commission (FAG) Grant Recognised as Income		1,437	-

In June 2015, Council received payment of the first two instalments of the 2015/16 Grant Commission (FAG) grant. This has had a material effect Council's operating result this year.

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

Note 2. Income (continued)

\$ '000	Notes	2015	2014
(h). Conditions over Grants & Contributions			
Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:			
Unexpended at the close of the previous reporting period		1,872	8,348
<i>Less:</i>			
<i>Expended during the current period from revenues recognised in previous reporting periods</i>			
Other		(645)	(7,335)
Subtotal		(645)	(7,335)
<i>Plus:</i>			
<i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>			
Other		2,998	859
Subtotal		2,998	859
Unexpended at the close of this reporting period		4,225	1,872
Net increase (decrease) in assets subject to conditions in the current reporting period		2,353	(6,476)
(i). Physical Resources Received Free of Charge			
Land & Improvements		766	-
Roads, Bridges & Footpaths		7,451	853
Stormwater Drainage		-	637
Buildings		15	-
Other Infrastructure		10	-
Total Physical Resources Received Free of Charge		8,242	1,490

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

Note 3. Expenses

\$ '000	Notes	2015	2014
(a). Employee Costs			
Salaries and Wages		26,840	28,108
Employee Leave Expense		2,849	1,326
Superannuation - Defined Contribution Plan Contributions	18	2,407	2,452
Workers' Compensation Insurance		825	694
Less: Capitalised and Distributed Costs		(1,164)	(1,048)
Total Operating Employee Costs		31,757	31,532
Total Number of Employees (full time equivalent at end of reporting period)		348	351
(b). Materials, Contracts and Other Expenses			
(i) Prescribed Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports		72	67
Bad and Doubtful Debts		-	1
Elected Members' Expenses		317	313
Operating Lease Rentals - Cancellable Leases		462	445
Subtotal - Prescribed Expenses		851	826
(ii) Other Materials, Contracts and Expenses			
Contractors		12,307	11,575
Energy		1,788	1,828
Maintenance		1,621	1,456
Legal Expenses		421	424
Levies Paid to Government - NRM levy		1,517	1,495
Levies - Other		194	140
Parts, Accessories & Consumables		2,928	3,111
Professional Services		717	1,320
Sundry		4,074	4,806
Subtotal - Other Material, Contracts & Expenses		25,567	26,155
Total Materials, Contracts and Other Expenses		26,418	26,981

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

Note 3. Expenses (continued)

\$ '000	Notes	2015	2014
(c). Depreciation, Amortisation and Impairment			
(i) Depreciation and Amortisation			
Buildings & Other Structures		3,799	3,581
Infrastructure		5,901	6,751
- Other		1,011	-
Plant & Equipment		1,352	1,348
Furniture & Fittings		41	114
Intangible Assets		68	75
Other Assets		911	800
Subtotal		13,083	12,669
(ii) Impairment			
Nil			
Less: Capitalised and Distributed costs		(109)	(113)
Total Depreciation, Amortisation and Impairment		12,974	12,556
(d). Finance Costs			
Interest on Loans		800	358
Total Finance Costs		800	358

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

Note 4. Asset Disposal & Fair Value Adjustments

\$ '000	Notes	2015	2014 Restated
Infrastructure, Property, Plant & Equipment			
(i) Assets Renewed or Directly Replaced			
Proceeds from Disposal		721	533
Less: Carrying Amount of Assets Sold		(923)	(1,103)
Gain (Loss) on Disposal		(202)	(570)
(ii) Assets Surplus to Requirements			
Proceeds from Disposal		-	69
Less: Carrying Amount of Assets Sold		-	(26)
Gain (Loss) on Disposal		-	43
Net Gain (Loss) on Disposal or Revaluation of Assets		(202)	(527)

Note 5. Current Assets

(a). Cash & Cash Equivalents			
Cash on Hand and at Bank		888	365
Short Term Deposits & Bills, etc.		18,800	18,800
Total Cash & Cash Equivalents		19,688	19,165
(b). Trade & Other Receivables			
Rates - General & Other		1,568	1,465
Rates Postponed for State Seniors		80	39
Accrued Revenues		200	249
Debtors - General		1,021	567
GST Recoupment		720	657
Prepayments		447	568
Total Trade & Other Receivables		4,036	3,545
(c). Other Financial Assets (Investments)			
Other Financial Assets (Term Deposits with over 90 days to maturity)		2,750	8,900
Total Other Financial Assets (Investments)		2,750	8,900
(d). Inventories			
Stores & Materials		166	172
Total Inventories		166	172

The cash balance initially reported in 2013/14 was \$28,065,000, \$8,900,000 has been reclassified into "Other Financial Assets" as its maturity date was greater than 3 months and the cash balance has been adjusted to \$19,165,000. The balance of "Other Financial Assets" before reclassification was nil.

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

Note 6. Non-Current Assets

\$ '000	Notes	2015	2014
(a). Equity Accounted Investments in Council Businesses			
Southern Region Waste Resource Authority	19	5,019	4,241
Council Solutions	19	101	122
Total Equity Accounted Investments in Council Businesses		5,120	4,363
(b). Other Non-Current Assets			
Capital Works-in-Progress		12,323	8,576
Computer Software & Licences		1,113	1,146
Less Accumulated Amortisation		(941)	(885)
Total Other		12,495	8,837
Total Other Non-Current Assets		12,495	8,837

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

Note 7a (i). Infrastructure, Property, Plant & Equipment

\$ '000	Fair Value Level	as at 30/6/2014					Asset Movements during the Reporting Period						as at 30/6/2015				
		At Fair Value	At Cost	Accumulated		Carrying Value	Asset Additions		WDV of Asset Disposals	Depreciation Expense (Note 3c)	Revaluation Decrements to Equity (ARR) (Note 9)	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated		Carrying Value
				Dep'n	Impairment		New / Upgrade	Renewals							Dep'n	Impairment	
Land	2	341,724	194	-	-	341,918	955	-	(240)	-	-	2	341,485	1,150	-	-	342,635
Buildings & Other Structures	3	143,444	-	58,348	-	85,096	11,465	1,159	(3)	(3,799)	(1,843)	-	144,967	12,625	65,517	-	92,075
Infrastructure	3	689,591	2,105	91,745	-	599,951	10,600	5,875	-	(5,901)	-	4,760	706,392	1,514	92,621	-	615,285
- Other	3	44,008	-	10,314	-	33,694	532	1,083	(52)	(1,011)	-	2,081	48,171	1,497	13,341	-	36,327
Plant & Equipment		-	12,670	5,595	-	7,075	94	1,906	(585)	(1,352)	-	-	-	13,114	5,976	-	7,138
Furniture & Fittings		-	1,263	980	-	283	142	-	-	(41)	-	-	-	1,405	1,021	-	384
Other Assets	3	13,445	-	4,091	-	9,354	40	524	(4)	(911)	(1,444)	-	13,664	176	6,281	-	7,559
Total Infrastructure, Property, Plant & Equipment		1,232,212	16,232	171,073	-	1,077,371	23,828	10,547	(884)	(13,015)	(3,287)	6,843	1,254,679	31,481	184,757	-	1,101,403
Comparatives		1,177,203	23,388	165,118	-	1,035,473	17,676	7,702	(1,128)	(12,594)	-	30,242	1,232,212	16,232	171,073	-	1,077,371

Note 7a (ii). Investment Property

Nil

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2015

Note 7b. Valuation of Infrastructure, Property, Plant & Equipment & Investment Property

\$ '000

Valuation of Assets

The fair value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Refer to Note 7a for the disclosure of the Fair Value Levels of Infrastructure, Property, Plant and Equipment Assets.

Information on Valuations

Accounting procedure: Upon revaluation, the current new replacement cost and accumulated depreciation are restated such that the difference represents the fair value of the asset determined in accordance with AASB 13 Fair Value Measurement: accumulated depreciation is taken to be the difference between current new replacement cost and fair value. In the case of land, fair value is taken to be the current replacement cost.

Certain land, and the buildings and structures thereon, are shown above as being based on fair value hierarchy level 2 valuation inputs. They are based on prices for similar assets in an active market, with directly or indirectly observable adjustments for specific advantages or disadvantages attaching to the particular asset.

Valuations of Crown land, community land and land subject to other restrictions on use or disposal, shown above as being based on fair value hierarchy level 3 valuation inputs, are based on prices for similar assets in an active market, but include adjustments for specific advantages or disadvantages attaching to the particular asset that are not directly or indirectly observable in that market, or the number and / or amount of observable adjustments of which are so great that the valuation is more fairly described as being based on level 3 valuation inputs.

There is no known market for buildings, infrastructure and other assets. These assets are valued at depreciated current replacement cost. This method involves:

- The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.
- The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2015

Note 7b. Valuation of Infrastructure, Property, Plant & Equipment & Investment Property (continued)

\$ '000

Valuation of Assets (continued)

Other Information

At 1 July 2004 upon the transition to AIFRS, Council elected pursuant to AASB 1.19 to retain a previously established deemed cost under GAAP as its deemed cost. With subsequent addition at cost, this remains as the basis of recognition of non-material asset classes.

Upon revaluation, the current new replacement cost and accumulated depreciation are re-stated such that the difference represents the fair value of the asset determined in accordance with AASB 13 Fair Value Measurement: accumulated depreciation is taken to be the difference between current new replacement cost and fair value. In the case of land, current replacement cost is taken to be the fair value.

Highest and best use

All of Council's non financial assets are considered as being utilised for their highest and best use.

Transition to AASB 13 - Fair Value Measurement

The requirements of AASB 13 Fair Value Measurement have been applied to all valuations undertaken since 1 July 2013 as shown by the valuation dates by individual asset classes below.

Fair value hierarchy level 2 valuations: Land is shown above as being based on fair value hierarchy level 2 valuation inputs. They are based on prices for similar assets in an active market, with directly or indirectly observable adjustments for specific advantages or disadvantages attaching to the particular asset.

Fair value hierarchy level 3 valuations of valuations of buildings, infrastructure and other assets: There is no known market for these assets and they are valued at depreciated current replacement cost. This method involves: The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.

The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2015

Note 7b. Valuation of Infrastructure, Property, Plant & Equipment & Investment Property (continued)

\$ '000

Valuation of Assets (continued)

Land & Land Improvements

Council being of the opinion that it is not possible to attribute a value sufficiently reliably to qualify for recognition, land under roads has not been recognised in these reports. A desktop revaluation was carried out by independent valuation for the reporting period, 30 June 2015

Freehold land and land over which Council has control, but does not have title, is recognised on the cost basis. No capitalisation threshold is applied to the acquisition of land or interests in land.

Land improvements, including bulk earthworks with an assessed unlimited useful life, are recognised on the cost basis. Additions are recognised at cost.

Estimated future costs of reinstatement of land, capitalised in accordance with AASB 116.16(c), are reviewed annually (see Note 1) and depreciated over the estimated remaining life of the relevant asset. Currently there are no assets that require this treatment.

Buildings & Other Structures

A desktop revaluation was carried out by independent valuation for this reporting period, 30 June 2015.

Infrastructure

Infrastructure assets (roads, footpaths, kerbs, drains, bridges, traffic devices and traffic signs) were valued by independent valuation as at 30 June 2015.

A desktop revaluation was carried out by independent valuation for this reporting period, 30 June 2015 for other infrastructure assets such as car parks, lighting, walking trails and reserve pathways

All acquisitions made after the respective dates of valuation are recorded at cost.

Plant, Furniture & Equipment

These assets are recognised on the cost basis.

All other Assets

A desktop revaluation was carried out by independent valuation for this reporting period, 30 June 2015, apart from Library Stock which is valued by Council Officers at written down replacement cost on an annual basis.

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

Note 8. Liabilities

\$ '000	Notes	2015 Current	2015 Non Current	2014 Current	2014 Non Current
(a). Trade and Other Payables					
Goods & Services		5,945	-	5,254	-
Payments Received in Advance		-	-	4	-
Accrued Expenses - Employee Entitlements		1,286	-	1,100	-
Accrued Expenses - Other		39	-	50	-
Deposits, Retentions & Bonds		1	-	-	-
Other		7	-	-	-
Total Trade and Other Payables		7,278	-	6,408	-
(b). Borrowings					
Loans		1,671	10,229	1,572	11,900
Total Borrowings		1,671	10,229	1,572	11,900
All interest bearing liabilities are secured over the future revenues of the Council					
(c). Provisions					
Employee Entitlements (including oncosts)		5,155	857	4,932	527
Total Provisions		5,155	857	4,932	527

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

Note 9. Reserves

\$ '000	1/7/2014	Increments (Decrements)	Transfers	Impairments	30/6/2015
(a). Asset Revaluation Reserve					
Land	242,530	2	-	-	242,532
Buildings & Other Structures	72,967	(1,843)	-	-	71,124
Infrastructure	-	4,760	-	-	4,760
- Stormwater drainage	97,742	-	-	-	97,742
- Other	-	2,081	-	-	2,081
- Roads, Bridges, Footpaths	318,547	-	-	-	318,547
Other Assets	5,883	(1,444)	-	-	4,439
JV's / Associates - Other Comprehensive Income	(890)	-	-	-	(890)
Total Asset Revaluation Reserve	736,779	3,556	-	-	740,335
Comparatives	707,427	29,352	-	-	736,779

\$ '000	1/7/2014	Tfrs to Reserve	Tfrs from Reserve	Other Movements	30/6/2015
(b). Other Reserves					
Open Space Reserve	1,288	241	(672)	-	857
Grants/Carry Forward Projects Reserve	15,865	15,156	(15,810)	-	15,211
Asset Sustainability Reserve	3,029	316	(209)	-	3,136
Total Other Reserves	20,182	15,713	(16,691)	-	19,204
Comparatives	21,520	16,986	(18,324)	-	20,182

PURPOSES OF RESERVES

Asset Revaluation Reserves

The asset revaluation reserve is used to record increments and decrements arising from changes in fair value of non current assets (less any subsequent impairment losses, where applicable).

Open Space Reserve

Purpose - this reserve has been established to account for the following:

- I. set aside open space contributions provided by developers in accordance with the Development Act (conditions may apply)
- II. separate net proceeds associated with Road Closures.
- III. net proceeds associated with disposal of minor land holdings
- IV. funds received from the 'Urban Trees Fund'

Use of Fund - monies can be applied to the development of Open Space facilities as approved by Council and in accordance with the Open Space Policy (pending). Interest revenues earned on contributions provided by developers are transferred to the Fund.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2015

Note 9. Reserves (continued)

\$ '000

Grants/Carry Forward Projects Reserve

Purpose - this reserve was created for:

Grants received in advance - occasionally a funding body has provided Grant funds relating to the following financial year in advance. When this has occurred, it has been necessary to transfer these funds to this reserve so that they can be matched against the expenditures planned to be incurred in the next financial year.

Unexpended Grants - when grant monies have not been fully acquitted in the financial year this reserve is used to transfer the unexpended balance to the following year.

Carryovers - typically represents unspent capital and service improvements budgets carried forward to the following financial year.

Use of Fund - monies are utilised in accordance with the original purpose.

Asset Sustainability Reserve

Purpose - this is a reserve fund established to:

I. Primary Purpose – Provide Council with the ability to access sufficient funds to enable it to respond to a major infrastructure failure or fund an infrastructure gap identified in periodic asset audits. A minimum balance of \$2 million will be retained in the Asset Sustainability Reserve for this purpose.

II. Assist Council fund its Long Term Asset Management objectives.

III. Provide a means by which to spread the cost of intergenerational assets thereby reducing the need for borrowings
IV. Provide a means by which Council can strategically plan to maintain its asset base within a long term Financial framework.

V. Quarantine funds specifically set aside in the Community Facilities Partnership Program (CFPP) for the purpose of funding the renewal, upgrade and purchase of Council assets as resolved by Council. This will include encouraging organisations leasing council facilities to seek partnership funding for required renewal and upgrade of those community facilities.

The Asset Sustainability Reserve will be funded from planned surpluses identified in the Long Term Financial Plan (LTFP) and from funds specifically set aside for the CFPP in the LTFP.

Use of Fund - Reserve transfers will be controlled by specific Council resolutions or identified as part of the approved annual Strategic Plan and Budget.

Note 10. Assets Subject to Restrictions

\$ '000

Notes

2015

2014

The uses of the following assets are restricted, wholly or partially, by legislation or other externally imposed requirements. The assets are required to be utilised for the purposes for which control was transferred to Council, or for which the revenues were originally obtained.

Cash & Financial Assets

Unexpended amounts received from Federal Government

Other

3,334

1,872

Total Cash & Financial Assets

3,334

1,872

Total Assets Subject to Externally Imposed Restrictions

3,334

1,872

Cash held at the end of the 2012/13 Financial Year was money received by way of Federal and State Government grants to be used for specific purposes, including funding for the Oaklands Wetlands development and the Cove Civic Centre. This was fully spent in 2013/14

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

Note 11. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2015	2014
(a). Reconciliation of Cash			
Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:			
Total Cash & Equivalent Assets	5	19,688	19,165
Balances per Statement of Cash Flows		19,688	19,165
(b). Reconciliation of Change in Net Assets to Cash from Operating Activities			
Net Surplus/(Deficit)		19,898	4,868
Non-Cash Items in Income Statements			
Depreciation, Amortisation & Impairment		12,974	12,556
Equity Movements in Equity Accounted Investments (Increase)/Decrease		(817)	(446)
Physical Resources Received Free of Charge		-	(1,490)
Net Increase/(Decrease) in Unpaid Employee Benefits		553	342
Non-Cash Asset Acquisitions		(8,242)	(270)
Grants for Capital Acquisitions (Treated as Investing Activity Receipts)		(1,831)	(168)
Net (Gain) Loss on Disposals		202	527
		22,737	15,919
Add (Less): Changes in Net Current Assets			
Net (Increase)/Decrease in Receivables		(491)	2,950
Net (Increase)/Decrease in Inventories		6	134
Net (Increase)/Decrease in Other Current Assets		89	69
Net Increase/(Decrease) in Trade & Other Payables		869	936
Net Cash provided by (or used in) operations		23,210	20,008
(c). Non-Cash Financing and Investing Activities			
Acquisition of assets by means of:			
- Physical Resources Received Free of Charge	2i	8,242	1,490
- Non-Cash Grants & Contributions		-	270
Amounts recognised in Income Statement		8,242	1,760
Total Non-Cash Financing & Investing Activities		8,242	1,760
(d). Financing Arrangements			
Unrestricted access was available at balance date to the following lines of credit:			
Corporate Credit Cards		75	75
LGFA Cash Advance Debenture Facility		11,000	11,000

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Council also has immediate access to a short-term draw-down facility, and variable interest rate borrowings under a cash advance facility, both from the Local Government Finance Authority of SA.

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

Note 12a. Functions

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 12(b).									
	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014	Actual 2015	Actual 2014	Actual 2015	Actual 2014	Actual 2015	Actual 2014
\$ '000										
Leader in the Delivery of the Community Vision										
Development Assessment	1,164	900	3,602	3,559	(2,438)	(2,659)	9	5	-	-
Crime Prevention	2	16	336	492	(334)	(476)	1	15	-	-
Community Support & Development	3,391	2,741	9,412	8,953	(6,021)	(6,212)	1,729	1,523	122,759	115,290
Public & Environment Health	93	274	855	1,420	(762)	(1,146)	47	238	-	-
General Inspection	867	894	1,519	1,468	(652)	(574)	3	1	-	-
Public Infrastructure	2,341	1,951	15,909	15,597	(13,568)	(13,646)	2,193	1,696	683,592	658,902
Open Space	285	543	11,301	11,508	(11,016)	(10,965)	111	275	257,390	258,302
Public Conveniences	7	3	437	428	(430)	(425)	4	-	2,805	2,711
Strategic Projects	14	15	1,218	1,710	(1,204)	(1,695)	5	8	3	4,761
Asset Management	-	-	-	-	-	-	-	-	12,564	12,680
Neighbourhood Centres	541	404	2,178	2,069	(1,637)	(1,665)	243	155	7,138	7,305
Cultural Development	389	423	3,141	3,234	(2,752)	(2,811)	29	13	15,556	15,889
Libraries	604	620	6,806	6,727	(6,202)	(6,107)	523	531	12,736	9,707
Waste & Recycling	915	137	7,144	7,135	(6,229)	(6,998)	2	6	5,100	4,241
Trees	-	-	-	-	-	-	-	-	-	5
Economic Development	84	121	564	560	(480)	(439)	63	-	-	-
Total Leader in the Delivery of the Community Vision	10,697	9,042	64,422	64,860	(53,725)	(55,818)	4,962	4,466	1,119,643	1,089,793
Organisation of Excellence										
Governance	113	94	4,604	4,278	(4,491)	(4,184)	-	-	6	46
Service Quality	29	25	134	130	(105)	(105)	29	25	555	610
Total Organisation of Excellence	142	119	4,738	4,408	(4,596)	(4,289)	29	25	561	656
Treasury	71,137	65,733	2,789	2,159	68,348	63,574	2,703	900	25,454	31,904
Total Functions/Activities	81,976	74,894	71,949	71,427	10,027	3,467	7,694	5,391	1,145,658	1,122,353

Revenues and expenses exclude net gain (loss) on disposal or revaluation of assets, amounts received specifically for new or upgraded assets and physical resources received free of charge.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2015

Note 12b. Components of Functions

\$ '000

The activities relating to Council functions are as follows:

Leader in the Delivery of the Community Vision – “Broad Horizons, Bright Future”

PUBLIC INFRASTRUCTURE

Includes the design, development and maintenance of footpaths, streets, drainage and kerb and water table, as well as street signs, traffic control devices and line-marking ensuring that local neighbourhoods are safe and accessible with good amenity

WASTE & RECYCLING

Services including domestic kerbside collection, hard rubbish collection, street sweeping and general litter collection to maintain cleanliness and amenity

OPEN SPACE

Parks, reserves, ovals and streetscape development and maintenance providing well maintained public spaces for use by all members of the community

LIBRARIES

Providing opportunities for learning and social activities for all ages and interests

ASSET MANAGEMENT

Management and maintenance of Council properties enabling them to be utilised by members of the community for various purposes such as meetings, social activities and programs

COMMUNITY SUPPORT & DEVELOPMENT

Services such as home and community care, youth services, support for volunteers and community transport providing direct support to groups within the community

COMMUNITY DEVELOPMENT

Recreation, sport and leisure facilities, services and activities that provide opportunities for community members to socialise and undertake physical activity

DEVELOPMENT ASSESSMENT

Building and planning services which ensure that houses are safely constructed and designed and developed in a manner which is sympathetic to the local neighbourhood

CULTURAL DEVELOPMENT

Supporting community involvement in arts and cultural activity and expression, celebrating diversity, indigenous people and those from culturally and linguistically diverse backgrounds. This includes the Marion Cultural Centre and Living Kaurna Cultural Centre providing cultural and artistic experiences for the community

TREES

Provision of street trees and revegetation programs to improve amenity and promote, where possible, the use of indigenous plants

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2015

Note 12b. Components of Functions (continued)

\$ '000

NEIGHBOURHOOD CENTRES

Providing opportunities for learning and social activities for all ages and interests

PUBLIC & ENVIRONMENTAL HEALTH

Services such as food safety and public health inspections, immunisation and enforcement of certain environmental regulations as well as Planning, information, advice and demonstration to promote environmentally sensitive practices by both Council and the community

ECONOMIC DEVELOPMENT

Planning and support for existing and potential businesses to assist businesses to adapt to changing circumstance and provide an employment base for the Marion community

STRATEGIC PROJECTS

Major projects such as the Marion South Plan and State Aquatic Centre aimed at providing improved services and facilities for the Community

CRIME PREVENTION

Services such as graffiti removal and working with other agencies to improve the safety and amenity of the community

GENERAL INSPECTION

Services include dog and cat control, pest control, parking control and the enforcement of by-laws to ensure that the community is safe and orderly

PUBLIC CONVENIENCES

Services such as provision and maintenance of public toilets in close proximity to highly frequented reserves and other open space areas

Organisation of Excellence

To lead in the delivery of the Community Vision, the organisation must maintain its sustainability. This underpins our Corporate Vision of “An Organisation of Excellence”. To achieve this, the following essential support services are funded in the budget.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2015

Note 12b. Components of Functions (continued)

\$ '000

Excellence in Governance

Elected Member Support

Provision of services which enable Elected Members to undertake their role in making decisions for the Council and community, including Council meetings, elections, council receptions and Sister City activities

Strategic, corporate and sustainability planning and policy development

To ensure that Council is progressing towards achieving the Community Vision 2020 and its strategic social, cultural, and economic and environmental sustainability goals in a transparent and accountable manner, working with our Local, State, and Federal Government partners

Financial services

Including budgeting, rating, accounts management and payroll, which ensure sound and transparent financial management which enables Council to provide adequate services and facilities and appropriately address community needs

Risk management policy, development and internal audit

Activities to ensure that Council is continuously improving its management systems

External relations, communication and community engagement

Enables the community to be appropriately and adequately informed about the activities and decisions of the Council

Service Quality

Customer service

In particular the Customer Service Centre, which enables Council staff to liaise with the community to address issues and concerns directly with Council, as well as provide the community with information and referral to other services provided in the region

Information technology

Provides support to Council staff for their technological needs to enable them to contribute towards delivery of the Community Vision as well as access by the community to Council information and services through the internet and email

Information Management

Enables Council to keep adequate and appropriate records of activities and decisions

Employer of Choice

Human Resources

Services that provide support for staff to undertake their roles to deliver the Community Vision

Occupational Health & Safety

Services to ensure that work is undertaken in a manner that is safe for the staff and community

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2015

Note 13. Financial Instruments

\$ '000

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits

Accounting Policy:

Carried at lower of cost and net realisable value; Interest is recognised when earned.

Terms & Conditions:

Deposits are returning fixed interest rates between 2.05% and 2.65% (2014: 3.0% and 3.40%). Short term deposits have an average maturity of 72 days and an average interest rate of 3.0% (2014: 61 days and 3.15%).

Carrying Amount:

Approximates fair value due to the short term to maturity.

Receivables

Rates & Associated Charges

(including legals & penalties for late payment)

Note: These receivables do not meet the definition of "financial instruments" and have been excluded from the following disclosures.

Accounting Policy:

Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.

Terms & Conditions:

Secured over the subject land, arrears attract interest of 2% (2014: 2%). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables

Fees & Other Charges

Accounting Policy:

Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.

Terms & Conditions:

Unsecured, and do not bear interest. Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

Note 13. Financial Instruments (continued)

\$ '000

Recognised Financial Instruments**Receivables****Other Levels of Government****Accounting Policy:**

Carried at nominal value.

Terms & Conditions:

Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of State and Federal Governments.

Carrying Amount:

Approximates fair value.

Liabilities**Creditors and Accruals****Accounting Policy:**

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.

Terms & Conditions:

Liabilities are normally settled on 30 day terms.

Carrying Amount:

Approximates fair value.

Liabilities**Interest Bearing Borrowings****Accounting Policy:**

Carried at the principal amounts. Interest is charged as an expense as it accrues.

Terms & Conditions:

Secured over future revenues, borrowings are repayable (describe basis); interest is charged at fixed (or variable - describe) rates between 5.80% and 6.85% (2014: 5.80% and 6.85%).

Carrying Amount:

Approximates fair value.

Liabilities**Finance Leases****Accounting Policy:**

Accounted for in accordance with AASB 117.

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

Note 13. Financial Instruments (continued)

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2015					
Financial Assets					
Cash & Equivalents	19,688	-	-	19,688	19,688
Receivables	1,221	-	-	1,221	1,221
Other Financial Assets	2,750	-	-	2,750	2,750
Total Financial Assets	23,659	-	-	23,659	23,659

Financial Liabilities					
Payables	7,278	-	-	7,278	7,278
Current Borrowings	2,383	-	-	2,383	1,671
Non-Current Borrowings	-	6,625	6,886	13,511	10,229
Total Financial Liabilities	9,661	6,625	6,886	23,172	19,178

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2014					
Financial Assets					
Cash & Equivalents	19,165	-	-	19,165	19,165
Receivables	816	-	-	816	816
Other Financial Assets	8,900	-	-	8,900	8,900
Total Financial Assets	28,881	-	-	28,881	28,881

Financial Liabilities					
Payables	11,336	527	-	11,863	11,867
Current Borrowings	2,383	-	-	2,383	1,572
Non-Current Borrowings	-	7,438	8,456	15,894	11,900
Total Financial Liabilities	13,719	7,965	8,456	30,140	25,339

The following interest rates were applicable to Council's Borrowings at balance date:

	30 June 2015		30 June 2014	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Fixed Interest Rates	6.20%	11,900	6.2%	13,472
		11,900		13,472

Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the Council.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2015

Note 13. Financial Instruments (continued)

\$ '000

Risk Exposures

Credit Risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any allowance for doubtful debts. All Council investments are made with the SA Local Government Finance Authority and are guaranteed by the SA Government. Except as detailed in Notes 5 & 6 in relation to individual classes of receivables, exposure is concentrated within the Council's boundaries, and there is no material exposure to any individual debtor.

Market Risk is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of Council's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor **currency risk** apply.

Liquidity Risk is the risk that Council will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Management Policy (LGA Information Paper 15), liabilities have a range of maturity dates. Council also has available a range of bank overdraft and standby borrowing facilities that it can access.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates. Council has a balance of both fixed and variable interest rate borrowings and investments. Cash flow fluctuations are managed holistically in seeking to minimise interest costs over the longer term in a risk averse manner.

Note 14. Commitments for Expenditure

\$ '000

Notes

2015

2014

Capital Commitments

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Land	90	66
Buildings	177	909
Infrastructure	1,155	1,254
Plant & Equipment	63	-
Other	400	38
	1,885	2,267

These expenditures are payable:

Not later than one year	1,885	2,267
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
	1,885	2,267

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2015

Note 15. Financial Indicators

	Amounts	Indicator	Prior Periods	
\$ '000	2015	2015	2014	2013

These Financial Indicators have been calculated in accordance with *Information paper 9 - Local Government Financial Indicators* prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia.

1. Operating Surplus Ratio

Operating Surplus	10,027	15%	6%	9%
Rates - General & Other Less NRM levy	65,942			

This ratio expresses the operating surplus as a percentage of general and other rates, net of NRM levy.

1a. Adjusted Operating Surplus Ratio

In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. The Adjusted Operating Surplus Ratio adjusts for the resulting distortion in the disclosed operating result for each year.

8,590	13%	8%	9%
65,942			

2. Net Financial Liabilities Ratio

Net Financial Liabilities	(1,284)	(2%)	(8%)	(18%)
Total Operating Revenue	81,976			

Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses). These are expressed as a percentage of total operating revenue.

3. Asset Sustainability Ratio

Net Asset Renewals	9,825	76%	57%	80%
Infrastructure & Asset Management Plan required expenditure	12,974			

Net asset renewals expenditure is defined as net capital expenditure on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

Note 16. Uniform Presentation of Finances

\$ '000	2015	2014
<p>The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.</p> <p>All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.</p> <p>The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.</p>		
Income	81,976	74,894
less Expenses	(71,949)	(71,427)
Operating Surplus / (Deficit)	10,027	3,467
less Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	10,547	6,982
less Depreciation, Amortisation and Impairment	(12,974)	(12,556)
less Proceeds from Sale of Replaced Assets	(721)	(532)
Subtotal	(3,148)	(6,106)
less Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	19,332	16,186
less Amounts Received Specifically for New and Upgraded Assets	(1,831)	(168)
less Proceeds from Sale of Surplus Assets (including Investment Property & and Real Estate Developments)	-	(69)
Subtotal	17,501	15,949
Net Lending / (Borrowing) for Financial Year	(4,326)	(6,376)

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

Note 17. Operating Leases

\$ '000

2015

2014

Lease Payment Commitments of Council

Council has entered into non-cancellable operating leases for various items of computer and other plant and equipment.

No contingent rentals were paid during the current or previous reporting periods.

No lease imposes any additional restrictions on Council in relation to additional debt or further leasing.

Leases in relation to computer and office equipment permit Council, at expiry of the lease, to elect to re-lease return or acquire the equipment leased

No lease contains any escalation clause

Commitments under non-cancellable operating leases that have not been recognised in the financial statements are as follows:

Not later than one year	324	276
Later than one year and not later than 5 years	446	298
Later than 5 years	-	-
	770	574

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2015

Note 18. Superannuation

\$ '000

The Council makes employer superannuation contributions in respect of its employees to Statewide Super (formerly Local Government Superannuation Scheme). There are two types of membership, each of which is funded differently. Permanent and contract employees of the South Australian Local Government sector with Salarylink benefits prior to 24 November 2009 have the option to contribute to the Accumulation section and/or Salarylink. All other employees (including casuals) have all contributions allocated to the Accumulation section.

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2014/15; 9.25% in 2013/14). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2013/14) of "superannuation" salary.

In addition, Council makes a separate contribution of 3% of ordinary time earnings for Salarylink members to their Accumulation account. Employees also make member contributions to the Salarylink section of the Fund. As such, assets accumulate in the Salarylink section of the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue.

The Salarylink section is a multi-employer sponsored plan. As the Salarylink section's assets and liabilities are pooled and are not allocated by each employer, and employees may transfer to another employer within the local government sector and retain membership of the Fund, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.32(b), Council does not use defined benefit accounting for these contributions.

The most recent actuarial investigation was conducted by the Fund's actuary, A C Miller, FIAA, of Russell Employee Benefits Pty Ltd as at 30 June 2014. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

Contributions to Other Superannuation Schemes

Council also makes contributions to other superannuation schemes selected by employees under the "choice of fund" legislation. All such schemes are of the accumulation type, where the superannuation benefits accruing to the employee are represented by their share of the net assets of the scheme, and no further liability attaches to the Council.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2015

Note 19. Interests in Other Entities

\$ '000

All joint ventures and associates are required to prepare Annual Financial Statements that comply with the SA Local Government Model Financial Statements.

	Council's Share of Net Income		Council's Share of Net Assets	
	2015	2014	2015	2014
Joint Ventures	817	446	5,120	4,363
Total	817	446	5,120	4,363

(i) JOINT VENTURES, ASSOCIATES AND JOINT OPERATIONS

(a) Carrying Amounts

Name of Entity	2015	2014
Southern Region Waste Resource Authority (SRWRA)	5,019	4,241
Council Solutions	101	122
Total Carrying Amounts - Joint Ventures & Associates	5,120	4,363

Southern Region Waste Resource Authority (SRWRA)

The Southern Region Waste Resource Authority was established under Section 43 of the Local Government Act to provide and operate services for the management of waste and waste facilities under its control on behalf of its constituent councils.

The SRWRA owns and operates the Southern Region Waste Disposal Depot on behalf of the Cities of Holdfast Bay, Marion and Onkaparinga.

The City of Marion has an equal voting right and a 30% interest in the assets and liabilities of SRWRA. For the year ended 30 June 2015, the net assets of SRWRA total \$16,728,000. The City of Marion interest, totalling \$5,019,000 is disclosed below.

In 2006 the decision was taken to equity account for this investment due to a change in the operations of the business. Initial balances were brought to account through accumulated surplus.

Council Solutions

Established by the Cities of Adelaide, Charles Sturt, Marion, Onkaparinga, Salisbury and Tea Tree Gully in December 2012, this regional joint venture has been established for the purposes of providing a centre of excellence in procurement and to provide services to the Constituent Councils

The City of Marion's share of Council Solutions Operating Result is comprised of 16.67% of the joint venture Operating Deficit \$120,000 and 16.67% share of the joint venture's equity \$608,000.

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

Note 19a. Interests in Other Entities (continued)

\$ '000

(b) Relevant Interests

Name of Entity	Interest in Operating Result		Ownership Share of Equity		Proportion of Voting Power	
	2015	2014	2015	2014	2015	2014
Southern Region Waste Resource Authority (SRWRA)	30%	30%	30%	30%	30%	33%
Council Solutions	17%	16.67%	17%	16.67%	17%	16.67%

(c) Movement in Investment in Joint Venture or Associate

	Southern Region Waste Resource Authority (SRWRA)		Council Solutions	
	2015	2014	2015	2014
Opening Balance	4,241	4,821	122	61
Share in Operating Result	838	385	(21)	61
Share in Other Comprehensive Income	-	(890)	-	-
Distributions Received	(60)	(75)	-	-
Council's Equity Share in the Joint Venture or Associate	5,019	4,241	101	122

(d). Share of Joint Operations Expenditure Commitments

Expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:

(i) Capital Expenditures Payable

Not later than one year	1,806	2,200
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
	1,806	2,200

(ii) Operating Expenditures Payable

Not later than one year	-	18
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
	-	18

Note 20. Non-Current Assets Held for Sale & Discontinued Operations

Council does not have any Non-Current Assets Held for Sale or any Discontinued Operations

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2015

Note 21. Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet

The following assets and liabilities do not qualify for recognition in the Balance Sheet, but knowledge & is considered relevant to the users of the financial report in making and evaluating decisions about the allocation of scarce resources.

1. LAND UNDER ROADS

As reported in the Financial Statements, Council is of the opinion that it is not possible to attribute a value sufficiently reliably for these assets to qualify for recognition, and accordingly land under roads has not been recognised in the reports. Land acquired for road purposes during the year is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

2. POTENTIAL INSURANCE LOSSES

Council is a multi-purpose organisation providing a large range of building, parks infrastructure, playgrounds and other facilities accessible to the public. At any time, it is likely that claims will have been made against Council that remain unsettled.

Council insures against all known insurable risks using a range of insurance policies, each of which is subject to deductible "insurance excesses", the amount of which varies according to the class of insurance.

2. POTENTIAL INSURANCE LOSSES (continued)

Council has recognised the potential losses arising from claims known at reporting date based on average historical net cost (including insurance excess) of similar types of claims. Other potential claims not reported to Council may have existed at reporting date.

3. BANK GUARANTEES

Council has guaranteed certain loans and other banking facilities advanced to community organisations and sporting bodies, amounting to \$305,000 (2014: \$505,000) at reporting date.

Council does not expect to incur any loss arising from these guarantees.

4. LEGAL MATTERS

Council is the planning consent authority for its area under the Development Act 1993 (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council had notice of xx appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

Note 22. Events after the Balance Sheet Date

Events that occur after the reporting date of 30 June 2015, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the appropriate "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is 13/10/15.

Council is unaware of any material or significant "non adjusting events" that should be disclosed.

City of Marion

General Purpose Financial Statements for the year ended 30 June 2015

Auditor's Report - Financial Statements

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City of Marion

General Purpose Financial Statements for the year ended 30 June 2015

Auditor's Report - Financial Statements

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City of Marion

General Purpose Financial Statements for the year ended 30 June 2015

Auditor's Report - Internal Controls

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City of Marion

General Purpose Financial Statements

for the year ended 30 June 2015

Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of City of Marion for the year ended 30 June 2015, the Council's Auditor, Deloitte Touche Tohmatsu has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act

This statement is prepared in accordance with the requirements of Regulation 22(3) *Local Government (Financial Management) Regulations 2011*.

Adrian Skull

CHIEF EXECUTIVE OFFICER

Greg Connor

PRESIDING MEMBER, AUDIT COMMITTEE

Date:

City of Marion

General Purpose Financial Statements for the year ended 30 June 2015

Statement by Auditor

I confirm that, for the audit of the financial statements of City of Marion for the year ended 30 June 2015, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act

This statement is prepared in accordance with the requirements of Regulation 22 (5) *Local Government (Financial Management) Regulations 2011*.

Penny Woods
Deloitte Touche Tohmatsu

Dated this day of 2015.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

General Purpose Financial Reports for the year ended 30 June 2015

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SOUTHERN REGION WASTE RESOURCE AUTHORITY

ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2015

CERTIFICATION OF FINANCIAL STATEMENTS

I have been authorised by the Southern Region Waste Resource Authority Board to certify the financial statements in their final form. In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards.
- the financial statements present a true and fair view of the Authority's financial position at 30 June 2015 and the results of its operations and cashflows for the financial year.
- internal controls implemented by the Authority provide a reasonable assurance that the Authority's financial records are complete, accurate and reliable throughout the financial year.
- the financial statements accurately reflect the Authority's accounting and other records.



 Mark Booth
Chairman



 Mark Hindmarsh
Executive Officer

Dated the 16TH day of SEPTEMBER 2015

SOUTHERN REGION WASTE RESOURCE AUTHORITY

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
INCOME			
User charges	2	9,171	9,137
Investment income	2	672	645
Other Income	2	1,302	1,274
Net gain - equity accounted Joint Venture	16	124	65
Total Income		11,269	11,121
EXPENSES			
Employee costs	3	1,005	1,023
Materials, contracts & other expenses	3	6,344	6,370
Depreciation, amortisation & impairment	3	1,034	2,314
Other Expenses	3	94	135
Total Expenses		8,477	9,842
OPERATING SURPLUS / (DEFICIT)		2,792	1,279
Net gain (loss) on disposal or revaluation of assets	4	-	2
NET SURPLUS / (DEFICIT)		2,792	1,281
transfer to Equity Statement			
Other Comprehensive Income			
Changes in revaluation surplus - infrastructure, property, plant & equipment		-	(2,966)
Total Other Comprehensive Income		-	(2,966)
TOTAL COMPREHENSIVE INCOME		2,792	(1,685)

This Statement is to be read in conjunction with the attached Notes.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

STATEMENT OF FINANCIAL POSITION
as at 30 June 2015

	Notes	2015 \$'000	2014 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	5	19,245	18,049
Trade & other receivables	5	1,049	1,387
Inventories	5	49	-
		<u>20,343</u>	<u>19,436</u>
Total Current Assets		<u>20,343</u>	<u>19,436</u>
Non-current Assets			
Equity Accounted Joint Venture	16	189	65
Infrastructure, Property, Plant & Equipment	6	16,614	17,100
		<u>16,803</u>	<u>17,165</u>
Total Non-current Assets		<u>16,803</u>	<u>17,165</u>
Total Assets		<u>37,146</u>	<u>36,601</u>
LIABILITIES			
Current Liabilities			
Trade & Other Payables	7	1,414	1,686
Provisions	7	134	897
		<u>1,548</u>	<u>2,583</u>
Total Current Liabilities		<u>1,548</u>	<u>2,583</u>
Non-current Liabilities			
Provisions	7	18,870	19,882
		<u>18,870</u>	<u>19,882</u>
Total Non-current Liabilities		<u>18,870</u>	<u>19,882</u>
Total Liabilities		<u>20,418</u>	<u>22,465</u>
NET ASSETS		<u>16,728</u>	<u>14,136</u>
EQUITY			
Accumulated Surplus		16,728	14,136
Asset Revaluation Reserve	8	-	-
Other Reserves	8	-	-
		<u>16,728</u>	<u>14,136</u>
TOTAL EQUITY		<u>16,728</u>	<u>14,136</u>

This Statement is to be read in conjunction with the attached Notes.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2015

2015	Notes	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	TOTAL EQUITY
Balance at end of previous reporting period		14,136	-	-	14,136
Adjustments due to compliance with revised Accounting Standards		-	-	-	-
Adjustments to give effect to changed accounting policies		-	-	-	-
Restated Opening Balance		14,136	-	-	14,136
Net Surplus/ (Deficit) for Year		2,792			2,792
Other Comprehensive Income					
Gain on revaluation of infrastructure, property, plant & equipment		-	-	-	-
Transfers between reserves		-	-	-	-
Distributions to Member Councils		(200)	-	-	(200)
Balance at end of period		16,728	-	-	16,728

2014	Notes	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	TOTAL EQUITY
Balance at end of previous reporting period		12,593	2,966	512	16,071
Adjustments due to compliance with revised Accounting Standards		-	-	-	-
Adjustments to give effect to changed accounting policies		-	-	-	-
Restated Opening Balance		12,593	2,966	512	16,071
Net Surplus/ (Deficit) for Year		1,281	-	-	1,281
Other Comprehensive Income					
Gain on revaluation of infrastructure, property, plant & equipment		-	(2,966)	-	(2,966)
Transfers between reserves		512	-	(512)	-
Distributions to Member Councils		(250)	-	-	(250)
Balance at end of period		14,136	-	-	14,136

This Statement is to be read in conjunction with the attached Notes

SOUTHERN REGION WASTE RESOURCE AUTHORITY

STATEMENT OF CASH FLOWS

for the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Operating receipts		10,465	10,132
Investment receipts		667	642
<u>Payments</u>			
Operating payments to suppliers & employees		(8,497)	(8,252)
Finance payments		-	-
Net Cash provided by (or used in) Operating Activities	9 (b)	<u>2,635</u>	<u>2,522</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Receipts</u>			
Sale of surplus assets		-	43
Net disposal of investment securities		-	-
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(31)	(8)
Expenditure on new/upgraded assets		(1,208)	(832)
Purchase of Investments		-	-
Net Cash provided by (or used in) Investing Activities		<u>(1,239)</u>	<u>(797)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Payments</u>			
Distributions Paid to Constituent Councils		(200)	(250)
Net Cash provided by (or used in) Financing Activities		<u>(200)</u>	<u>(250)</u>
Net Increase (Decrease) in cash held		1,196	1,475
Cash & cash equivalents at beginning of period		<u>18,049</u>	<u>16,574</u>
Cash & cash equivalents at end of period	9 (a)	<u>19,245</u>	<u>18,049</u>

This Statement is to be read in conjunction with the attached Notes

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Basis of Preparation

1.1 Compliance with Australian equivalents to International Financial Reporting Standards

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group Interpretations (UIGs) and relevant South Australian legislation.

The Authority is a Local Government Authority Section 43 Regional Subsidiary under the control of City of Onkaparinga, City of Marion and the City of Holdfast Bay.

1.2 Historical Cost Convention

Except where stated below, these financial statements have been prepared in accordance with the historical cost convention.

1.3 Critical Accounting Estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying the Authority's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of this Note.

1.4 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

2 The Local Government Reporting Entity

Southern Region Waste Resource Authority operates as a regional subsidiary pursuant to Section 43 of the SA Local Government Act 1999 and Section 25 of the Local Government Implementation Act, and has its principal place of business at 282 Main South Road, Morphett Vale SA 5162. These financial statements have been prepared for use by the Constituent Councils of the Authority.

3 Income recognition

Income is measured at the fair value of the consideration received or receivable. Income is recognised when the Authority obtains control over the assets comprising the income, or when the amount due constitutes an enforceable debt, whichever first occurs.

4 Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at the Authority's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

Receivables are generally unsecured and do not bear interest.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments forms part of Note 10.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 1 - Significant Accounting Policies (cont)

5 Infrastructure, Property, Plant & Equipment

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use".

5.1 Initial Recognition

All assets are initially recognised at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Authority includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

Capital works still in progress at balance date are recognised as other non-current assets and transferred to infrastructure, property, plant & equipment when completed ready for use.

5.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Authority for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. No capitalisation threshold is applied to the acquisition of land or interests in land.

Capitalisation threshold applied of \$1,000 for all asset classes. Any purchases greater than this amount are capitalised and depreciated on the Authority's asset register.

5.3 Subsequent Recognition

Certain asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Further detail of existing valuations, methods and valuers are provided at Note 5.

5.4 Depreciation of Non-Current Assets

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives in a manner which reflects the consumption of the service potential embodied in those assets.

Depreciation is recognised on a straight-line basis. Major depreciation periods for each class of asset are shown below. Depreciation on Landfill Construction assets are amortised proportionately to the rate of filling based upon the projected remaining airspace of landfill cells as at the beginning of the reporting period. The Authority annually assesses the remaining airspace of landfill cells and accordingly, depreciation and amortisation rates are adjusted to reflect these estimates. Depreciation periods for infrastructure assets have been estimated based on the best information available to the Authority, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

Plant, Furniture & Equipment	3 to 10 years
Buildings	50 years
Infrastructure:	
- Waste Facility	10 to 15 years
- Landfill Construction	Amortised proportionately to rate of filling

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 1 - Significant Accounting Policies (cont)

5.5 Impairment

Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash outflows or value in use).

For assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if the Authority were deprived thereof, the value in use is the depreciated replacement cost. In assessing impairment for these assets, a rebuttable assumption is made that the current replacement cost exceeds the original cost of acquisition.

6 Payables

6.1 Goods & Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

7 Employee Benefits

7.1 Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

The Authority recognises all presently entitled liabilities as current liabilities regardless of whether it is expected to be paid within the preceding 12 months of reporting date.

7.2 Superannuation

The Authority makes employer superannuation contributions in respect of its employees to Statewide Super. The Scheme has two types of membership, each of which is funded differently.

Accumulation Fund Members

Accumulation fund members receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in accordance with Superannuation Guarantee Legislation (9.5% in 2014/15; 9.25% in 2013/14). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

7.2 Superannuation (Cont.)

Defined Benefit Members

Defined benefit scheme is where the benefit payable is based on a formula determined by the member's contribution rate, number of years of contribution and final average salary. The Authority makes employer contributions as determined by the scheme's Trustee based on advice from the Scheme's Actuarial. The most recent full actuarial investigation conducted by the Scheme's actuary, A C Miller, FIAA, of Russell Employee Benefits Pty Ltd as at 30 June 2014. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to the Authority's contribution rates at some future time.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 1 - Significant Accounting Policies (cont)

The Authority also makes contributions to other superannuation schemes selected by employees under the 'choice of fund' legislation. All such schemes are of the accumulation type, where the superannuation benefits accruing to the employee are represented by their share of the new assets of the scheme, and no further liability attaches to the Authority.

8 Rehabilitation

Expenditures relating to ongoing rehabilitation and restoration reduce any provision previously established.

The Authority annually monitors the liability recorded for landfill rehabilitation and restoration estimates and makes adjustments to the liability as required to ensure an accurate projected cost of the liability is showing in the balance sheet. The Authority will be undertaking further detailed reviews of all rehabilitation and restoration liability costs in future years with the assistance of external consultants to ensure all projected costs have been independently verified.

9 Leases

Lease arrangements have been accounted for in accordance with AASB 117.

In respect of finance leases, where the Authority substantially carries all the risks incident to ownership, the leased items are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed as assets under lease, and are amortised to expense over the period during which the Authority is expected to benefit from the use of the leased assets. Lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease.

In respect of operating leases, where the lessor substantially retains all of the risks and benefits incident to ownership of the leased items, lease payments are charged to expense over the lease term.

10 Inventory

Inventory held by the Authority reflect materials stored on site which have either been purchased or gifted which will be used for future Cell and Capping construction works to be undertaken in future years.

11 GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax". Receivables and Creditors include GST receivable and payable. Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable. Non-current assets and capital expenditures include GST net of any recoupment.

Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

12 Comparative Information

Comparative information has been reclassified to be consistent with the current year disclosure of equivalent information in accordance with AIFRS.

Annual Leave has this year been disclosed under Provisions for the first time due to the new requirements under AASB 119. In previous year, Annual Leave has been disclosed under Trade & Other Payables. Comparative information has been amended for comparability purposes and this has resulted in no change in the comparative financial position of performance of the Authority.

13 New Accounting Standards

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2015 reporting period and have not been used in preparing these reports.

The Authority is of the view that none of the new standards or interpretations will affect any of the amounts recognised in the financial statements, but that they may impact certain information otherwise disclosed.

SOUTHERN REGION WASTE RESOURCE AUTHORITY**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015****Note 1 - Significant Accounting Policies (cont)****14 Valuation of Land and Building Assets**

Land and Building assets held by the Authority were valued by Opteon (South Australia) Pty Ltd with an effective valuation date of 30 June 2014 applied for financial reporting purposes. Assets were valued to their market value based on the current zoning of the Onkaparinga Council Development Plan and Environmental Protection Agency (EPA) constraints and assessed market values based on highest and best use. All purchases made post 30 June 2014 have been recorded at Cost.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 2 - INCOME

	Notes	2015 \$'000	2014 \$'000
USER CHARGES			
Landfill Operations		9,171	9,137
		<u>9,171</u>	<u>9,137</u>
INVESTMENT INCOME			
Interest on investments			
Local Government Finance Authority		633	587
Banks & other		20	45
Investment property rental income		19	13
		<u>672</u>	<u>645</u>
OTHER INCOME			
Movement in Landfill Capping Liabilities		1,182	865
Southern Recycling Centre		120	409
		<u>1,302</u>	<u>1,274</u>

During the 2014/15 financial year, the Authority completed a review of all landfill rehabilitation and capping costings which resulted in a reduction of \$1.182 million to the liability. This reduction in liability is a non-cash transaction reflected in Other Income.

Note 3 - EXPENSES

EMPLOYEE COSTS			
Salaries and Wages		911	1,059
Employee leave expense		6	(116)
Superannuation		72	90
Workers' Compensation Insurance		48	14
Less: Capitalised and distributed costs		(32)	(24)
Total Operating Employee Costs		<u>1,005</u>	<u>1,023</u>
Total Number of Employees		10	10
<i>(Full time equivalent at end of reporting period)</i>			
MATERIALS, CONTRACTS & OTHER EXPENSES			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		18	17
- 2013/14 Audit - Internal Controls Opinion		4	-
- 2014/15 Audit - Internal Controls Opinion		2	-
Board Expenses		36	35
Operating Lease Rentals - cancellable leases		28	27
Subtotal - Prescribed Expenses		<u>88</u>	<u>79</u>
<u>Other Materials, Contracts & Expenses</u>			
Contractors		254	292
Fuel		141	201
Equipment Hire		6	7
Maintenance		271	289
Legal Expenses		106	66
Levies paid- EPA Levy		5,152	4,653
Professional services		43	30
Southern Recycling Centre		32	484
Sundry		251	269
Subtotal - Other Materials, Contracts & Expenses		<u>6,256</u>	<u>6,291</u>
		<u>6,344</u>	<u>6,370</u>

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 3 - EXPENSES (cont)

	Notes	2015 \$'000	2014 \$'000
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Landfill Construction		641	1,357
Buildings & Waste Facility		29	20
Plant & Equipment		364	408
Impairment	6	-	529
		<u>1,034</u>	<u>2,314</u>
OTHER EXPENSES			
Transfer to Provision for Cell 2 Capping		-	30
Transfer to Provision of Cell 3-1 & 3-2 Capping		94	105
		<u>94</u>	<u>135</u>

Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

Assets renewed or directly replaced

Proceeds from disposal	-	43
Less: Carrying amount of assets sold	-	41
Gain (Loss) on disposal	<u>-</u>	<u>2</u>
NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS	<u>-</u>	<u>2</u>

Note 5 - CURRENT ASSETS

CASH & EQUIVALENT ASSETS

Cash on Hand and at Bank	1,698	820
Deposits at Call	-	-
Short Term Deposits & Bills, etc	17,547	17,229
	<u>19,245</u>	<u>18,049</u>

TRADE & OTHER RECEIVABLES

Accrued Revenues	29	24
Debtors - general	882	1,218
Prepayments	138	145
Total	<u>1,049</u>	<u>1,387</u>
Less: Allowance for Doubtful Debts	-	-
	<u>1,049</u>	<u>1,387</u>

INVENTORIES

Stores & Materials	49	-
	<u>49</u>	<u>-</u>

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

	2014 \$'000				2015 \$'000			
	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
Note 6 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT								
Land	1,427	-	-	1,427	1,427	400	-	1,827
Buildings	560	-	-	560	560	370	(12)	918
Waste Facility:								
Fencing	-	29	(19)	10	-	29	(26)	3
Concrete Slab	-	111	(79)	32	-	111	(84)	27
Oil Transfer Facility	-	68	(48)	20	-	68	(51)	17
Shed	-	25	(8)	17	-	25	(9)	16
Depot	-	67	(23)	44	-	67	(24)	43
Plant & Equipment	-	4,332	(2,285)	2,047	-	4,361	(2,638)	1,723
Motor Vehicles	-	31	(5)	26	-	31	(8)	23
Office Equipment	-	155	(137)	18	-	157	(145)	12
Landfill Construction:								
Landfill Cell 3-1 & 3-2	-	5,293	(5,293)	-	-	5,293	(5,293)	-
Landfill Cell's 3-1 & 3-2 Capping	-	828	(828)	-	-	828	(828)	-
Cell 3-3 & 3-4 (Lower)	-	3,705	(3,264)	441	-	3,705	(3,264)	441
Cell 3-3 & 3-4 (Lower) Capping	-	728	(588)	140	-	2,668	(588)	2,080
Cell 4	-	3,461	(938)	2,523	-	3,578	(1,189)	2,389
Cell 4 (Capping)	-	3,081	(828)	2,253	-	1,673	(908)	765
Site Rehabilitation	-	5,366	(1,088)	4,278	-	5,733	(1,317)	4,416
Future Restoration Costs	-	5,491	(2,227)	3,264	-	3,901	(2,309)	1,592
Work in Progress	-	-	-	-	-	322	-	322
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT	1,987	32,771	(17,658)	17,100	1,987	33,320	(18,693)	16,614
Comparatives	4,648	32,177	(15,923)	20,902	1,987	32,771	(17,658)	17,100

This Note continues on the following pages.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

	2014	CARRYING AMOUNT MOVEMENTS DURING YEAR							2015
	\$'000	\$'000							\$'000
	CARRYING AMOUNT	Additions		Disposals	Depreciation	Impairment	Adjustments	Revaluation Movement	CARRYING AMOUNT
	Capital	Renewals							
Note 6 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT									
Land	1,427	400	-	-	-	-	-	-	1,827
Buildings	560	370	-	-	(12)	-	-	-	918
Waste Facility:									
Fencing	10	-	-	-	(7)	-	-	-	3
Concrete Slab	32	-	-	-	(5)	-	-	-	27
Oil Transfer Facility	20	-	-	-	(3)	-	-	-	17
Shed	17	-	-	-	(1)	-	-	-	16
Depot	44	-	-	-	(1)	-	-	-	43
Plant & Equipment	2,047	-	29	-	(353)	-	-	-	1,723
Motor Vehicles	26	-	-	-	(3)	-	-	-	23
Office Equipment	18	-	2	-	(8)	-	-	-	12
Landfill Construction:									
Landfill Cell 3-1 & 3-2	-	-	-	-	-	-	-	-	-
Landfill Cell's 3-1 & 3-2 Capping	-	-	-	-	-	-	-	-	-
Cell 3-3 & 3-4 (Lower)	441	-	-	-	-	-	-	-	441
Cell 3-3 & 3-4 (Lower) Capping	140	1,940	-	-	-	-	-	-	2,080
Cell 4	2,523	116	-	-	(250)	-	-	-	2,389
Cell 4 (Capping)	2,253	-	-	-	(80)	-	(1,408)	-	765
Site Rehabilitation	4,278	367	-	-	(229)	-	-	-	4,416
Future Restoration Costs	3,264	-	-	-	(82)	-	(1,590)	-	1,592
Work in Progress	-	322	-	-	-	-	-	-	322
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT	17,100	3,515	31	-	(1,034)	-	(2,998)	-	16,614
Comparatives	20,902	1,512	8	(42)	(1,785)	(529)	-	(2,966)	17,100

This Note continues on the following pages.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 7 - LIABILITIES

		2015 \$'000		2014 \$'000
	Notes	Current	Non-current	Current Non-current
TRADE & OTHER PAYABLES				
Goods & Services		1,102	-	1,466 -
Accrued expenses - other		312	-	220 -
		<u>1,414</u>	<u>-</u>	<u>1,686</u> <u>-</u>
 PROVISIONS				
Annual Leave		77	-	87 -
Long Service Leave		57	11	42 9
Cell 2 Capping		-	-	768 -
Post Closure Site Rehabilitation		-	8,297	- 7,930
Cell Capping - 3-1 & 3-2		-	2,320	- 2,643
Cell Capping - 3-3 & 3-4 (Lower)		-	2,668	- 728
Cell 4 Capping		-	1,673	- 3,081
Future Restoration Costs Capitalised		-	3,901	- 5,491
		<u>134</u>	<u>18,870</u>	<u>897</u> <u>19,882</u>

Movements in Provisions - 2015 year only
(current & non-current)

	Opening Balance	Additional Amounts Recognised/ (Derecognised)	Payments	Closing Balance
Cell 2 Capping	768	(768)	-	-
Post Closure Site Rehabilitation	7,930	367	-	8,297
Cell Capping -3-1 & 3-2	2,643	(323)	-	2,320
Cell Capping - 3-3 & 3-4 (Lower)	728	1,940	-	2,668
Cell 4 Capping	3,081	(1,408)	-	1,673
Future Restoration Costs Capitalised	5,491	(1,590)	-	3,901
Total	<u>20,641</u>	<u>(1,782)</u>	<u>-</u>	<u>18,859</u>

Note 8 - RESERVES

	1/07/2014	Transfers to Reserve	Transfers from Reserve	30/06/2015
OTHER RESERVES				
Asset Revaluation Reserve	-	-	-	-
Waste Management Fund	-	-	-	-
TOTAL OTHER RESERVES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Comparatives Totals	<u>3,478</u>	<u>-</u>	<u>(3,478)</u>	<u>-</u>

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 9 - RECONCILIATION OF CASH FLOW STATEMENT

(a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Cash Flow Statement is reconciled to the related items in the Statement of Financial Position as follows:

	Notes	2015 \$'000	2014 \$'000
Total cash & equivalent assets	5	19,245	18,049
Less: Short-term borrowings		-	-
Balances per Cash Flow Statement		<u>19,245</u>	<u>18,049</u>

(b) Reconciliation of Change in Net Assets to Cash from Operating Activities

Net Surplus (Deficit)	2,792	1,281
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	1,034	2,314
Net (Gain) Loss on Disposals	-	(2)
	<u>3,826</u>	<u>3,593</u>
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	338	(338)
Net (increase) decrease in inventories	(49)	-
Net (increase) decrease in other current assets	-	-
Net increase (decrease) in trade & other payables	(272)	398
Net increase (decrease) in other provisions	(1,208)	(1,131)
Net Cash provided by (or used in) operations	<u>2,635</u>	<u>2,522</u>

(c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:

- Physical resources received free of charge
- Non-cash grants & contributions

Amounts recognised in Income Statement

- Finance Leases

-	-
-	-
-	-
-	-

(d) Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit:

Corporate Credit Cards	18	18
------------------------	----	----

The Authority has no bank overdraft facility.

SOUTHERN REGION WASTE RESOURCE AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

Note 10 - FINANCIAL INSTRUMENTS

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits	<p>Accounting Policy: Carried at lower of cost and net realisable value; Interest is recognised when earned.</p> <p>Terms & conditions: Deposits are returning fixed interest rates of 2 - 3% (2014: 3 - 4%). Short term deposits have an average maturity of 90 days (2014: 90 days).</p> <p>Carrying amount: approximates fair value due to the short term to maturity.</p>
Receivables - Gate Fees & Associated Charges	<p>Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Liabilities - Creditors and Accruals	<p>Accounting Policy: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Authority.</p> <p>Terms & conditions: Liabilities are normally settled on 30 day terms.</p> <p>Carrying amount: approximates fair value.</p>

Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the Authority.

Risk Exposures

Credit Risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Authority is the carrying amount, net of any provision for doubtful debts. All investments are made with the SA Local Government Finance Authority and the ANZ Bank. There is no material exposure to any individual debtor.

Market Risk is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of the Authority's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor **currency risk** apply.

Liquidity Risk is the risk that the Authority will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Policy (LGA Information Paper 15), liabilities have a range of maturity dates based on cash inflows.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates. Most of the Authority's financial instruments are at fixed rates. Any such variations in future cash flows will not be material in effect on either the Authority's incomes or expenditures.

SOUTHERN REGION WASTE RESOURCE AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

Note 10 (cont) - FINANCIAL INSTRUMENTS

Liquidity Analysis

2015	Floating Interest Rate \$'000	≤ 1 year \$'000	Fixed interest maturing in > 1 year ≤ 5 years \$'000	> 5 years \$'000	Non- interest bearing \$'000	Total \$'000
Financial Assets						
Fair Value through P&L						
Cash Assets	1,698	17,547	-	-	-	19,245
Loans & Receivables						
Receivables	-	-	-	-	1,049	1,049
Total	1,698	17,547	-	-	1,049	20,294
<i>Weighted Average Interest Rate</i>	2.00%	3.00%				
Financial Liabilities						
Payables	-	-	-	-	1,414	1,414
Total	-	-	-	-	1,414	1,414
EXCESS OF FINANCIAL ASSETS OVER LIABILITIES	1,698	17,547	-	-	(365)	18,880

2014	Floating Interest Rate \$'000	≤ 1 year \$'000	Fixed interest maturing in > 1 year ≤ 5 years \$'000	> 5 years \$'000	Non- interest bearing \$'000	Total \$'000
Financial Assets						
Fair Value through P&L						
Cash Assets	820	17,229	-	-	-	18,049
Loans & Receivables						
Receivables	-	-	-	-	1,387	1,387
Total	820	17,229	-	-	1,387	19,436
<i>Weighted Average Interest Rate</i>	3.00%	4.00%				
Financial Liabilities						
Payables	-	-	-	-	1,686	1,686
Total	-	-	-	-	1,686	1,686
EXCESS OF FINANCIAL ASSETS OVER LIABILITIES	820	17,229	-	-	(299)	17,750

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 11 - COMMITMENTS FOR EXPENDITURE

	2015 Notes \$'000	2014 \$'000
Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Resource Recovery Facility	1,660	1,900
Administration Office Construction	146	300
Plant & Equipment	-	-
	<u>1,806</u>	<u>2,200</u>
These expenditures are payable:		
Not later than one year	1,806	2,200
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
	<u>1,806</u>	<u>2,200</u>
Other Expenditure Commitments		
Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:		
Audit Services	-	18
	<u>-</u>	<u>18</u>
These expenditures are payable:		
Not later than one year	-	18
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
	<u>-</u>	<u>18</u>

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 12 - UNIFORM PRESENTATION OF FINANCES

The following is a high level summary of both operating and capital investment activities of the Authority prepared on a uniform and consistent basis. The uniform presentation represents a simplified version of reporting under the Government Finance Statistics (GFS) framework of the Australian Bureau of Statistics.

All Councils in South Australia voluntarily have agreed to summarise annual budgets and long-term financial plans on the same basis.

The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.

	2015 \$'000	2014 \$'000
Income	11,269	11,121
less Expenses	(8,477)	(9,842)
Operating Surplus / (Deficit)	2,792	1,279
less Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	31	8
Depreciation, Amortisation, Impairment and Movement in Landfill Provisions	(1,128)	(2,449)
Proceeds from Sale of Replaced Assets	-	-
	(1,097)	(2,441)
less Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets	1,208	832
Amounts received specifically for New and Upgraded Assets	-	-
Proceeds from Sale of Surplus Assets	-	(43)
	1,208	789
Net Lending / (Borrowing) for Financial Year	2,681	2,931

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 13 - OPERATING LEASES

Lease payment commitments of the Authority

The Authority has entered into non-cancellable operating lease on a monthly renewal basis for the office building premises it currently occupies.

No contingent rentals were paid during the current or previous reporting periods.

No lease imposes any additional restrictions on Authority in relation to additional debt or further leasing.

No lease contains any escalation clause.

Commitments under non-cancellable operating leases that have not been recognised in the financial statements are as follows:

	2015 \$'000	2014 \$'000
Not later than one year	-	16
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
	<u>-</u>	<u>16</u>

Note 14 - EVENTS OCCURRING AFTER REPORTING DATE

There were no events subsequent to 30 June 2015 that need to be disclosed in the financial statements.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 15 - CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED IN THE STATEMENT OF FINANCIAL PERFORMANCE

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position but knowledge of those items is considered relevant to users of the financial report in making and evaluating decisions about the allocation of scarce resources.

1. POTENTIAL INSURANCE LOSSES

The Authority insures against all known insurable risks using a range of insurance policies, each of which is subject to a deductible "insurance excess", the amount of which varies according to the class of insurance.

The Authority has recognised the potential losses arising from claims known at reporting date based on average historical net cost (including insurance excess) of similar types of claims. Other potential claims not reported to the Authority may have existed at reporting date.

2. LEGAL EXPENSES

All known costs have been recognised.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 16 - EQUITY ACCOUNTED JOINT VENTURE

Southern Recycling Centre (SRC)

The Authority has entered into a joint venture arrangement with Integrated Waste Services Pty Ltd to operate the Southern Recycling Centre located on the Authority's landfill site.

	2015 \$'000	2014 \$'000
The Authority's respective interests are:		
- interest in operating result:	50%	-
- ownership of equity	50%	-
the proportion of voting power	50%	-
 <u>Movement in Investment in Joint Operation:</u>		
Opening Balance	65	-
New Capital Contributions	-	-
Share in Operating Result	124	65
Distributions Received	-	-
Share in Equity of Joint Operation	189	65

Expenditure Commitments

There were no expenditure commitments at reporting date that required to be recognised in the financial statements.

Contingent Liabilities

There were no contingent liabilities at reporting date that required to be recognised in the financial statements.

Distributions

The Authority received a cash distribution from the SRC in July 2015 for the following amounts:

- 1 July 2015:	\$ 100,000
- 3 July 2015	\$ 50,000

Both cash distributions received will be recognised in the financial statements of the Authority in the 2015/16 financial year.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 17 - FAIR VALUE MEASUREMENTS

The Authority measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- Land assets.

The Authority does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

(a) **Fair value hierarchy**

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information according to the relevant level in the fair value hierarchy. This hierarchy categorises fair value measurements into one of three possible levels based on the lowest level that a significant input can be categorised into. The levels are outlined below:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair value of assets and liabilities that are not traded in an active market is determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Authority selects valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the association are consistent with one or more of the following valuation approaches:

- *Market approach*: uses prices and other relevant information generated by market transactions involving identical or similar assets or liabilities.
- *Income approach*: converts estimated future cash flows or income and expenses into a single current (i.e. discounted) value.
- *Cost approach*: reflects the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Authority gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data are not available and therefore are developed using the best information available about such assumptions are considered unobservable.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 17 - FAIR VALUE MEASUREMENTS (Cont.)

The following tables provide the fair values of the Authority's assets measured and recognised on a recurring basis after initial recognition, categorised within the fair value hierarchy.

	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
2015					
Recurring fair value measurements					
Infrastructure, Property, Plant & Equipment					
- Land	6	-	1,827	-	1,827
- Buildings	6	-	930	-	930
Total financial assets recognised at fair value		-	2,757	-	2,757

2014					
Recurring fair value measurements					
Infrastructure, Property, Plant & Equipment					
- Land	6	-	1,427	-	1,427
- Buildings	6	-	560	-	560
Total financial assets recognised at fair value		-	1,987	-	1,987

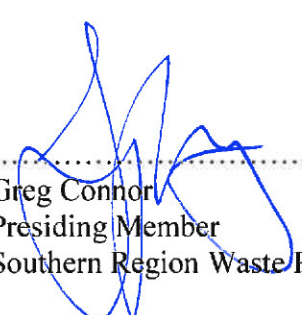
(b) **Disclosed fair value measurements**

The following table provides the level of the fair value hierarchy within which the disclosed fair value measurements are categorised in their entirety and a description of the valuation technique(s) and inputs used.

	Fair Value Hierarchy Level	Valuation Technique	Inputs Used
There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the financial statements.	2	Market Value	Observable sales of similar properties – both vacant land and land with improvements

**Presiding Member Southern Region Waste Resource Authority
Audit Committee – Auditor Independence**

I, Greg Connor the person occupying the position of Presiding Member of the Southern Region Waste Resource Authority's Audit Committee, do hereby certify (for the purposes of Regulation 22 (3) of the Local Government (Financial Management) Regulations 2011), that the auditor of the Southern Region Waste Resource Authority, Edwards Marshall, has not been engaged by the Southern Region Waste Resource Authority to provide services to the Southern Region Waste Resource Authority outside of the scope of the audit functions under the Local Government Act 1999.


.....
Greg Connor
Presiding Member
Southern Region Waste Resource Authority Audit Committee

20.8.15.
.....
Dated



SOUTHERN REGION WASTE RESOURCE AUTHORITY

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHERN REGION WASTE RESOURCE AUTHORITY

Report on the Financial Report

We have audited the accompanying financial report of the Southern Region Waste Resource Authority ("the Authority"), which comprises the balance sheet as at 30 June 2015 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by the Executive Officer.

Board's Responsibility for the Financial Report

The Board of the Authority are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Local Government Act 1999 and the Local Government (Financial Management) Regulations 1999. Financial reporting requirements of the company's constitution and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the Board also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with the Australian equivalents to International Financial Reporting Standards (AIFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional ethical pronouncements and the requirements of the Local Government Act 1999 and the Local Government (Financial Management) Regulations 1999 made under that Act.



SOUTHERN REGION WASTE RESOURCE AUTHORITY

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
SOUTHERN REGION WASTE RESOURCE AUTHORITY (CONT)

Auditor's Opinion

In our opinion:

- (a) (i) the financial report presents fairly, in all material respects, the financial position of the Southern Region Waste Resource Authority as at 30 June 2015, and its financial performance and its cash flows for the financial year then ended; and
- (ii) complies with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1999 and the Local Government (Financial Management) Regulations 1999; and
- (b) the financial report also complies with Australian equivalents to International Financial Reporting Standards as disclosed in Note 1.

We have obtained all of the information and explanations required from the Authority.

Edwards Marshall
Chartered Accountants

Noel Clifford
Partner

Adelaide
South Australia

Dated 16 September 2015



INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF THE SOUTHERN REGION WASTE RESOURCE AUTHORITY

We have audited the Internal Controls of the Southern Region Waste Resource Authority ("the Authority") under the requirements of *Section 129(1)(b)* of the *Local Government Act 1999* in relation only to the Internal Controls established by the Authority to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the year ended 30 June 2015 have been conducted properly and in accordance with the law.

The Authority's Responsibility for the Internal Controls

The Authority is responsible for implementing and maintaining an adequate system of internal controls, in accordance with *Section 125 of the Local Government Act 1999* to ensure that the receipt, expenditure and investment of money, with acquisition and disposal of property, and incurring of liabilities have been conducted properly and in accordance with law.

Auditor's Responsibility

Our responsibility is to express an opinion on the Authority's compliance with *Section 129(1)(b)* of the *Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities have been conducted properly and in accordance with the law, based on our procedures. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3100 *Compliance Engagements*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Authority has complied with *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls specified above for the period 1 July 2014 to 30 June 2015. ASAE 3100 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

Our procedures included obtaining an understanding of controls in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, evaluating management's assessment of these controls, assessing the risk that a material weakness exists, and testing and evaluating the design of controls on a sample basis based on the assessed risks.

Limitation of Use

This report has been prepared for the members of the Authority in accordance with *Section 129(1)(b)* of the *Local Government Act 1999* in relation to the Internal Controls specified above. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the members of the Authority, or for any purpose other than that which it was prepared.



INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF THE SOUTHERN REGION WASTE RESOURCE AUTHORITY

Inherent Limitations

Due to the inherent limitations of any compliance procedure, it is possible that fraud, error or non-compliance may occur and not be detected. A reasonable assurance engagement is not designed to detect all instances of non-compliance with *Section 125 of the Local Government Act 1999* in relation to the Internal Controls specified above, as the engagement is not performed continuously throughout the period and the procedures performed in respect of compliance with *Section 125 of the Local Government Act 1999* in relation to the Internal Controls specified above are undertaken on a test basis.

The opinion expresses in this report has been formed on the above basis.

Independence

In conducting our engagement, we have complied with the independence requirements of the Australian professional accounting bodies.

Opinion

In our opinion, the Authority has complied, in all material respects, with *Section 129(1)(b) of the Local Government Act 1999* in relation to Internal Controls established by the Authority relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Authority have been conducted properly and in accordance with law for the year ended 30 June 2015.

Edwards Marshall
Chartered Accountants

Noel Clifford
Partner

Adelaide
South Australia

Dated 16 September 2015



**SOUTHERN REGION WASTE RESOURCE AUTHORITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015
STATEMENT BY AUDITOR**

I confirm that, for the audit of the financial statements of Southern Region Waste Resource Authority for the year ended 30 June 2015, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 1999* made under that Act.

This statement is prepared in accordance with the requirements of the Regulation 16A (4) *Local Government (Financial Management) Regulations 1999*.

Noel Clifford
Partner

Edwards Marshall
Chartered Accountants

Adelaide
South Australia

Dated 16 September 2015

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**Chief Executive Officer's Certificate of Compliance – Auditor Independence
Southern Region Waste Resource Authority**

I, Geoff Whitbread, the person for the time being occupying the position of Acting Chief Executive Officer of the City of Marion, being a Constituent Council of the Southern Region Waste Resource Authority, do hereby confirm that to the best of my knowledge and belief (for the purposes of Regulation 22 (3) of the Local Government (Financial Management) Regulations 2011), that the auditor of the subsidiary, Edwards Marshall, has not been engaged by the subsidiary to provide services to the subsidiary outside of the scope of the audit functions under the Local Government Act 1999.



Geoff Whitbread
Acting Chief Executive Officer
City of Marion

14.8.15

Dated

The City of Marion acknowledges it is part of Kaurna land and recognises the Kaurna people
as the traditional and continuing custodians of the land.



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twitter.com/CityofMarion



youtube.com/CityofMarion

marion.sa.gov.au



holdfast.sa.gov.au

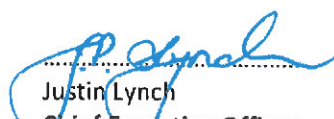
Brighton Civic Centre 24 Jetty Road, Brighton SA 5048
PO Box 19 Brighton SA 5048

p 08 8229 9999 f 08 8298 4561

Glenelg Customer Service Centre and Library
2 Colley Terrace, Glenelg SA 5045

**Chief Executive Officer's Certificate of Compliance – Auditor Independence
Southern Region Waste Resource Authority**


I, Justin Lynch, the person for the time being occupying the position of Chief Executive Officer of the City of Holdfast Bay, being a Constituent Council of the Southern Region Waste Resource Authority, do hereby certify (for the purposes of Regulation 22 (3) of the Local Government (Financial Management) Regulations 2011), that the auditor of the subsidiary, Edwards Marshall, has not been engaged by the subsidiary to provide services to the subsidiary outside of the scope of the audit functions under the Local Government Act 1999.


Justin Lynch
Chief Executive Officer
City of Holdfast Bay

12/8/15
Dated

**Chief Executive Officer's Certificate of Compliance – Auditor
Independence
Southern Region Waste Resource Authority**

I, Mark Dowd the person for the time being occupying the position of Chief Executive Officer of the City of Onkaparinga, being a Constituent Council of the Southern Region Waste Resource Authority, do hereby certify (for the purposes of Regulation 22 (3) of the Local Government (Financial Management) Regulations 2011), that the auditor of the subsidiary, Edwards Marshall, has not been engaged by the subsidiary to provide services to the subsidiary outside of the scope of the audit functions under the Local Government Act 1999.



Mark Dowd
Chief Executive Officer
City of Onkaparinga

1.1.9.15.
Dated

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Morphett Vale
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Facsimile (08) 8382 8744

Audited Financial Statements

Council Solutions Regional Authority General Purpose Financial Reports for the year ending 30 June 2015

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Council Solutions Regional Authority
Certification Of Financial Statements
for the year ending 30 June 2015

I have been authorised by the Council Solutions Regional Authority Board to certify the financial statements of the Council Solutions Regional Authority in their final form. In my opinion:

- The accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards.
- The financial statements present a true and fair view of the Council Solutions Regional Authority's financial position at 30 June 2015 and the results of its operations and cash flows for the financial year.
- Internal controls implemented by the Authority provide a reasonable assurance that the Authority's financial records are complete, accurate and reliable and were effective throughout the financial year.
- The financial statements accurately reflect the Council Solutions Regional Authority's accounting and other records.


.....

Catherine Cooper
Chair Of The Board

Date: 7 September 2015

Council Solutions Regional Authority
Statement Of Comprehensive Income
for the year ending 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Income			
Investment Income	2	20	12
Management Fee	2	926	1,099
Other Income	2	31	-
Total Income	2	977	1,111
Expenses			
Materials, contracts & other expenses	3	1,097	748
Total Expenses	3	1,097	748
Operating Surplus		(120)	363
Net Surplus		(120)	363
Total Other Comprehensive Income	2	-	-
Total Comprehensive Income		(120)	363

This Statement is to be read in conjunction with the attached Notes.

Council Solutions Regional Authority
Balance Sheet
as at 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Assets			
Current Assets			
Cash and cash equivalents	4	446	615
Receivables	4	203	408
Total Current Assets	4	650	1,023
Total Assets	4	650	1,023
Liabilities			
Current Liabilities			
Trade & Other Payables	5	21	87
Other Current Liabilities	5	21	208
Total Current Liabilities	5	42	295
Total Liabilities	5	42	295
Net Assets		608	728
Equity			
Accumulated Surplus		465	585
Share Capital		143	143
Total Equity		608	728

This Statement is to be read in conjunction with the attached Notes.

Council Solutions Regional Authority
Statement of Changes in Equity
as at 30 June 2015

	Initial Contribution by Owners \$'000	Accumulated Surplus \$'000	Total \$'000
2015			
Opening Balance	143	585	728
Net Surplus for Year	-	(120)	(120)
Balance at end of period	143	465	608

	Initial Contribution by Owners \$'000	Accumulated Surplus \$'000	Total \$'000
2014			
Opening Balance	143	222	365
Net Surplus for Year	-	363	363
Balance at end of period	143	585	728

Council Solutions Regional Authority
Cash Flow Statement
for the year ending 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Cash Flows From Operating Activities			
Receipts			
Operating receipts		1,162	1,133
Investment Receipts		20	12
Payments			
Operating payments to suppliers & employees		(1,350)	(532)
Net Cash provided by (or used in) Operating Activities	6	(169)	612
Net Increase (Decrease) in cash held		(169)	612
Cash & cash equivalents at beginning of period		615	3
Cash & cash equivalents at end of period	4	446	615

This Statement is to be read in conjunction with the attached Notes

Council Solutions Regional Authority

Notes to and forming part of the Financial Statements for the year ending 30 June 2015

Note 1 - Significant Accounting Policies

This general purpose financial report has been prepared in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

Council Solutions Regional Authority is a Regional Subsidiary under Section 43 and Schedule 2 of the Local Government Act 1999. The Constituent Councils and their respective share of equity are as follows:

Constituent Council	Equity Share
Adelaide City Council	16.67%
City of Charles Sturt	16.67%
City of Marion	16.67%
City of Onkaparinga	16.67%
City of Salisbury	16.67%
City of Tea Tree Gully	16.67%

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011 dated 1 May 2011*.

1 Basis of Preparation

The financial report has been prepared on an accruals basis and is based on historical costs. All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

2 Income recognition

Management Fee Income is recognised when the Constituent Councils enter into the purchase of a good or service from a Supplier contracted to provide the Authority (or in the case of some prior contracts that were created jointly between the six constituent Council) with a Management Fee.

3 Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at the Authority's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition.

4 Infrastructure, Property, Plant & Equipment

The Authority did not procure any non-current assets during the reporting period and does not hold any non-current assets as at the reporting date.

5 Employee Benefits

All employees are employed through Adelaide City Council, one of the Constituent Councils. Those employees are then contracted to the Authority.

Council Solutions Regional Authority
Notes to and forming part of the Financial Statements
for the year ending 30 June 2015

6 GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax":

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

7 Comparative Information

Comparative information has been reclassified to be consistent with the current year disclosure of equivalent information in accordance with Australian Accounting Standards.

8 Critical Accounting Estimates and Judgements

The Authority evaluates estimates and judgements incorporated into the financial report based on historical knowledge and best available current information.

Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the authority.

Accounts receivable are reviewed at each reporting date to establish the collectability.

9 Pending Accounting Standards

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2015 reporting period and have not been used in preparing these reports.

AASB 7	Financial Instruments – Disclosures
AASB 9	Financial Instruments
AASB 15	Revenue from Contracts with Customers
AASB 124	Related Party Disclosures

Standards containing consequential amendments to other Standards and Interpretations arising from the above - AASB 2010-7, AASB 2014-1, AASB 2014-3, AASB 2014-4, AASB 2014-5, AASB 2014-6, AASB 2014-7, AASB 2014-8, AASB 2014-9, AASB 14-10, AASB 15-1, AASB 15-2, AASB 15-3, AASB 15-4, AASB 15-5 and AASB 2015-6.

(Standards not affecting local government have been excluded from the above list.)

The Authority is of the view that none of the above new standards or interpretations will affect any of the amounts recognised in the financial statements, but that they may impact certain information otherwise disclosed.

The Australian Accounting Standards Board is currently reviewing AASB 1004 Contributions. It is anticipated that the changes resulting from this review may have a material effect on the timing of the recognition of grants and contributions, but the financial consequences cannot be estimated until a revised accounting standard is issued.

Council Solutions Regional Authority
Notes to and forming part of the Financial Statements
for the year ending 30 June 2015

Note 2 - Income

	2015 \$'000	2014 \$'000
Investments		
Interest Income	20	12
	20	12
Management Fee		
Management Fee	926	1,099
	926	1,099
Other Income		
Reimbursements	31	-
	31	-

Note 3 - Expenses

	2015 \$'000	2014 \$'000
Materials, Contracts & Other Expenses		
Advertising	10	8
Audit Fees	6	7
Catering	4	2
Contractors	45	73
Consultant Fees	204	59
Entertainment Costs	1	3
Fringe Benefits Tax	10	3
Insurance	25	26
IT Expenses	3	8
Legal Fees	145	22
Membership Fees & Subscriptions	5	6
Motor Vehicle	18	6
Recruitment	11	38
Reimbursements - Salary & Wages	533	455
Rent	24	-
Sitting Fees	26	13
Sundry	23	13
Telephone	3	4
Training and Development	3	3
	1,097	748

Council Solutions Regional Authority
Notes to and forming part of the Financial Statements
for the year ending 30 June 2015

Note 4 - Current Assets

	2015 \$'000	2014 \$'000
Cash & Cash Equivalents		
Cash at Bank	446	615
	446	615
Receivables		
Accounts Receivables	132	21
Accrued Income	71	378
Receivable from Adelaide City Council	-	9
	203	408
Total Current Assets	650	1,023

Note 5 - Liabilities

	2015 \$'000	2014 \$'000
Trade & Other Payables		
Creditors	10	82
Accruals	11	5
	21	87
Other Current Liabilities		
Payable to Adelaide City Council	21	208
	21	208
Total Liabilities	42	295

Council Solutions Regional Authority
Notes to and forming part of the Financial Statements
for the year ending 30 June 2015

Note 6 - Reconciliation To Cash Flow Statement

(a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet.

	2015	2014
	\$'000	\$'000
Cash at Bank	446	615
Balances per Cash Flow Statement	446	615

**(b) Reconciliation of Change in Net Assets to Cash
from Operating Activities**

Net Surplus	(120)	363
Net (increase)/decrease in Receivables	205	33
Net increase/(decrease) in Current Liabilities	(253)	216
Net Cash provided by (or used in) operations	(169)	612

Council Solutions Regional Authority
Notes to and forming part of the Financial Statements
for the year ending 30 June 2015

Note 7 - Financial Instruments

(a) Interest Rate Risk

The Authority's exposure to interest rate risk, which is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on those applicable financial assets and liabilities is as follows;

2015	Weighted Average Interest Rate	Fair Value of Variable Interest Rate Instrument s	Fair Value of Fixed Interest rate instruments maturing within One Year	Fair Value of Fixed Interest rate instruments maturing Due > 1 less 5 Yrs	Fair Value of Fixed Interest rate instruments maturing Due > 5 Yrs	Fair Value of Non- Interest Bearing Instruments
		\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets:						
Cash	1.9%	446	-	-	-	-
Receivables		-	-	-	-	203
Total Financial Assets		446	-	-	-	203
Financial Liabilities:						
Creditors and Provisions		-	-	-	-	21
Total Financial Liabilities		-	-	-	-	21

2014	Weighted Average Interest Rate	Fair Value of Variable Interest Rate Instrument	Fair Value of Fixed Interest rate instruments maturing within One Year	Fair Value of Fixed Interest rate instruments maturing Due > 1 less 5 Yrs	Fair Value of Fixed Interest rate instruments maturing Due > 5 Yrs	Fair Value of Non- Interest Bearing Instruments
		\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets:						
Cash	2.3%	615	-	-	-	-
Receivables	0.0%	-	-	-	-	408
Total Financial Assets		615	-	-	-	408
Financial Liabilities:						
Creditors and Provisions	0.0%	-	-	-	-	87
Total Financial Liabilities		-	-	-	-	87

(b) Credit Risk

Credit Risk represents the loss that would be recognised if other entities failed to perform as contracted.

The Authority's exposure to credit risk is limited to receivables - the Authority's maximum exposure is disclosed in the financial statements net of any provision for doubtful debts

(c) Net Fair Value

The net fair value of a financial instrument is defined as its value net of all costs to settle the asset and liability.


The financial assets and liabilities as stated or referred to in notes (a) and (b) above, are stated at their face value (less provision for doubtful debts if applicable).

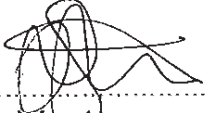
Due to the nature of financial instruments held in the Authority, the cost associated with their settlement would not be material and have not been considered.

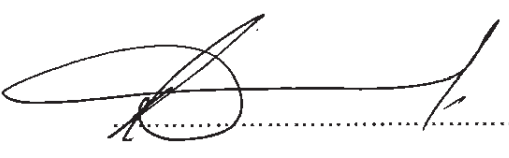
Council Solutions Regional Authority
Certification Of Auditor Independence
for the year ending 30 June 2015

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of the Council Solutions Regional Authority for the year ended 30 June 2015, the Council's Auditor, Ian G McDonald, has maintained its independence in accordance with the requirements of the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) (b) Local Government (Financial Management) Regulations 2011.


 Catherine Cooper
 CHAIR
 Date: 7/9/15



 Tanya Johnston
 PRESIDING MEMBER OF AUDIT COMMITTEE
 Date: 11/9/15

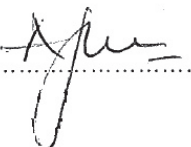

 Mark Dowd
 CHIEF EXECUTIVE OFFICER
 City of Onkaparinga


 Stephen Hains
 A/CHIEF EXECUTIVE OFFICER
 Adelaide City Council

Date: 11/9/15

Date: 26/8/15



 Paul Sutton
 A/CHIEF EXECUTIVE OFFICER
 City of Charles Sturt


 Adrian Skull
 CHIEF EXECUTIVE OFFICER
 City of Marion

Date: 28/8/15

Date: 9/9/15


 John Harry
 CHIEF EXECUTIVE OFFICER
 City of Salisbury


 John Moyle
 CHIEF EXECUTIVE OFFICER
 Tea Tree Gully

Date: 31/8/15

Date: 28/8/15

Council Solutions Regional Authority

Annual Financial Statements For the year ending 30 June 2015

Statement by Auditor

I confirm that, for the audit of the financial statements of the Council Solutions Regional Authority for the year ended 30 June 2015, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) *Local Government (Financial Management) Regulations 2011*.



Ian G McDonald FCA

Dated this 14 day of August 2015



**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF THE
COUNCIL SOLUTIONS REGIONAL AUTHORITY**

We have audited the accompanying financial report of the Council Solutions Regional Authority which comprises the statement of comprehensive income, statement of financial position, statement of changes in equity, cash flow statement, summary of significant accounting policies, other explanatory notes and the certification of financial statement for the year ended 30 June 2015.

Chief Executive Officer's Responsibility for the Financial Report

The Chief Executive Officer is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1999 together with the Local Government (Financial Management) Regulations 2011. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we followed applicable independence requirements of Australian professional and ethical pronouncements and the Local Government Act 1999.

Auditor's Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of the Council Solutions Regional Authority as of 30 June 2015, and of its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1999 together with the Local Government (Financial Management) Regulations 2011.

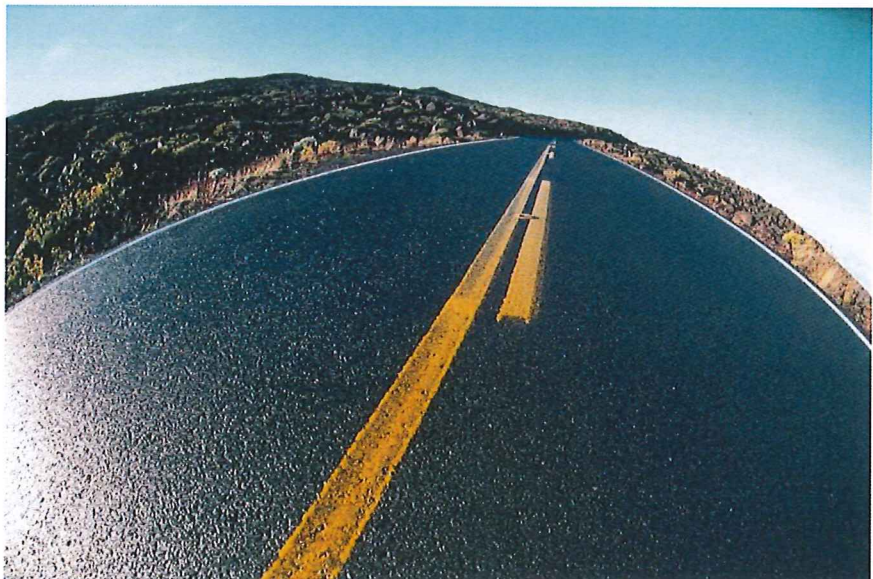
**IAN G MC DONALD FCA
CHARTERED ACCOUNTANT
REGISTERED COMPANY AUDITOR**

Liability limited by a scheme approved under Professional Standards Legislation

Signed 15th day of September , at Adelaide, South Australia

**The Corporation of
the City of Marion
Management Letter
for the Year Ended 30 June 2015**

October 2015





Deloitte Touche Tohmatsu
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STRICTLY PRIVATE & CONFIDENTIAL

Mr Kris Hanna
Mayor
City of Marion
PO Box 21
OAKLANDS PARK SA 5046

2 October 2015

Dear Sir

Re: Matters arising from the audit of the Corporation of the City of Marion for the year ended 30 June 2015

We have substantially completed our audit of The Corporation of the City of Marion ("City of Marion" or "the Council") for the year ended 30 June 2015. In accordance with our normal practice, we set out below certain matters concerning the Council's internal control and accounting practices which came to our attention during our work in connection with the audit for the year ended 30 June 2015 and our recommendations for improvements.

You will appreciate that our procedures are designed primarily to enable us to form an opinion on the financial report as a whole, as well as compliance with Section 125 of the *Local Government Act*, and therefore do not necessarily bring to light all the weaknesses in internal control or accounting practice which a special investigation might do. The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full commercial impact before they are implemented.

We have prepared this report solely for the use of the Council. As you know, this report forms part of a continuing dialogue between the Council 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 without our prior written consent, we would not accept any responsibility for any reliance that they might place on it.

We would like to take this opportunity to extend our appreciation to management and staff throughout the Council for their assistance and cooperation during the course of our audit.

We shall be pleased to discuss with you any matters mentioned in this report.

Yours faithfully

Penny Woods
Partner
Chartered Accountants

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Member of Deloitte Touche Tohmatsu Limited

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1 Introduction and Scope of Work

We have completed both the statutory audit of the Corporation of the City of Marion and the ASAE 3100 engagement with respect to the Council's compliance with Section 125 of the *Local Government Act* for the year ended 30 June 2015. The scope of our work was set out in our audit engagement letters dated 11 June 2015.

During the audit, every effort was made to identify audit, accounting and other issues which would be of benefit to the Council. In accordance with our normal practice, we write to draw your attention to the internal control, accounting and other matters that came to our attention during our audit for the year ended 30 June 2015. We have provided an update on prior period findings where these matters have not been dealt with elsewhere.

2 Key Audit Findings

Observation	Implication	Recommendation	Management response
2.1 Asset classification			
Deloitte noted that there was currently no formal process in place for asset project managers to communicate to finance the completion of projects. Finance will classify a project as 'Capital Works in Progress' where there are identified purchase order commitments still remaining in place at financial year end.	Deloitte noted that whilst the total value of Non-Current Assets reported in the Balance Sheet is not misstated, there remains the issue that completed projects may be incorrectly disclosed as Capital Works-in-Progress. The potential risk is that this may result in misstatement of depreciation.	Deloitte recommends that City of Marion include a confirmation type process to the end of year procedures through which the status of each open capital project is confirmed to finance as either 'In Progress' or 'In Use', in conjunction with its existing Budget Carryover confirmation process.	Finance will carry out a full review of all projects that have outstanding capital commitments at year end. Confirmation will be sought from Project Managers to determine project status where funds have not been identified or requested for future years through the annual carryover process.

3 Update on Prior Year Findings

To the extent that prior year matters have not been included in Section two of this report they have been covered in this section - it should be noted that 11 of the 12 findings have been implemented, with the one finding that has not been implemented being acknowledged as acceptable given the cost of implementation against the low level of risk.

Observation	Recommendation	Prior year response	Status update 30 June 2015
<p>3.1 Grouping of fixed assets</p> <p>Deloitte has identified that some individual assets that should be componentised in the Fixed Asset Management System are recorded together as a group.</p> <p>However, the City of Marion has commenced this process with the componentisation of its Light Towers. A review could include but not be restricted to high value groupings such as playground equipment, irrigation systems and reserve furniture.</p>	<p>Deloitte recommends that:</p> <ol style="list-style-type: none"> When new assets are purchased or otherwise obtained, City of Marion should put in place a procedure that ensures that: <ul style="list-style-type: none"> consideration is given to the nature of the addition and whether it is appropriate to split out and recognise any asset components separately an appropriately detailed asset description is recorded City of Marion undertakes a review of their Fixed Asset Register and identifies assets that are inappropriately grouped and split out these assets as appropriate. This should be an on-going process that is substantially completed by the next full revaluation by Maloney's (due in 2017). When assets are disposed, City of Marion should put in place a procedure that ensures all employees and contractors are aware of the need to inform the finance team when assets are disposed of. 	<p>The City of Marion has started the process of componentising some of its grouped assets. We will undertake as recommended a comprehensive review of all assets that are currently grouped. All grouped assets will be assessed on a practical and material basis and individual asset records will be created in the Finance Asset Register where it is deemed appropriate to do so. Procedures will be put in place as recommended to ensure that new assets are appropriately itemised and finance is notified of any assets that are disposed of during the year.</p>	<p>Our recommendation has been implemented and no further issues have been identified.</p> <p>Deloitte considers this matter completed.</p>

Observation	Recommendation	Prior year response	Status update 30 June 2015
<p>3.2 Segregation of duties</p> <p>There is no formal Segregation of Duties (SOD) matrix documenting conflicting roles within the Authority system for use when granting access to new users within the application or performing periodic user access reviews.</p>	<p>A detailed SOD matrix should be developed for application roles. This process should include the identification of key segregation of duties risks relevant to the existing financial systems and the definition of standards that can be applied to prevent conflicting access being assigned to individuals.</p>	<p>City of Marion will implement periodic access reviews, investigate further the means to make current access privileges available to security access approvers, and investigate the additional value of developing a basic SOD matrix (considering resource effort, practical ease of use, risk mitigation and any other factors). As background, the access management process uses role based security in the Authority system. User access privileges are based on job roles. Access requests are submitted electronically and require workflow approval from relevant manager. Sample form was supplied to Deloitte. A security access review and clean-up is currently underway.</p> <p>Management has finalised and implemented a SOD matrix. One acknowledged role conflict exists, however the nature of the role requires access to two areas of the system that cannot be broken down into more restricted roles and this will be monitored via alternate controls.</p> <p>Deloitte considers this matter completed.</p>	

Observation	Recommendation	Prior year response	Status update 30 June 2015
3.3 Change management Limited documentation is being provided by the vendor when making minor changes to the Authority application.	Management should enhance Change Management practices with the vendor to include the following areas at a minimum: <ul style="list-style-type: none"> • Detailed change control documentation • Requirement for testing of changes • Approval of changes Requirements for implementation plans, including back out steps	<p>The need for adequate testing and recording of change event details for minor changes in addition to major changes will be re-emphasised by ICT with Civica through the account manager. As background, City of Marion ICT has a Change Management Framework (developed with CQR security consultants in September 2013). There is a separate "Access Request" form for external support users on the web site. Civica, who provide the managed services for Authority, provide a monthly report of all change requests completed. Significant changes are managed via project management principles and require testing and approval of changes.</p>	<p>Our recommendation has been implemented and no further issues have been identified.</p> <p>Deloitte considers this matter completed.</p>

Observation	Recommendation	Prior year response	Status update 30 June 2015
3.3 Change management (cont'd) Limited documentation is being provided by the vendor when making minor changes to the Authority application. (cont'd)		<p>The Civica Authority Application patching of minor changes is carried out on a contractually documented process on 2 week cycle with new patches being loaded into a separate test server environment for user testing and approval, before being applied to the Authority production server. Civica communicate all patch changes to the appropriate Users and the fault escalation reporting process is communicated and agreed with all stake holders. Consideration will be given to include "change control" process references in relevant ICT policies for Remote Access and Access Control. The need for adequate testing and recording of change event details for minor changes in addition to major changes will be re-emphasised by ICT with Civica through the account manager.</p>	

Observation	Recommendation	Prior year response	Status update 30 June 2015
3.4 Privileged access The vendor (Civica) is using generic accounts to access the application, operating system and database.	Management should ensure that all users, including vendors, have individual user accounts for administrator access to Council systems.	<p>As Civica are providing a full managed service to City of Marion, and can only access the system on an approved request basis, management control of Authority support user login accounts by Civica (via their internal change management processes) is the preferred City of Marion approach. This reduces significant internal administration overhead, streamlines support, minimises problem resolution timeframes, and the accountability rests with Civica.</p>	<p>Given the low level of risk associated with Civica using generic account, management does not consider the benefit of implementing the recommendation will outweigh the cost.</p> <p>Deloitte considers this acceptable given the low level of risk.</p>
Observation	Recommendation	Prior year response	Status update 30 June 2015
3.5 Database logging No security event logging or administrative user logging has been enabled on the Informix database.	<p>Management should identify critical tables supporting financial and payment information and enable the audit logs on critical events like Update, Drop etc.</p> <p>Furthermore, a periodic review of these logs should be conducted to ensure that no inappropriate or unauthorised access has occurred and evidence of this review retained along with any remedial actions performed.</p>	<p>City of Marion ICT will raise observation with Civica managed services, to identify solutions for improvements in appropriate levels of Informix database logging and periodic reviews.</p>	<p>Our recommendation has been implemented and no further issues have been identified.</p> <p>Deloitte considers this matter completed</p>

Observation	Recommendation	Prior year response	Status update 30 June 2015
3.6 Linux root account The Linux 'root' account is not locked to the console for both application and database servers.	We recommend direct access to the Root account should only be allowed from the system console or by using the SU function from an individual user account. The SU Log should be reviewed on a regular basis to verify access to Root.	City of Marion ICT will action locking of the 'root' account with Civica. This was previously in place as per CQR internal security audits. Review of SU log also to be raised.	Our recommendation has been implemented and no further issues have been identified. Deloitte considers this matter completed

Observation	Recommendation	Prior year response	Status update 30 June 2015
3.7 Petty Cash Policy ASS-PET-0009 While receipts are attached to all petty cash claims, the Council does not have a formal petty cash policy. Any individual can sign off the petty cash vouchers. The City of Marion does however require a second independent authorisation of all petty cash claims by an appropriate officer higher up their departmental hierarchy.	A formal petty cash policy should be developed to ensure all petty cash disbursements are independently authorised within financial delegations and supported by receipts.	A draft Petty Cash policy has been developed to formally document the procedures currently in place for handling petty cash. This includes the requirement for independent authorisation of petty cash expenditure, supported by receipts, by a staff member with a higher financial delegation than the recipient.	Our recommendation has been implemented and no further issues have been identified. Deloitte considers this matter completed.

Observation	Recommendation	Prior year response	Status update 30 June 2015
3.8 Conflict of interest forms			
EXT-CON-0006 During testing, the conflict of interest was not attached to selected contracts in two cases from five selections. There is no evidence that this control has been applied in the selected cases.	Re-iterate to City of Marion staff the requirement to ensure documentation confirming the consideration of conflicts of interest is retained for every contract.	City of Marion agree with and will implement the recommendation.	Our recommendation has been implemented and no further issues have been identified. Deloitte considers this matter completed.
3.9 Grant Funding			
REV-GRA-0003 A recommended core control is for the management to approve all grants (prior to funds being received by Council) to ensure that Council will be able to meet the terms and obligations of the grant, and that the grant is in line with the Council's Strategic Objectives. This process occurs but there is no central registry to demonstrate the approval. There is no evidence that this control has been applied.	A grant database should be developed to monitor obligations in respect of grant funding.	Grants database is being prepared to record all new and expired grants. This will be reviewed regularly for completeness once developed. A supporting policy will further be developed to ensure that staff are aware that all grants are required to be recorded in the database.	Our recommendation has been implemented and no further issues have been identified. Deloitte considers this matter completed.

Observation	Recommendation	Prior year response	Status update 30 June 2015
3.10 Fraud risk assessment			
<p>GEI-ETH-0001</p> <p>Whilst training is provided to managers, there is no formal fraud risk assessment performed by management. Fraud risk assessments assist identification of risk areas that are susceptible to fraud.</p>	<p>A specific fraud risk assessment should be performed, documented and followed up as part of internal assurance activities.</p>	<p>Action plan is in place to develop a Fraud Risk Policy and Risk Assessment. Can be included within the operational risk assessment for departments.</p> <p><i>This control is additional to what is required in the Better Practice Model and has been added by the City of Marion to further strengthen the effectiveness of its internal control environment.</i></p>	<p>Our recommendation has been implemented and no further issues have been identified.</p> <p>Deloitte considers this matter completed.</p>
3.11 Fraud investigation			
<p>GEI-ETH-0002</p> <p>No recent incidents of fraud, however there is no formal procedure in place for conducting investigations.</p>	<p>Appropriate policies and procedures should be in place to manage and investigate instances of fraud.</p>	<p>A specific core assurance fraud risk assessment could be completed through the BDO contract. Fraud controls are currently assessed via the core assurance reviews carried out by BDO.</p> <p><i>This control is additional to what is required in the Better Practice Model and has been added by the City of Marion to further strengthen the effectiveness of its internal control environment.</i></p>	<p>Our recommendation has been implemented and no further issues have been identified.</p> <p>Deloitte considers this matter completed.</p>

Observation	Recommendation	Prior year response	Status update 30 June 2015
3.12 Recording of revenue receipts REV-REC-0012 During testing Deloitte noted that the three selected employees all have access to receipting funds and the creation of debtor invoices.			
	Officers who create debtors invoices should not have access to receipting payments and/or reversing receipt transactions.	Council will implement recommendation and review all debtor receipting access to ensure no issues exist.	Our recommendation has been implemented and no further issues have been identified. Deloitte considers this matter completed.

4 Internal Controls

Background

Amendments to the *Local Government Act 1999* (the “Act”) require local government auditors to provide separate formal opinions in relation to:

- The financial statement audit; and
- Financial internal controls audit as prescribed in Section 125 of the Act.

Implications for Councils

To comply with these changes Council has implemented an internal control framework as that prescribed in the South Australian Local Government Financial Management Group (“SALGFMG”) Better Practice Model – Financial Internal Controls.

Deloitte has tested the design and implementation for an agreed sample of internal controls representing 62% of the population of core controls implemented by Council based on our rotation plan and profiling of internal controls in our audit plan.

Objectives

We have provided you with the following risk rating matrix and details of the results of our testing and recommendations for improvement as part of the services as determined by the scoping agreed on between City of Marion (CoM) management and Deloitte.

Overview of findings

Sample of controls within the best practice model as provided by the Local Government Association (LGA) have been tested by Deloitte. These tests were performed from 15 June 2015 to 19 June 2015.

Summary	Strategic Planning	Revenue	Expenses	Assets	Liabilities	External Contracts	Governance	Total
Number of controls tested	15	18	25	75	3	9	0	145
Findings	-	1	2	3	1	0	0	7
No Findings	15	17	23	72	2	9	0	145

Any significant control deficiency identified by Deloitte on the controls tested have been summarised below. No significant deficiencies were noted.

Risk Matrix

The Risk Ratings provided in this report were based on the criteria below and have been determined in accordance with the Local Government Act – Better Practice model.

Likelihood	Consequence				
	1 (insignificant)	2 (minor)	3 (moderate)	4 (major)	5 (critical)
	4.6				
	4.1, 4.3, 4.4, 4.5, 4.7	4.2			



Detailed findings

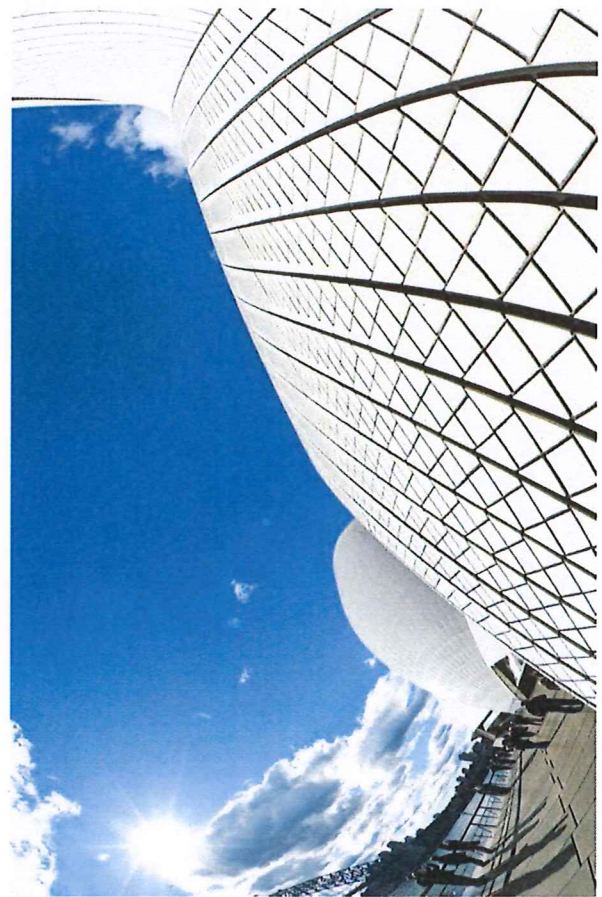
Observation	Implication	Recommendation	Management response
4.1 Review of petty cash reconciliations ASS-PET-0004 Deloitte note that petty cash reconciliations are being performed on a daily basis, but are not always evidenced with the signature of an independent person.	The deficiency in this control means there is no documented evidence of the effective review of the cash counting process. As the cashiers handle the cash all day, then perform the count themselves, this may allow them at any time to temporarily remove cash from the cash drawer and go undetected until a reconciliation of the same drawer is performed by a different person.	Deloitte recommends that the practice of crosschecking and signing petty cash reconciliations on a daily basis is enforced and reviewed by management. In addition, the person reviewing should be independent from the preparer. Although a fraud performed in this manner would likely be detected regardless of this control, implementing this would greatly decrease the risk of fraud occurring and the time-lapse between occurrence and detection	Finance will work with Customer Service staff to implement the recommendation proposed to strengthen the security around the management of petty cash. It should be noted that on most days the staff responsible for petty cash are rotated which decreases the likelihood of a delay in detection of such a fraud. However having a daily independent sign off of the petty cash float in addition to daily staff rotation will strengthen the security and management of petty cash.

Observation	Implication	Recommendation	Management response
4.2 Termination policy EXP-PAY-0034 There is no termination policy in place, and the current exit procedure does not directly address the statutory regulations, or enterprise agreement requirements that may need to be adhered to.	There is a possibility that statutory and union regulations may be breached when terminating employment.	Deloitte recommends a centralised procedure for actions on terminating employment.	Finance will collaborate with Organisational Development to construct a procedure that ensures statutory and enterprise agreement conditions are strictly followed when terminating employment.

Observation	Implication	Recommendation	Management response
4.3 Review of payroll deduction report			
<p>EXP-PAY-0015</p> <p>There is no documented evidence that a payroll deduction report is reviewed on a regular basis.</p>	<p>The deficiency in this control could cause unauthorised or incorrect deductions to be removed from an employee's pay.</p>	<p>Deloitte recommends that formal process be put in place to ensure that the payroll deduction review is fully documented and signed off.</p>	<p>Payroll deduction reports are generated, reviewed and stored electronically with every pay cycle. As recommended management will put in place a process to ensure documentation is retained to provide evidence a formal review of the deduction report is conducted on a regular basis with deductions checked back against employee forms and signed off.</p>
4.4 Fringe benefit tax policy			
<p>LIA-TAX-0008</p> <p>There is no formal, documented Fringe Benefit Tax procedure used in the preparation of the annual return. In previous years an accounting assistant prepared the calculation and this was reviewed by the Financial Accountant, however this did not occur in the current year due to the Financial Accounting Assistant leaving the City of Marion immediately prior to the preparation of the return. In the current period the calculation was performed by the Financial Accountant and a high level review was conducted by the Manager Finance and a summary including prior year comparative data was presented to the director of Finance.</p>	<p>The lack of a documented procedure being utilised in the preparation of the FBT return may give rise to inconsistencies in the preparation of the FBT liability year on year.</p>	<p>Deloitte recommends that a Fringe Benefits Tax procedure be documented and utilised to ensure a standard procedure is followed in the preparation of all future returns.</p>	<p>Finance will develop a documented procedure to be followed in the preparation of the Fringe Benefits Tax return. This set of documented procedures will be utilised for all future returns.</p>

Observation	Implication	Recommendation	Management response
4.5 Petty cash security			
ASS-PET-0005 ASS-PET-0006	There is a risk that cash may be removed from the petty cash drawer.	Deloitte recommends a review of the security surrounding petty cash in the council chamber front office.	Finance will work with Customer Service to review the security surrounding the access to the locked petty cash drawer and implement a more secure process & procedure to restrict access to the petty cash drawer.
1. Although petty cash is always kept locked away, the access to the storage points is not highly restricted.			
2. Security levels of petty cash drawers may lead to a chance of theft/fraud.			
4.6 Cash receipting policy			
REV-OTR-0003	The lack of documented policy may result in misappropriation of cash received outside the council receipting areas.	Deloitte recommends that a formal policy for cash receipts outside the Council receipting area be documented and adopted.	Whilst most remote locations have their own procedures in place, management agree with the recommendation and will implement a formal policy and standard procedures for the reconciliation of income at all receipting locations be developed.
There is no documented policy for reconciling receipting to cash at remote locations.			
4.7 Grant acquittal			
ASS-LOA-0002	Compliance monitoring is hindered if acquittals are not received in a timely manner. Grants may not be spent in accordance with the applications.	Deloitte has noted that outstanding acquittals are followed up by management. It is recommended that the final follow-up (i.e. once they are overdue) is completed in a more timely fashion.	Finance will work with the appropriate department to develop a detailed procedure that will ensure a more timely follow-up once returns are overdue.
Signed grant acquittal was not received before deadline.			

Corporation of the City of Marion Report to the Audit Committee and Elected Members for the year ended 30 June 2015



October 2015



Corporation of the City of Marion
Chair, Audit Committee
245 Sturt Road
STURT SA 5047

2 October 2015

Dear Sir

Report to the Audit Committee and Elected Members – for the year ended 30 June 2015

In accordance with our normal practice, we include in the attached report all matters arising from our audit of the financial report of the Corporation of the City of Marion ("City of Marion" or "the Council") for the year ended 30 June 2015 which we consider appropriate for the attention of the Audit Committee ("the Committee") and Elected Members. These matters have been discussed with management of the Council and their comments have been included, where appropriate.

We look forward to the Committee meeting in October where we will have the opportunity to discuss this report. In the interim, should you require clarification on any matter in this report please do not hesitate to contact us.

We have substantially completed our audit on the financial report of the Corporation of the City of Marion and subject to the satisfactory resolution of the matters detailed in Section 2, we expect to issue an unmodified audit opinion.

Member of Deloitte Touche Tohmatsu Limited
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We have prepared this report solely for the use of the Committee and Elected Members and 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 without our prior written consent, we would not accept responsibility for any reliance that they might place on it.

We would like to take this opportunity to extend our appreciation to management and staff for their assistance and cooperation during the course of our audit.

Yours faithfully
Deloitte Touche Tohmatsu

Penny Woods

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General use restriction

This report is prepared solely for the internal use of the Corporation of the City of Marion. This report is not intended to and should not be used or relied upon by anyone else and we accept no duty of care to any other person or entity. The report has been prepared for the purpose set out in our engagement letter dated 11 June 2015. You should not refer to or use our name or the advice for any other purpose.

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1. Executive summary

1.1 Overview

Area

Comment

Our audit of the financial report is substantially complete.

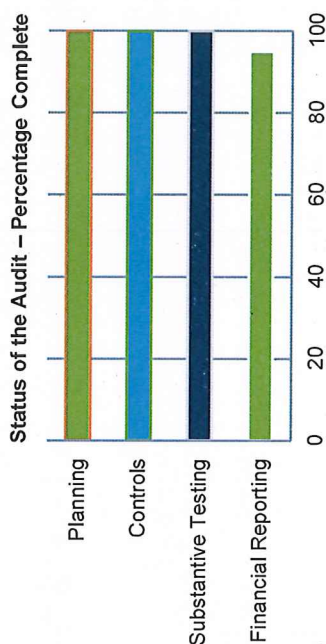
We expect to issue an unmodified audit opinion on the financial report subject to the satisfactory completion of the matters noted in Section 2.3.

Status of audit and outstanding matters

Refer to Section 2

Our reasonable assurance engagement under ASAE 3100 with respect to the Council's compliance with Section 125 of the *Local Government Act* is substantially complete.

We expect to issue an unmodified audit opinion in relation to this engagement subject to the satisfactory completion of the matters noted in Section 2.3



We have assessed the internal control environment to be strong, but with room for continuous improvement.

Assessment of internal controls

Refer to Section 4

In performing our audit of the Council for the year ended 30 June 2015 whilst we have not identified any significant deficiencies in internal controls relating to the prevention and detection of fraud and error which would impact upon our ability to provide our opinion on the financial report for the year ended 30 June 2015, we noted a number of control observations as part of our engagement on the compliance with section 125 of the Local Government Act 1999. These findings are summarised in our letter to management circulated separately

No matters relating to fraud, concerning either employees or management came to our attention.

Summary of uncorrected misstatements

Refer to Appendix A

We have not identified any uncorrected misstatements that, in our judgement, either individually or in aggregate, could have a material effect on the financial report for the year ended 30 June 2015.

There is no net effect of identified uncorrected differences identified on profit.

Summary of uncorrected disclosure deficiencies

Refer to Appendix B

We detected no significant uncorrected disclosure deficiencies in the financial report.

Developments in financial reporting

Refer to Appendix D

Over the next few years there will be a number of substantial changes to Australian Accounting Standards. We will work proactively with management to assess the impact on the Corporation of the City of Marion and the appropriate accounting policies going forward.

1. Executive summary (cont)

1.2 Key areas of focus and response

Statement of Financial Position	FY 2015 (\$'000)
Cash and cash equivalents	19,688
Trade and other receivables	4,036
Other Financial Assets	2,750
Inventories	166
Total current assets	26,640
Equity accounted investments	5,120 ²
Infrastructure, Property, plant and equipment	1,101,403 ¹
Other non-current assets	12,495
Total non-current assets	1,119,018
Trade and other payables	7,278
Borrowings	1,671
Provisions	5,155
Total current liabilities	14,104
Borrowings	10,229
Provisions	857
Total non-current liabilities	11,086
Net Assets	1,120,468
Accumulated Surplus	360,929
Asset Revaluation Reserves	740,335 ¹
Other Reserves	19,204
Total Equity	1,120,468

Our audit procedures were focused on those areas of the Council's activities that are considered to represent the key audit risks identified through discussions with management during the course of our audit and based on our in-depth understanding of the Corporation of the City of Marion.

We are satisfied that these key areas of focus have been addressed appropriately and are properly reflected in the Corporation of the City of Marion's financial report.

1 Infrastructure, property, plant and equipment held at depreciated replacement cost

Given the nature and magnitude of the Council's fixed assets, this account balance has been identified as an audit focus area.

Major project spend was assessed to determine whether expenditure was appropriately capitalised. Progress against budgets was also reviewed.

Particular focus was placed on the review of capital expenditure approvals at the inception of projects as well as the verification of expenditure against Delegated Authorities throughout the project life.

The fair value of land, buildings and infrastructure was assessed by external valuers including Maloney Field Services and APV. We have analysed the methodology and basis for the determination of fair value of assets as well as the level of appropriate disclosures to ensure the fair value is appropriately determined and disclosed. In addition, we have involved an internal valuation specialist in assessing the reasonableness of the overall valuation.

2 Equity accounted investments

Given the nature of this account it was noted as a focus area.

A significant write-down in the valuation of equity accounted investments was identified in the prior year due to the decreased valuation of the landfill site as result of reduction in the remaining capacity (net loss of \$444,000 and dividend receipt of \$75,000).

No asset revaluation was performed for equity accounted investments in the current period. The increase in equity accounted investments is mainly caused by the share of net profit of \$817,000 and dividend receipt of \$60,000.

1. Executive summary (cont)

1.2 Key areas of focus and response

Statement of Comprehensive Income	FY 2015 (\$'000)	3 Rates Revenue and Grant Income	4 Expenditure
Rates revenue	67,465 3	Rate revenue has been identified as a significant transaction cycle given the size of account balance. Given the stability of rate revenue, we have established an expectation of the overall rate revenue using published rates and Valuer General reports to support property valuations.	Given the volume, magnitude and public accountability of Council expenditures the preventative and detective controls over expenditures, including the budgetary cycle were given consideration. Detailed testing has been performed over operating expenditure. For employee cost, an expectation was developed using staff numbers, average pay and known increases awarded.
Grants, subsidies and contributions	7,694 3		
Other income	6,817		
Total income	81,976	No issues in relation to rate revenue were noted. Grant revenue has been identified as a material account balance in relation to recognition requirements as set out in AASB 1004 (Contributions). In accordance with this standard local government councils are required to recognise the revenue at the point where:	Depreciation expenditure was analysed for each asset category for compliance with the Council approved policy which also included an assessment of the useful lives and residual values of the fixed assets. No issues in relation to these account balances were noted.
Employee costs	31,757		
Materials, contracts and other expenses	26,418		
Depreciation, amortisation and impairment	12,974	Grant revenue has been identified as a material account balance in relation to recognition requirements as set out in AASB 1004 (Contributions). In accordance with this standard local government councils are required to recognise the revenue at the point where:	Depreciation expenditure was analysed for each asset category for compliance with the Council approved policy which also included an assessment of the useful lives and residual values of the fixed assets. No issues in relation to these account balances were noted.
Finance costs	800		
Total expenses	71,949 4		
Operating surplus	10,027	Based on the above, we have assessed the revenue recognised during the current year and ensured no grant revenue was inappropriately deferred to the statement of financial position.	
Other non operating income	9,871		
Revaluations of infrastructure, property, plant and equipment	3,556 1		
Total comprehensive income	23,454		

1. The Council has a right to receive the revenue, or

2. The Council has control over the grant funding.

Based on the above, we have assessed the revenue recognised during the current year and ensured no grant revenue was inappropriately deferred to the statement of financial position.

2. Purpose and scope

2.1 Scope

We were engaged to perform an audit of the Council for the year ended 30 June 2015 in accordance with Australian Auditing Standards. Our audit is performed to enable us to express an opinion as to whether the financial report of the Council has been prepared in accordance with Australian Accounting Standards and the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*.

We were also engaged to perform a compliance audit of the Council with the requirements of *Section 125 of the Local Government Act 1999* in relation to the Internal Controls established by the Council to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2014 to 30 June 2015 are in accordance with legislative provisions.

We were also engaged to perform an audit with respect to 3 grant programs, and an audit with respect to a Workers Compensation Declaration.

2.2 Purpose of the report

We have prepared this report for the Corporation of the City of Marion's Committee and its Elected Members to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process of the Council for which management is responsible. This report includes only those matters that have come to our attention as a result of performing our audit procedures which we believe are appropriate to present to the Committee and Elected Members.

2.3 Status of the audit and outstanding matters

Our audit of the financial report is substantially complete.

We expect to issue unmodified audit opinions on the financial report, grant audits, audit of the Workers Compensation Declaration and ASAE 3100 engagement with respect to the Council's compliance with Section 125 of the *Local Government Act* subject to the completion of:

- appropriate procedures relating to subsequent events up to the date of our audit opinion
- receipt of the signed written representation letters
- adoption of the accounts by the Council and signing of Certification of the financial report by the Chief Executive Officer and Mayor.

3. Key areas of focus and response

Our audit procedures were focused on those areas of the Council's activities that are considered to represent the key audit risks. These areas of focus were identified as a result of:

- the risk assessment process undertaken during the planning phase of our engagement
- our understanding of the business risks faced by the Corporation of the City of Marion, obtained through our prior experiences providing services to the Corporation of the City of Marion as well as a number of other Councils across South Australia and Australia
- discussions with management during the course of our audit

The identification of key areas of focus included meetings with senior management and work performed by the Deloitte audit team. We are satisfied that these key areas of focus have been addressed appropriately and are properly reflected in the financial report.

3.1 Change in revaluation surplus

Focus area

The majority of Infrastructure, Property, Plant & Equipment gets re-valued on an annual basis at a value equal to depreciated replacement cost per Council policy. This re-valuation often involves a significant increase in recognised fair value. In the 2015 financial year the revaluation resulted in a net increase in revaluation surplus of \$3,556,000.

Findings

Deloitte performed the following:

- Evaluation of the assumptions made by your experts in their (Maloney's and APV's) valuation reports, by comparing the assumptions they have made with prior year valuation reports and understanding any material variances.

tests of details over

- existence of fixed assets
- additions of fixed assets
- disposal of fixed assets

- Developing an expectation of depreciation expenditure in accordance with policy.

- Review of the reconciliation of the fixed asset register to the financial statements.

- Involvement of our internal valuation specialist in assessing the reasonableness of the overall valuation.

Deloitte has raised an insight in relation to classification between Capital Works-In-Progress and Infrastructure, which is summarised in our letter to management circulated separately.

4. Assessment of internal controls

4.1 Scope

We were engaged to perform a compliance audit of the Council with the requirements of *Section 125 of the Local Government Act 1999* in relation to the Internal Controls established by the Council to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2014 to 30 June 2015 are in accordance with legislative provisions.

4.2 Summary of control

The 31 business processes are divided into 6 risk categories including Assets, Liabilities, Expenses, Revenue, Strategic Financial Planning and External Services. The Better Practice Model provided by the Local Government Association (LGA) identifies risks for each business process and suggests several controls to address each risk. In total there are 491 controls, of which 233 are considered "Core" and 258 are considered "Additional".

4.3 Summary of result

We have performed the control assessment on a rotation basis for each of six risk categories. For the financial year ended 2015, we have selected the risk categories of Assets and External Services as well as scoping in controls that fit the following profile:

- control activities which are different from last year and different from the BPM
- control activities which have different assessors or reviewers from last year
- control activities which have a rating for assessor or reviewer which are equal or less than 2
- control activities which the rating for assessor and reviewers are different by 2 or more.

In performing our audit of the Council for the year ended 30 June 2015 whilst we have not identified any significant deficiencies in internal controls relating to the prevention and detection of fraud and error which would impact upon our ability to provide our opinion on the financial report for the year ended 30 June 2015, we noted a number of control observations as part of our engagement on the compliance with section 125 of the Local Government Act 1999. These findings are summarised in our letter to management circulated separately.

4.4 Future considerations

The Council has implemented 233 core controls in accordance with the recommendations of the Better Practice Model, in order to comply with Section 125 of the Local Government Act 1999. We recommend that management perform further risk profiling analysis on these core controls to identify the key controls required to address the risks specific to the council. This will allow both our testing and the Councils self-assessments to be more focussed.

5. Other communications

5.1 Use of specialists

As planned, specialists assisted in the audit to the extent we considered necessary:

- **computer assurance specialists** are used on a rotational basis to assist in the evaluation of internal controls and in the use of our computerised audit applications; and
- **valuation specialists** have been consulted in the evaluation of property and infrastructure valuations.

5.2 Non-compliance with applicable laws and regulations

In performing our audit of the Corporation of the City of Marion for the year ended 30 June 2015 we have not become aware of any instances of non-compliance with applicable laws and regulations that would have an impact on the determination of material amounts and disclosures in the financial report.

5.3 Independence

We confirm that we have maintained our independence in accordance with the independence requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*, and intend to sign the Auditor's Independence Declaration (Appendix E) to be included in the Financial Report for the year ended 30 June 2015.

The matters considered when assessing our independence, including fees for non-audit services, are included in Appendix F.

Appendices

Appendix A

Summary of uncorrected misstatements

In performing our audit, we have not identified any uncorrected misstatements that management believe could, either individually or in aggregate, have a material effect on the financial report for the year ended 30 June 2015.

Appendix B

Summary of uncorrected disclosure deficiencies

In performing our audit, no material uncorrected disclosure deficiencies were detected in the financial report.

Appendix C

Summary of corrected misstatements

In performing our audit, we have identified the following corrected misstatements

Corrected misstatements identified related to 2015	Assets Dr/(Cr)	Liabilities Dr/(Cr)	Equity Dr/(Cr)	Profit and loss Dr/(Cr)
Infrastructure, Property, Plant and Equipment	118,484	-	-	-
Other Non-Current Assets (Capital Works-in-progress)	(118,484)	-	-	-
<i>To reclassify WIP into fixed asset as it was completed as at 30 June 2015</i>				
Cash and Cash Equivalents	(201,438)	-	-	-
Payables	-	201,438	-	-
<i>To adjust the cash and payable balance as the above amount was paid on 30 June 2015</i>				
Cash and Cash Equivalents	(2,750,000)	-	-	-
Other Financial Assets	2,750,000	-	-	-
<i>To reclassify the cash and cash equivalents into other financial assets for term deposits where the maturity dates were greater than 3 months</i>				
Long service leave provision	-	(268,858)	-	-
Salary and wages	-	-	-	268,858

To recognise long service provision for those who have a length of service less than 5 years

Appendix C (cont'd)

Summary of corrected misstatements -(cont)

In performing our audit, we have identified the following corrected misstatement

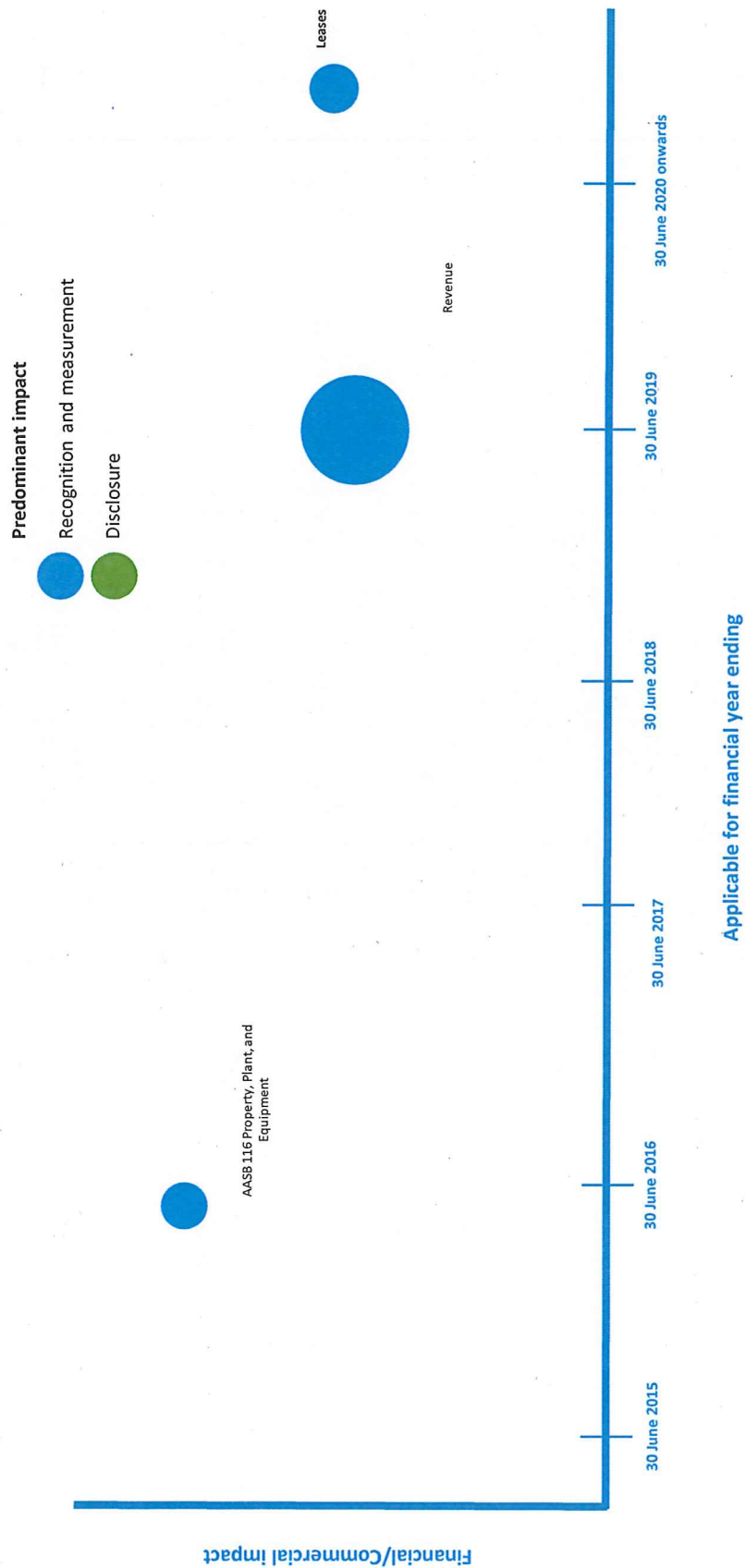
Corrected misstatements identified related to 2014	Assets Dr/(Cr)	Liabilities Dr/(Cr)	Equity Dr/(Cr)	Profit and loss Dr/(Cr)
Cash and Cash Equivalents	(8,900,000)	-	-	-
Other Financial Assets	8,900,000	-	-	-

To reclassify the cash and cash equivalents into other financial assets for term deposits where the maturity dates were greater than 3 months

Appendix D

There continues to be constant developments in financial reporting mainly driven by harmonisation of international accounting practices. We continue to provide regular analysis of the latest accounting developments through our IAS Plus website, www.iasplus.com/en. We have set out below some of the recent accounting developments that are of relevance to the Corporation of the City of Marion and impact the financial report for June 2016 and beyond.

The following new and revised Accounting Standards have been issued by the Australian Accounting Standards Board ("AASB") and are of relevance to the Council.



Appendix D (cont'd)

Developments in financial reporting		
Standard/ Interpretation	Effective Date	Impact of the new standard/interpretation
Property-plant-equipment	30 June 2016	<ul style="list-style-type: none"> On 29 May 2015, the AASB released an Action Alert in relation to recognition of residual value for fixed assets. The AASB's view is that residual values can only be recognised as the expected consideration arising from a sale of a replaced asset. The 2015 model financial statements reflect cost savings from salvaged components being recognised as residual values. The decision remains under discussion and further guidance is anticipated shortly. On this basis, the interpretation has not been considered in the 2015 financial statements to ensure consistency among councils. However, the treatment of residual value for infrastructure assets will need to be considered in the 2016 financial year.
Revenue	30 June 2019	<ul style="list-style-type: none"> Introduces detailed guidance for revenue recognition relevant to different goods and services Revenue for each performance obligation is accounted for separately and only recognised once the customer controls the asset (good or service) Performance obligations are recognised separately to the extent that the promised assets (goods or services) are transferred to the customer at different times, either at a point in time or over time Revenue may be recognised using the percentage of completion method for construction contracts, but only if the customer has physical possession of, or title to, the work in progress. The AASB is currently considering the replacement accounting standard for the not-for-profit sector that will replace the existing accounting standards and that is currently expected to be issued with an effective date of accounting periods beginning on or after 1 January 2018 (i.e. would be effective for Council for the year ended 30 June 2019). This replacement accounting standard is still in draft stage and it is currently too early to determine any potential impact on Council.
Leases	Not known	<ul style="list-style-type: none"> Removes distinction between operating and finance lease Requires the lessee to recognise, for all leases: <ul style="list-style-type: none"> An asset representing its right to use the leased item for the lease term, including rights under options A liability for its obligation to pay rentals, including contingent rental and residual value options.

Appendix E

Draft independence declaration



Corporation of the City of Marion
245 Sturt Road
STURT, SA 5047

October 2015

Dear Members,

Auditor's Independence Declaration to the Corporation of the City of Marion

In accordance with the Local Government (Financial Management) Regulations 2011, I am pleased to provide the following declaration of independence to the councillors of the Corporation of the City of Marion.

I confirm that, for the audit of the financial statements of the Corporation of the City of Marion for the 30 June 2015 financial year, I have maintained my independence in accordance with the requirements of APES 110—Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, and in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

Yours faithfully

Deloitte Touche Tohmatsu

Penny Woods
Partner

Member of Deloitte Touche Tohmatsu Limited
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Appendix F

Independence letter for the Board Audit Committee



Corporation of the City of Marion
Chair, Audit Committee
245 Sturt Road
STURT, SA 5047

October 2015

Dear Sir,

Independence letter for the Audit Committee

Deloitte Touche Tohmatsu ("Deloitte") has prepared the following letter to facilitate our communication with the Audit Committee of the Corporation of the City of Marion ("the Council") and to assist you in meeting your requirements under the *Local Government Act 1999* to communicate matters to the members of Council regarding Auditor independence.

Independence

The *Local Government Act 1999* and our professional standards require that we communicate with you whether there have been any contraventions of the auditor independence requirements of the *Local Government Act 1999* or of any applicable code of professional conduct in relation to the audit.

To the best of our knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Local Government Act* or of any applicable code of professional conduct in relation to the audit for the financial year ended 30 June 2015.

We are not aware of any relationships between Deloitte and the Council that, in our professional judgment, may reasonably be thought to bear on our independence.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

11 Waymouth Street
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Appendix F (cont'd)

Independence letter for the Board Audit Committee (cont)

This report is intended solely for the information and use of the Council and management for the purposes stated herein, and is not intended to be and should not be used or relied upon by any other person or by any person for any other purpose.

Should you have any queries or wish to discuss this matter further please do not hesitate to contact me on 8407 7085.

Yours faithfully

Penny Woods
Partner



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Statement of Comprehensive Income

	2014/15	2013/14	Variance	Variance	Analysis
	\$000's	\$000's	\$000's	%	
Income					
Rates Revenues	67,465	63,765	3,700	6%	Rate increase of 4.1% plus growth of 1.0%
Statutory Charges	1,749	1,715	34	2%	
User Charges	1,689	1,571	118	8%	20% increase in revenue from Swimming Pool \$114k - attributable to combination of favourable weather conditions and the installation of a new waterslide
Grants, Subsidies & Contributions	7,694	5,391	2,303	43%	Predominantly relates to timing of the payment of the Grants Commission's Financial Assistance Grants (FAG) which is normally paid in quarterly instalments. The first two payments for 2013/14 were received in advance in June 2013 (\$1m), after which the timing of these payments was scheduled to revert back to normal. This resulted in only two instalments (\$1.7m) of the 2013/14 FAG being received in 2013/14. The full payment of the 2014/15 FAG (\$2.7m) was paid in 2014/15 financial year, however on 30 June 2015 the Grants Commission paid in advance the first two instalments of the 2015/16 FAG, resulting in a total of six quarterly instalments being paid in 2014/15 (\$4.1m) compared to only two in 2013/14.
Investment Income	888	793	95	12%	Greater opening cash balance held at beginning of year resulted in increased average interest across the year - refer Investment Report
Reimbursements	874	898	(24)	(3%)	
Other Income	800	315	485	154%	Contributions from lessees for renewal works relating to the Major Sporting Hubs (\$460k)
Net Gain - Equity Accounted Businesses	817	446	371	83%	Movement in equity accounted investments - refer SRWRA and Council Solutions Annual Financial Statements
Total Income	81,976	74,894	7,082	9%	
Expenses					
Employee Costs	31,757	31,532	225	1%	Pay increase of 3.4% Salary, 4.23% Wages less substantial savings (\$1.020m against original budget) from temporarily vacant positions.
Materials, Contracts & Other Expenses	26,418	26,981	(563)	(2%)	Reduction in training (\$186k), works performed on non-Council owned land in relation to Cove Civic Centre car parking in 2013/14 (\$372k). Also a number of other net minor variances for items including but not limited to Masterplanning, utility costs, elections, and recruitment.
Depreciation, Amortisation & Impairment	12,974	12,556	418	3%	Variances related to an increase in capital value relating to revaluations from 2013/14 and additions and disposals of assets during 2014/15 - refer Annual Financial Statements
Finance Costs	800	358	442	123%	Extra interest on new borrowings (\$9m) taken out at end of 2013/14. Reduction in interest on other loans means variance is slightly less than this.
Total Expenses	71,949	71,427	0	0%	
Operating Surplus/(Deficit)	10,027	3,467	6,560	189%	
Asset Disposal & Fair Value Adjustments	(202)	(527)	325	(62%)	Asset disposal related differences
Amounts Received Specifically for New or Upgraded Assets	1,831	438	1,393	318%	Increase in number of NEW asset related projects that received external funding contributions both directly from Govt sources and via sporting clubs, etc. Including but not limited to: Major Sporting Hubs, Inclusive Playspace, Oaklands Wetland, Mike Turtur Bikeway, Jervois Street Reserve, Heron Way Commemorative Space, Southbank Boulevard Toilet and Trott Park Dog Park.
Physical Resources Received Free of Charge	8,242	1,490	6,752	453%	Increase in contributed assets, with significant contributions in 14/15 relating to new developments in Hallett Cove
Net Surplus/(Deficit)	19,898	4,868	15,030	309%	
Other Comprehensive Income					
Changes in Revaluation Surplus - IPP&E	3,556	30,242	(26,686)	(88%)	Decrease in revaluation against prior year \$26,686k - refer Annual Financial Statements
Share of Other Comprehensive Income - Equity Accounted Council Business	0	(890)	890	(100%)	SRWRA Devaluation in prior year \$890k - refer SRWRA Annual Financial Statements
Total Other Comprehensive Income	3,556	29,352	(25,796)	(88%)	
Total Comprehensive Income	23,454	34,220	(10,766)	(31%)	

Statement of Financial Position

	2014/15	2013/14	Variance	Variance	Analysis
	\$000's	\$000's	\$000's	%	
ASSETS					
Current Assets					
Cash & Cash Equivalents	19,688	19,165	523	3%	Current year variance is due to the difference between extra cash generated through income statement variations and funding used for asset renewal and upgrade. (Note:- There was also a reclassification of \$8.9m from the 2013/14 Cash balance into "Other Financial Assets" below.)
Trade & Other Receivables	4,036	3,545	491	14%	Increase includes DPTI contribution of \$275k, and Club contributions (\$110k) towards the Major Sporting Hub works - both related to grant funding
Other Financial Assets	2,750	8,900	(6,150)	(69%)	Relates to current term deposits with over 90 days to maturity (reclassification in 2013/14 of \$8.9m from Cash & Cash Equivalents)
Inventories	166	172	(6)	(3%)	
Total Current Assets	26,640	31,782	(5,142)	(16%)	
Non-Current Assets					
Equity Accounted Investments in Council Businesses	5,120	4,363	757	17%	Movement in equity accounted investments - refer SRWRA and Council Solutions Annual Financial Statements
Infrastructure, Property, Plant & Equipment	1,101,403	1,077,371	24,032	2%	Capitalisation of the Cove Civic Centre major project (\$10.4m) and other infrastructure (\$15.7m), contributed assets (\$8.2m) and revaluation (\$3.6m), net of depreciation
Other Non-Current Assets	12,495	8,837	3,658	41%	Increase in WIP due to City Services Construction in progress at 30 June 2015 (\$3.7m)
Total Non-Current Assets	1,119,018	1,090,571	28,447	3%	
TOTAL ASSETS	1,145,658	1,122,353	23,305	2%	
LIABILITIES					
Current Liabilities					
Trade & Other Payables	7,278	6,408	870	14%	Net increase predominantly relating to payments due to contractors for work done on the construction of Cove Civic Centre and the new City Services Depot (\$0.8m)
Borrowings	1,671	1,572	99	6%	Due to nature of fixed borrowings current borrowings have increased as interest decreases
Provisions	5,155	4,932	223	5%	Increase of Long Service Leave entitlement hours in part due to revised calculation method where a percentage has been allocated for all employees. Previously allocated in full for those with a length of service greater than five years
Total Current Liabilities	14,104	12,912	1,192	9%	
Non-Current Liabilities					
Borrowings	10,229	11,900	(1,671)	(14%)	Reduction in total borrowings in line with scheduled repayments of existing loans - no new borrowings taken out during 2014/15
Provisions	857	527	330	63%	Increase of Long Service Leave entitlement hours in part due to revised calculation method where a percentage has been allocated for all employees. Previously allocated in full for those with a length of service greater than five years
Total Non-Current Liabilities	11,086	12,427	(1,341)	(11%)	
TOTAL LIABILITIES	25,190	25,339	(149)	(1%)	
Net Assets	1,120,468	1,097,014	23,454	2%	
EQUITY					
Accumulated Surplus	360,929	340,053	20,876	6%	Refer Income Statement (\$19.898m) + Reserve Transfer (\$0.978) = Statement of Change in Equity.
Asset Revaluation Reserves	740,335	736,779	3,556	0%	Change in asset valuations per Annual Financial Statements
Other Reserves	19,204	20,182	(978)	(5%)	Reduction in amounts transferred to Grants & Carryover (\$0.6m) and funding drawn from the Open Space Reserve (\$0.4m) that predominantly relates to the planned Jervois Street Reserve upgrade
Total Council Equity	1,120,468	1,097,014	23,454	2%	

**CITY OF MARION
AUDIT COMMITTEE MEETING
13 October 2015**

Originating Officer: David Harman, Financial Accountant
Director: Vincent Mifsud
Subject: Debtors Report
Report Reference: AC131015R7.4

REPORT OBJECTIVES AND EXECUTIVE SUMMARY:

The purpose of this report is to provide as requested by the Audit Committee (AC) at their meeting on 14 April 2015 (AC140415R6.2) :-

- (1) an annual summary report on Sundry Debtors and Rates Debtors (including debtors age and debt collection) in line with the year-end accounts, and
- (2) an explanation as to how postponed rates debts are reflected in the annual accounts

RECOMMENDATIONS (1):

DUE DATES

That the Audit Committee:

- 1. Note this report.**

13 Oct 2015

BACKGROUND

Council Debtors

Council has two types of debtor categories that it manages:-

1. Sundry Debtors
2. Rates Debtors

Debt Collection Process

Sundry Debtors – A debt recovery procedure exists which includes the following key steps in regards to debt collection:-

- Monthly statements sent out directly to debtors
- Debtor Reports sent monthly to responsible officer (ie. originating officer)
- Reminder letters are sent to debtors once outstanding debt reach 60+ days
- Follow up phone calls and emails are sent to debtor by Sundry Debtors Officer as required
- Outstanding debt 90+ days is referred to the originating officers for follow-up with the debtor
- If no payment is made a letter is issued to the debtor requesting payment within 48 hours to avoid legal recovery action being taken
- If payment is not received within 7 days, instruction is given to the Debt Collection Agency to commence recovery proceedings
- Payment plans are put in place if appropriate to enable collection of outstanding debt

Rates Debtors – The following key steps are taken in regards to debt collection:-

- Overdue Notice is issued approximately one week after the last day to pay
- Repayment plan implemented where necessary
- Accounts remaining unpaid that are in arrears by > \$600 and more than 2 installments are referred to the Debt Collection Agency to commence recovery proceedings, including implementation of repayment plans where necessary

Council's rating policy provides support and assistance to eligible ratepayers through a number of different options including:-

- Postponement of Rates – Hardship
- Postponement of Rates – Seniors

Postponed rates debts are included as a component of "Trade and Other Receivables" in Current Assets and separately disclosed in Note 5(b) to the Financial Statements.

It should also be noted that Council has the first legal right of call to recover any outstanding debts in full, including accumulated interest, from the disposal proceeds of the property when the property is:-

- Subsequently sold; or
- Becomes a deceased estate

DISCUSSION

Sundry Debtors

Sundry Debtors (shown as 'Debtors – General') and Rates Debtors are included under "Trade and Other Receivables" in the Financial Statements in Note 5(b), with Rates Postponed for State Seniors being separately identified.

At the 30 June 2015, Council's Sundry Debtors balance totalled \$783,292 (Appendix 1) with \$312,246 in the 90+ Days category – note that the total included in the Financial Statements includes fines (parking, animal and statutory) along with amounts receivable from Council's insurers (Workers Compensation and Income Protection reimbursements) - the total combined amount reflected in the Statements being \$1,021k.

Progress has resulted in a significant reduction in Sundry Debtors to \$257,251 (Appendix 2) with the 90+ Days balance being reduced to \$173,837. Out of the 90+ Days balance one debtor making up \$86,780 with works relating to this balance not commencing until payment is received, and a further \$15,404 is included incorporating Emergency Services Levy charges forwarded on to lessees for which Council is currently seeking exemptions.

Significant work has been done in an effort to reduce the balance outstanding over 90+ days and also to improve collection of debt at an earlier stage in the process. This includes regular discussions and follow-up between the Accounts Receivable team and the originating officers (the individuals responsible for raising the invoice requests), monthly meetings to work through the higher volume categories, improving the quality of data collected (address details, etc) and streamlining of processes relating to standing invoices.

These, and further changes will aim to continually improve debt collection processes and reduce aged outstanding balances.

Rates Debtors

Rates Debtors have moved from a balance of \$1,647,949 at 30 June 2015 (Appendix 1) to \$48,598,431 (Appendix 2), with the increase predominantly relating to the rates levied for the 2015/16 financial year. The amount postponed has increased from \$80,401 to \$103,226 which represents the 2015/16 rating amounts for eligible people who have applied for rate postponement.

CONCLUSION

This report provides the AC with an annual summary report on Sundry Debtors and Rates Debtors in line with the year end accounts.

Appendix 1: Sundry Debtors & Rates Debtors Report at 30 June 2015

Appendix 2: Sundry Debtors & Rates Debtors Report at 30 September 2015

Debtor	Total Balance	Current	30 Days	60 Days	90 Days	90+ Days	Percentage of total 90+ day balance	Comments for 90+ Day balances
General Total	17,269.66	2,076.00	1,252.00	1,137.41	604.00	12,200.25	4%	Predominantly relates to one debtor on an ongoing payment regarding illegal tree removal (repayment plan is in place).
Hire of Council Facilities Total	25,061.43	7,391.00	3,865.80	.00	1,636.20	12,168.43	4%	Made up of 21 out of 40 debtors in this category, with none individually significant.
Land Clearing Total	2,146.45	.00	.00	.00	.00	2,146.45	1%	Made up of 2 debtors.
Sporting Clubs & Other Leases Total	182,074.65	27,894.09	46,757.57	2,352.08	2,419.72	102,651.19	33%	Made up of 10 out of 39 debtors in this category. One accounts for \$57,300.54, and three accounts (totalling \$12,930.59) are on payment plans.
Extra Works Total	46,937.50	11,490.00	1,705.00	1,685.00	5,755.00	26,302.50	8%	Made up of 14 out of 23 debtors in this category, with none individually significant, two debtors have been put on a payment plan.
Swim Centre Debtors Total	7,127.70	.00	119.70	.00	553.30	6,454.70	2%	Made up of 7 out of 9 debtors in this category with non individually significant.
Grants & Subsidies Total	449,407.20	284,856.00	24,957.89	.00	.00	139,593.31	45%	\$110,000 relates to one specific debtor, with a credit of \$23,220 since being issued - related work will not commence until grant funding is received in full. Three other debtors make up the remainder and are being followed up accordingly.
Environmental Health Total	14,913.98	4,405.18	3,281.00	.00	574.00	6,653.80	2%	Made up of 50 out of 110 debtors in this category, with none individually significant.
Impoundment	135.00	.00	.00	.00	135.00	.00	0%	
Supplier Refund Totals	1,012.50	1,012.50	.00	.00	.00	.00	0%	
Tree Funds Total	13,637.14	702.30	9,419.00	330.00	246.00	2,939.84	1%	Made up of 11 out of 20 debtors in this category, with none individually significant.
Living Kaurna Cultural Centre	16,642.70	16,508.50	134.20	.00	.00	.00	0%	
Marion Cultural Centre Total	6,926.67	1,263.42	4,307.95	219.80	.00	1,135.50	0%	Made up of 1 out of 9 debtors.
Total	783,292.58	357,598.99	95,800.11	5,724.29	11,923.22	312,245.97		
Total Aging Profile		46%	12%	1%	2%	40%		

Category	Description
General	Anything that does not fit into one of the below categories.
Hire of Council Facilities	For hire of rooms in Neighbourhood Centres, etc - usually charged out at an hourly rate. Also includes cultural workshops and tours.
Land Clearing	Relates to the clearing of vacant land
Sporting Clubs & Other Leases	Rent, electricity, water, maintenance, etc charged out to lessees.
Extra Works	For repairs or modifications to infrastructure (footpaths, kerbs, driveway inverts). Can be at resident request.
Swim Centre Debtors	Outdoor Swimming Centre - used for lane hire, school visits, etc
Grants & Subsidies	Government grants and subsidies
Environmental Health	Food Inspection fees
Impoundment	Used for Vehicle Impoundment fees.
Supplier Refunds	Where a supplier owes the City of Marion funds. This category is used to keep track to ensure we have received payment for credits.
Tree Funds	Includes contribution from residents and/or developers for the removal and/or replacement of Council Street Trees and significant trees.
Living Kaurna Cultural Centre	Relates to programs run through the LKCC
Marion Cultural Centre	For invoices relating to the Marion Cultural Centre

Rates Report - Collection of Rates to 30 June 2015

ANALYSIS OF OUTSTANDING RATES AS AT 30 JUNE 2015

	<u>Note</u>			% of Total Annual Rates
CURRENT	1	-\$	479,243	-0.7%
OVERDUE	2	\$	1,481,501	2.2%
ARREARS	3	\$	537,531	0.8%
POSTPONED	4	\$	80,401	0.1%
LEGALS	5	\$	27,759	0.0%
			\$ 1,647,949	2.5%
TOTAL ANNUAL RATES FOR 2014/15			\$ 67,110,000	

Note 1: Current

Current rates represent the total amount of rates levied in the current financial year that are not yet due for payment. For example at 1st January this represents Quarter 3 & Quarter 4 rates unpaid.

Note 2: Overdue

Overdue rates represent rates levied in the current financial year that remain unpaid past their due payment date. For example on 1st January, this represents rates from Quarter 1 and Quarter 2 that remain unpaid.

Note 3: Arrears

Rates in arrears represent rates and charges levied in previous financial years that remain unpaid .

Note 4: Postponed

Postponed rates represent any rates amount due by seniors that have been granted a deferral, until the eventual sale of their property, as allowable under the Local Government Act. Interest is charged on these deferred rates and is recoverable when the property is sold.

Note 5: Legals

Legals represent any legal fees, court costs that have been incurred by Council in the collection of rates in the current financial year. These amounts represent costs that have been on-charged to the defaulting ratepayers and are currently outstanding.

Debtor	Total Balance	Current	30 Days	60 Days	90 Days	90+ Days	Percentage of total 90+ day balance	Comments for 90+ Day balances
General Total	17,318.65	4,780.40	.00	.00	.00	12,538.25	7%	Predominantly relates to one debtor on an ongoing payment regarding illegal tree removal (repayment plan is in place).
Hire of Council Facilities Total	14,284.30	5,025.00	875.00	.00	1,130.00	7,254.30	4%	Made up of 16 out of 26 debtors in this category, with none individually significant.
Land Clearing Total	290.20	.00	.00	.00	.00	290.20	0%	Made up of 1 debtor.
Sporting Clubs & Other Leases Total	64,194.96	6,225.87	4,757.40	1,756.56	5,038.12	46,417.01	27%	Made up of 7 out of 23 debtors in this category with one debtor accounting for \$15,895. Includes amounts of \$15,404 relating to Emergency Services Levy amounts for which council is currently seeking exemption.
Extra Works Total	31,659.95	3,220.00	9,507.45	4,910.00	4,700.00	9,322.50	5%	Made up of 7 out of 14 debtors in this category,
Swim Centre Debtors Total	1,296.90	.00	.00	.00	.00	1,296.90	1%	Made up of 4 debtors with none individually significant.
Grants & Subsidies Total	102,324.12	11,638.82	.00	3,492.50	.00	87,192.80	50%	\$86,780 relates to one specific debtor - related work will not commence until grant funding is received in full from the club.
Environmental Health Total	10,424.60	1,855.40	1,536.00	328.00	334.00	6,371.20	4%	Made up of 47 out of 78 debtors in this category, with none individually significant.
Impoundment	135.00	.00	.00	.00	.00	135.00	0%	Made up of one debtor - vehicle will not be released until payment is finalised.
Supplier Refund Totals	1,012.50	.00	.00	.00	1,012.50	.00	0%	
Tree Funds Total	3,789.84	.00	220.00	770.00	.00	2,799.84	2%	Made up of 10 out of 12 debtors in this category, with none individually significant.
Living Kurna Cultural Centre	3,973.70	1,926.00	1,747.70	300.00	.00	.00	0%	
Marion Cultural Centre Total	6,546.70	1,947.22	2,237.48	2,112.20	30.00	219.80	0%	Made up of 1 out of 14 debtors.
Total	257,251.42	36,618.71	20,881.03	13,669.26	12,244.62	173,837.80		
Total Aging Profile		14%	8%	5%	5%	68%		

Category	Description
General	Anything that does not fit into one of the below categories.
Hire of Council Facilities	For hire of rooms in Neighbourhood Centres, etc - usually charged out at an hourly rate. Also includes cultural workshops and tours.
Land Clearing	Relates to the clearing of vacant land
Sporting Clubs & Other Leases	Rent, electricity, water, maintenance, etc charged out to lessees.
Extra Works	For repairs or modifications to infrastructure (footpaths, kerbs, driveway inverts). Can be at resident request.
Swim Centre Debtors	Outdoor Swimming Centre - used for lane hire, school visits, etc
Grants & Subsidies	Government grants and subsidies
Environmental Health	Food inspection fees
Impoundment	Used for Vehicle Impoundment fees.
Supplier Refunds	Where a supplier owes the City of Marion funds. This category is used to keep track to ensure we have received payment for credits.
Tree Funds	Includes contribution from residents and/or developers for the removal and/or replacement of Council Street Trees and significant trees.
Living Kurna Cultural Centre	Relates to programs run through the LKCC
Marion Cultural Centre	For invoices relating to the Marion Cultural Centre

Rates Report - Collection of Rates to 30 September 2015

ANALYSIS OF OUTSTANDING RATES AS AT 30 SEPTEMBER 2015

	<u>Note</u>		% of Total Annual Rates
CURRENT	1	\$ 46,221,836	66.0%
OVERDUE	2	\$ 920,175	1.3%
ARREARS	3	\$ 1,333,170	1.9%
POSTPONED	4	\$ 103,226	0.1%
LEGALS	5	\$ 20,023	0.0%
		\$ 48,598,431	69.4%
TOTAL ANNUAL RATES FOR 2015/16		\$ 70,058,000	

Note 1: Current

Current rates represent the total amount of rates levied in the current financial year that are not yet due for payment. For example at 1st January this represents Quarter 3 & Quarter 4 rates unpaid.

Note 2: Overdue

Overdue rates represent rates levied in the current financial year that remain unpaid past their due payment date. For example on 1st January, this represents rates from Quarter 1 and Quarter 2 that remain unpaid.

Note 3: Arrears

Rates in arrears represent rates and charges levied in previous financial years that remain unpaid .

Note 4: Postponed

Postponed rates represent any rates amount due by seniors that have been granted a deferral, until the eventual sale of their property, as allowable under the Local Government Act. Interest is charged on these deferred rates and is recoverable when the property is sold.

Note 5: Legals

Legals represent any legal fees, court costs that have been incurred by Council in the collection of rates in the current financial year. These amounts represent costs that have been on-charged to the defaulting ratepayers and are currently outstanding.

**CITY OF MARION
AUDIT COMMITTEE MEETING
13 OCTOBER 2015**

Originating Officer: Kate McKenzie, Manager Governance
Director: Kathy Jarrett
Subject: Meeting with External Audit in Confidence
Report Reference: AC131015R7.5

If the Audit Committee so determines, this matter may be considered in confidence under Sections 90(2) and (3) (b) of the Local Government Act 1999 on the grounds that it relates to matters that could reasonably confer a commercial advantage on a person with whom the council is conducting business or prejudice the commercial position of the council.



Adrian Skull
Chief Executive Officer

REPORT OBJECTIVE AND EXECUTIVE SUMMARY:

The Audit Committee Terms of Reference recognises that the Audit Committee will meet with both the external auditor and internal auditor without management at least once per year. This provides the Audit Committee an opportunity to have a confidential conversation with the Auditors without management present.

The purpose of this report is to exclude the public and staff from the meeting to enable this conversation to occur.

The chair of the Audit Committee will provide a summary of the discussion to the Manager Governance to be published in the minutes.

RECOMMENDATIONS:

That the Audit Committee:

1. pursuant to Section 90(2) and (3)(b) of the *Local Government Act 1999*, orders that all persons present, with the exception of Ms Penny Wood (Deloitte) be excluded from the meeting as the Audit Committee meets with Councils external auditor to discuss the end of financial year audit, on the basis that the Audit Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to commercial information of the Council.
2. Provide the a summary statement to be included in the Audit Committee Minutes.

**CITY OF MARION
AUDIT COMMITTEE MEETING
13 October 2015**

Originating Officer: John Stewart, Financial Co-ordinator
Corporate Manager: Ray Barnwell, Manager Finance
Director: Vincent Mifsud
Subject: Investment Performance 2014/15
Report Reference: AC131015R7.6

REPORT OBJECTIVE AND EXECUTIVE SUMMARY

Section 140 of the Local Government Act requires Council to review the performance of its investments on an annual basis. This report is reviewed by the Audit Committee and will be presented to Council for adoption at its General Council Meeting on 27 October 2015.

A summary of the 2014/15 Investment Performance is provided at Appendix 1 for the Committee's information, showing that Council recorded a favourable result against the benchmark indicator for the 8th consecutive year.

RECOMMENDATIONS (1)

DUE DATES

That the Audit Committee:

- 1. Note the Investment Performance Report 2014/15.**

13 October 2015

BACKGROUND AND DISCUSSION

Decision making regarding investments are carried out under the guidance and limitations set within Council's Treasury Management Policy.

Compliance with Treasury Management Policy (Investments)

Council has complied with all elements of the Treasury Management Policy. Compliance has been achieved against the following major policy requirements;

Council funds available for investment will be lodged 'at call' or having regard to differences in interest rates for fixed term investments or varying maturity dates, may be invested in fixed term.

Investments in Fixed Term Deposits were made between a range of 30-180 days with an average maturity of 72 days and an average return of 3.32%. The average 'at call' rate returned was 2.60%. No Fixed Term Deposits were broken during the year.

In the case of Fixed Term Investments the term should not exceed a point in time where the funds could otherwise be applied to cost effectively defer the need to raise a new borrowing or reduce the level of Council's variable interest rate borrowing facility.

The variable interest rate borrowing facility was not required to be accessed.

Council will select the investment type which delivers the best value, having regard to investment returns, transaction costs and other relevant and objectively quantifiable factors.

The Council supports the Local Government Finance Authority of South Australia (LGFA) for the placement of investment funds. The LGFA is a statutory authority established for the benefit of Councils in South Australia. Using the LGFA provides an efficient means of investing surplus funds and a source of competitive interest rates. All deposits made with the LGFA are guaranteed by the Treasurer of South Australia.

To ensure Council continues to receive competitive rates for investments, quotations are obtained from authorised institutions on investments of \$1,000,000 or more where the period of investment exceeds 30 days. During 2014/15 all surplus funds were invested with the LGFA, who, on all occasions offered the most competitive interest rates.

Investments fixed for a period greater than 12 months to be approved by Council.

No Investments were placed for a period greater than 12 months.

The Policy indicates where surplus funds can be invested and that if they are invested in choices outside of the Policy, Council approval is required.

All surplus funds were invested with the LGFA which is an allowable option under the Policy.

The Policy indicates investment activities that Council would not participate such as shares in private/public companies, listed or unlisted property trusts and derivatives.

No investments were placed in such options.

Performance against Benchmark

Council earned \$888,292 of interest on its investments in 2014/15 at an average rate of return of 3.08%, a favourable outcome compared to the benchmark indicator (average Reserve Bank cash rate) of 2.36%.

The performance of Interest on Investments is also monitored and managed against the Budgeted forecast. The actual value of investment interest of \$888,292 produced a minor unfavourable variance against a final revised budget of \$903,000.

Audit Committee Advice

Administration welcomes any Audit Committee feedback prior to forwarding to Council the Investment Performance Result for 2014/15.

CONCLUSION:

The investment performance for 2014/15 was satisfactory when compared to the relevant benchmark indicator. Investments were placed exercising due care and diligence and in strict accordance with Council's Treasury Management Policy.

Investment Performance 2014/15

Interest on Investments

Interest on investments for 2014/15 was \$888,292. Recent interest on investment history reveals the following:

	2010/11	2011/12	2012/13	2013/14	2014/15
Total Interest (including LGFA Bonus)	\$704k	\$963k	\$1,144k	\$793k	\$888k
LGFA Bonus	\$28k	\$45k	\$63k	\$87k	\$86k

The increase of interest on investments in 2014/15 can be mainly attributed to the increase in the average amount invested per day, increasing from \$23.9m in 2013/14 to \$28.8m in 2014/15. This would indicate that funds were able to be kept on deposit for longer in 2014/15 prior to being required to meet payment obligations for wages, creditors and progress payments for major capital projects.

The breakdown by Institution of the above total interest of \$888k for 2014/15 was as follows;

Term Deposits

LGFA	\$882k	(Annual Average Rate of Return 3.21%) (Best 3.40% over 120 Days – last experienced July 2014)
Other Institutions	\$Nil	
Sub-Total	\$882k	

Operating Account

BankSA	\$ 6k	(Annual Average Rate of Return 0.47%)
Total	<u>\$888k</u>	

Competitive quotes were sourced during the financial year and investments were placed with the LGFA in all instances.

Peak Value of Investments

Investments peaked in September 2014 at \$34,884,224. The peak value of investments history reveals the following:

2010/11	2011/12	2012/13	2013/14	2014/15
\$20.6m	\$25.7m	\$33.4m	\$30.9m	\$34.9m
Sep 2010	Sep 2011	Dec 2012	Jun 2014	Sep 2014

Traditionally investments reach their peak in the first half of the financial year due to a portion of ratepayers paying their rates in full rather than paying quarterly. Large grant revenue receipts and the timing of significant Capital Expenditure projects also have an impact on investment balances.

Annual Rate of Return on Investments

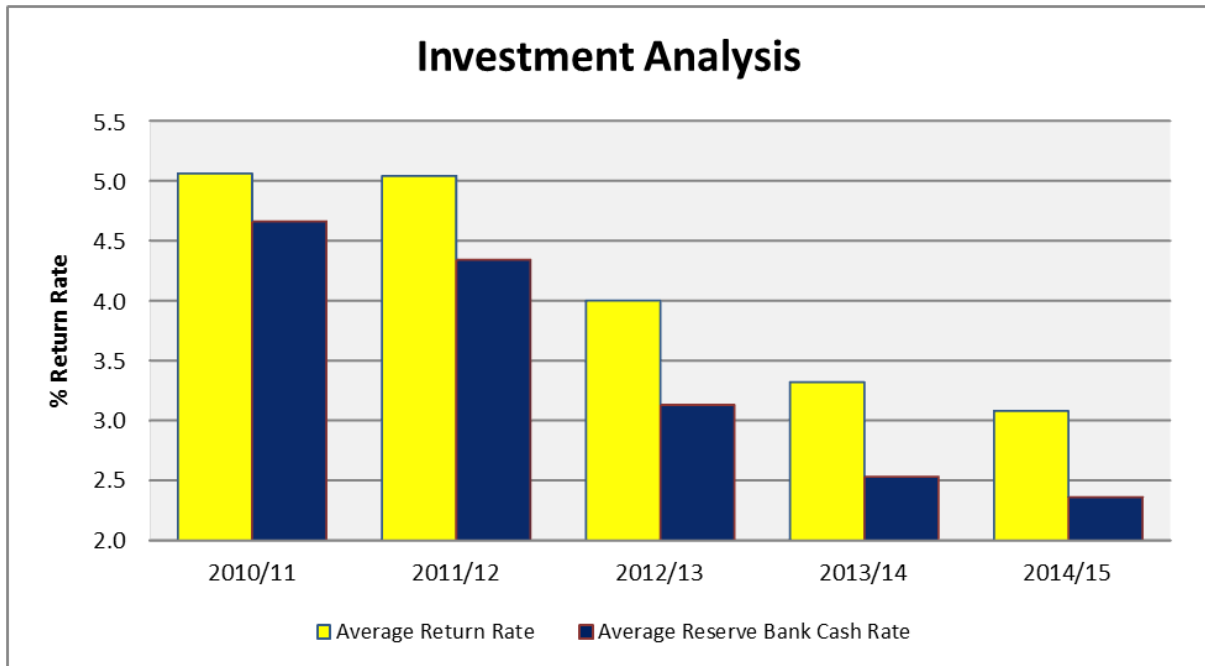
Council's Investment performance is measured against a recommended benchmark and submitted for consideration by Council on an annual basis. This is in accordance with guidelines contained in the "Investment Policy & Review of Investments" document published by the South Australian Local Government Financial Management Group.

The benchmark indicator referred to above that measures our investment performance is the average annual Reserve Bank cash rate. The following change to the cash rate occurred in 2014/15;

Date	Fluctuation	Revised Rate
4/2/2015	-0.25%	2.25%
6/5/2015	-0.25%	2.00%

The annual rate of return on investment for the City of Marion in 2014/15 was 3.08% compared to the annual average benchmark rate of 2.36% and confirms that funds invested by City of Marion were well managed. The following table and graph summarises Council's history of annual rate of return on investments.

	2010/11	2011/12	2012/13	2013/14	2014/15
Annual Rate of Return	5.06%	5.04%	4.00%	3.32%	3.08%
Average Reserve Bank Cash Rate	4.66%	4.34%	3.13%	2.53%	2.36%
Benchmark Variation	+0.40%	+0.70%	+0.87%	+0.79%	+0.72%



The Council's annual rate of return includes the annual bonus paid by Council's principal investment financial institution – LGFA. The bonus amount paid to Councils by LGFA is based on a combination of Council's investment and borrowing activity for the prior year.

The table indicates a minor variation in each financial year. A minor negative variation of up to 0.25% is considered acceptable due to daily banking requirements. Not all funds can be transferred for investment, as a certain amount of deposits are required in the General Bank Account to satisfy day-to-day cash flow requirements. The 2014/15 result however is the eighth consecutive year of a favourable outcome being reported.

Council's General Bank Account earned an average rate of 0.47% in 2014/15, which is factored into the benchmark result. The inclusion of the General Bank Account earnings in the overall investment performance does make it more challenging to achieve a positive benchmark performance. As a result, it is important that the Treasury Management function monitors and minimises any potential negative impact.

**CITY OF MARION
AUDIT COMMITTEE MEETING
13 October 2015**

Originating Officer: John Silverblade
Corporate Manager: John Silverblade / Ray Barnwell
Director: Vincent Mifsud
Subject: Asset Valuation Process and Outcomes for 2014/2015
Report Reference: AC131015R7.7

REPORT OBJECTIVES:

This report provides a summary of the processes and outcomes of the 2014/15 asset valuation and a comparison with the 2013/14 valuations.

EXECUTIVE SUMMARY:

At its meeting on the 14 October 2014 the Audit Committee requested that an annual report on valuations of building and assets be included to the Audit Committee Work Program for July. The Committee also requested information on the useful lives for each individual asset,

- “The Committee noted that seeing the information regarding the valuation of buildings and infrastructure being reported as part of the audited financial statements is too late. It would be prudent for the Committee to consider a report in July each year so an informed discussion can occur prior to the audited statements being received. The Committee requested that this report be included in the work program for the Committee.

ACTION: That an annual report on valuations of buildings and assets be included to the Audit Committee Work Program for July

- Useful life
The useful lives are estimated for each individual asset. The Committee requested that this be reported with the valuations report requested for July. The Committee can therefore make a recommendation regarding the valuations and useful life rather than just providing an endorsement as part end of year accounts.”

It should be noted that due to on-going discussions at the time with our external auditors regarding the implications of AASB 116 and the treatment of residual values it was not possible to finalise the 2015 Valuation Reports and present to the Audit Committee in July this year.

Summary of Valuations

The detailed results for the 2014/15 valuation are attached, in addition a comparison between the 2014/15 and 2013/14 results is included.

RECOMMENDATIONS (3)

	DUE DATES
That Audit Committee :	
1. Note the report	13 Oct 2015
2. Provide its feedback in regards to the Asset Valuations Process and Outcomes for 2014/15	13 Oct 2015
3. Provide its feedback in regards the recommendation that a desktop revaluation is performed between comprehensive valuations for Infrastructure Assets. For other Asset Classes a desktop valuation is optional and only required where economic conditions are such that the value of Assets is at risk of being materially misstated.	13 Oct 2015

Background and Discussion**Valuation Process**

Currently comprehensive valuations are undertaken every 3 years with desktop valuations undertaken in alternate years. The 2014/15 valuations for both Infrastructure and Land and Property were desktop valuations.

Australia Pacific Valuers (APV) undertake the valuations for infrastructure. Maloney Field Services undertake the valuations for land, buildings, structures, site improvements, wetlands, bus stops, artworks and other assets.

The annual valuation process commences in April of each financial year. The previous year's valuation data is provided to the responsible officers who update this data with any new information since the last valuation in relation to quantities, materials and unit rates with regard to acquisitions, disposals and contributed assets.

The updated data is then presented as at 31 March to the independent valuers for their valuation assessment. In addition the financial accounts are appropriately updated to include all further asset acquisitions and disposals from 1 April to 30 June each year.

Assets are componentised, with roads valued as formation, pavement and seal and buildings valued as roof, structure, fit-out, and services. As such useful lives vary depending on the component. Stormwater pipes have a range of useful lives depending on materials (i.e. reinforced concrete, PVC, or Ribloc).

The useful lives of assets are reviewed annually by the Finance team in consultation with the Strategic Assets team, and where applicable adjustments are made following discussion with the independent valuers.

It should be noted that in 2014/15 an additional significant asset class has been recognised for the first time, being Road Retaining Walls (\$4.45m). In 2014/15 a number of large retaining walls were constructed as a result of a land division at Hallett Cove and these assets were contributed to the Council. While these structures were ancillary to the roads they were of significant value and had different useful lives and depreciation rates. As a result a new asset sub-class has been created.

Review of the desktop valuation requirements for Non-Infrastructure Assets

The requirement for desktop valuations was brought about following the 2011 valuation where a significant increase was experienced from the prior valuation in 2008 for Land, Buildings, Site Improvements and Other Assets. This increase was due to the economic conditions at the time which is vastly different to the current economic climate.

The means to counteract large valuation fluctuations between the 3 yearly comprehensive valuations for Land, Buildings, Site Improvements and Other Assets was to have the Valuer provide a desktop valuation. Given that the movement of this year's 2014/15 desktop valuation was a minor valuation decrease movement of 0.2% or \$1.1m (within a value of \$466m), it would appear unwarranted to take up a desktop valuation as a standard practice as this movement is considered not material. Operationally, a desktop valuation requires significant additional overheads for year-end asset accounting and increased reconciliation and validation as part of the Annual Audit.

The current Asset Accounting policy (Appendix 2) states that a desktop revaluation is performed between comprehensive valuations. However, in light of the above, Administration recommends that this is amended to only apply to Infrastructure Assets and for it to be optional for other Asset Classes and only required where economic conditions are such that the value of Assets are at risk of being materially misstated.

Note: Infrastructure Assets, which account for \$615.285m (56%) of the total Infrastructure, Property, Plant & Equipment carrying value in the Statement of Financial Position, have always had annual valuation updates and there is no proposal to change this valuation approach.

ANALYSIS:

Financial Implications

The summary of the 2014/2015 valuations are listed below.

	2014/2015 \$'000	2013/14 \$'000	Movement
Asset Classifications subject to valuation (excluding Land)			
Valuation at Fair Value & Cost	929,006	892,593	4.1%
Carrying Value (WDV)	751,246	728,095	3.2%
Depreciation Expense	11,622	11,132	4.4%
Asset Classification subject to valuation (Land)			
Valuation at Fair Value & Cost	342,635	341,918	0.2%
Asset Classifications <u>not</u> subject to valuation ***			
Valuation at Cost	14,519	13,933	4.2%
Carrying Value (WDV)	7,522	7,358	2.2%
Depreciation Expense	1,393	1,462	(4.7%)
Total All Asset Classifications			
Valuation at Fair and Cost	1,286,160	1,248,444	3.0%
Carrying Value (WDV)	1,101,403	1,077,371	2.2%
Depreciation Expense	13,015	12,594	3.3%

*** Plant, Equipment, Furniture and Fittings are recognised at cost less accumulated depreciation and any accumulated impairment and are not subject to revaluation.

Asset Classifications subject to valuation (excluding Land)

Within the Carrying Value (WDV) movement of 3.2% is the recognition of Contributed Assets of \$7.48m (including \$4.45m for Road Retaining Walls), the significant recognition of the Cove Civic Centre addition of \$10.2m and the reassessment of the valuation for the Coastal Walking Trail of \$ 2.1m.

Asset Classifications not subject to valuation

The negative depreciation movement of 4.7% is attributed to the Furniture & Fittings classification where many Assets reached the end of their useful life during the 2014/15 financial year.

Implications of AASB 116

It should be noted that the current discussion regarding residual values and the componentising of assets into long and short term assets is being discussed and the implications of the Australian Accounting Standards Board decision will be assessed. The implications and time frames required to make these adjustments will be discussed with the auditors in due course.

CONCLUSION:

The 2014/2015 valuations reported an average increase in Valuation at Fair Value and Cost, Fair Value (WDV) and Depreciation of 3.0%, 2.2% and 3.3% respectively. Notwithstanding the items mentioned above these increases seem reasonable in the current economic climate.

Appendix 1: Summary of Valuations

Appendix 2: Asset Accounting Policy

Appendix 1
SUMMARY OF ASSET VALUATIONS 2013/14 AND 2014/15

Asset	Useful Life	2013/14 Valuation at Fair Value and Cost '000	2013/14 Accumulated Depreciation '000	2013/14 Carrying Value (WDV) '000	2013/14 Depreciation Expense '000	2014/15 Valuation at Fair Value and Cost '000	2014/15 Accumulated Depreciation '000	2014/15 Carrying Value (WDV) '000	2014/15 Depreciation Expense '000	Valuation at Fair Value and Cost Variance '000	Carrying Value (WDV) Variance '000	Depreciation Expense Variance '000
LAND												
LAND TOTAL		\$ 341,918	\$ -	\$ 341,918	\$ -	\$ 342,635	\$ -	\$ 342,635	\$ -	0.2%	0.2%	N/A
BUILDINGS AND OTHER STRUCTURES												
Buildings	15 - 80 years depending on the component											
Structures	7 - 60 years											
Site improvements	5 - 100 years											
Bus Stops	20 years											
BUILDINGS AND OTHER STRUCTURES TOTAL		\$ 143,444	\$ 58,348	\$ 85,096	\$ 3,581	\$ 157,592	\$ 65,517	\$ 92,075	\$ 3,799	9.9%	8.2%	6.1%
INFRASTRUCTURE												
Sealed Roads	Pavement 60 - 80 years Seal 25 years											
Kerb	80 Years											
Kerb DPTI	80 Years											
Bridges	80 years											
Footpaths	25 - 50 years											
Traffic Devices	15 years											
Signs	15 years											
Stormwater drains	60 - 100 years											
Stormwater pits	100 years											
Jinction boxes	100 years											
Headwalls	100 years											
Gross pollutant traps	100 years											
Box culverts	100 years											
Retaining walls	80 years											
Parking bays	Pavement 60 years Seal 25 years											
INFRASTRUCTURE TOTAL		\$ 691,696	\$ 91,745	\$ 599,951	\$ 5,836	\$ 707,906	\$ 92,621	\$ 615,285	\$ 5,901	2.3%	2.6%	1.1%
OTHER INFRASTRUCTURE												
Wetlands	15 - 100 years depending on the component											
Carparks	25 - 40 years											
Fibre Optic	25 years											
Lighting	25 years											
Irrigation	25 years											
Coastal Walking Trail etc	10 - 30 years depending on the item											
OTHER INFRASTRUCTURE TOTAL		\$ 44,008	\$ 10,314	\$ 33,694	\$ 915	\$ 49,668	\$ 13,341	\$ 36,327	\$ 1,011	12.9%	7.8%	10.5%
PLANT AND EQUIPMENT												
Vehicles	3 - 10 years depending on the item											
IT	1 - 15 years depending on the item											
PLANT AND EQUIPMENT TOTAL		\$ 12,670	\$ 5,595	\$ 7,075	\$ 1,348	\$ 13,114	\$ 5,976	\$ 7,138	\$ 1,352	3.5%	0.9%	0.3%
FURNITURE AND FITTINGS												
FURNITURE AND FITTINGS TOTAL	10 - 15 years	\$ 1,263	\$ 980	\$ 283	\$ 114	\$ 1,405	\$ 1,021	\$ 384	\$ 41	11.2%	35.7%	-64.0%
OTHER ASSETS												
Artworks	30 - 80 years											
Plant and equipment other	8 - 30 years depending on the asset											
Library Stock	3 - 7 years											
Monuments	100 years											
Band Instruments etc	30 years											
OTHER ASSETS TOTAL		\$ 13,445	\$ 4,091	\$ 9,354	\$ 800	\$ 13,840	\$ 6,281	\$ 7,559	\$ 911	2.9%	-19.2%	13.9%
TOTAL		\$ 1,248,444	\$ 171,073	\$ 1,077,371	\$ 12,594	\$ 1,286,160	\$ 184,757	\$ 1,101,403	\$ 13,015	3.0%	2.2%	3.3%

Appendix 2

Asset Accounting Policy

POLICY STATEMENT:

Assets shall be recognised and accounted for in accordance with Australian Accounting Standards and the details contained in this policy.

DEFINITIONS:

Fair value - is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Materiality - in relation to information, that information which if omitted, misstated or not disclosed has the potential to adversely affect decisions about the allocation of scarce resources made by users of the financial report or the discharge of accountability by the management or governing body of the entity.

Consideration - in the context of this policy, shall be recognised in "monetary terms" e.g. purchase cost.

PRINCIPLES:

Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred in getting the assets ready for use.

Capitalisation

Assets should have a useful life of greater than one year in order for the expenditure to be capitalised and have a value above the Materiality Thresholds described below.

Any expenditure considered to be Capital must also pass a materiality test. Materiality levels are set so as not to misstate financial statements and to provide a guide whether it is practical from an Administrative perspective that expenditure is capitalised.

Materiality Levels are;

Infrastructure	\$5,000
Land	\$5,000
Buildings	\$5,000
Furniture & Fittings	\$3,000
Equipment	\$3,000
Other	\$3,000

Networked/Aggregate Assets - Expenditure can still be capitalised on items that fall below materiality thresholds individually but operate together as a cohesive whole to form a substantial/significant total value. Examples include the computer network, library books, and reserve furniture.

Maintenance or Capital Expenditure

Maintenance

Expenditure on a non-current asset that does not meet capitalisation criteria is considered maintenance expenditure and must be expensed as incurred. In general, maintenance expenditure will allow the asset to realise its expected service levels and estimated life.

Capital

Capital expenditure can relate to new or existing assets. Capital expenditure shall be recognised (taken into consideration materiality levels) where:

- Expenditure results in an effective increase in future economic benefits
- Expenditure results in an increase in the quality of services provided by the asset beyond that previously determined; or
- Expenditure results in an effective extension to the asset's useful life.

Asset Stocktake

A stocktake of current Inventory items will be conducted at least annually.

Revaluations of Non-current Assets

Infrastructure assets and library stock are revalued annually. Land, Buildings and Other assets are revalued with sufficient regularity to ensure the carrying amount does not differ materially from the fair value that would otherwise be determined at the reporting date.

Revaluations of Non-Current Assets are carried out by an independent professionally qualified valuer with the exception of Library Stock which is valued internally. Comprehensive independent valuations are performed every 3 years with desktop valuations performed annually between comprehensive valuations.

Plant, Equipment, Furniture and Fittings are recognised at cost less accumulated depreciation and any accumulated impairment and are not subject to revaluation.

Non-monetary assets received without charge are recognised as assets and revenues at their fair value at the date of receipt, except for land under roads. Land under roads and trees are not recognised because there is currently no reliable method of valuation.

Depreciation of Non-current Assets

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of the economic benefits provided by those assets. Land is not a depreciable asset. The Depreciation method applied shall be the straight-line basis, except for infrastructure assets where the "Advanced Straight Line Asset Management" consumption based depreciation methodology is employed. Depreciation rates shall be reviewed each year.

**CITY OF MARION
AUDIT COMMITTEE MEETING
13 October 2015**

Originating Officer: Heather Falckh, Manager Organisational Excellence

Director: Kathy Jarrett

Subject: Hard Rubbish Service Review Project Brief

Report Reference: AC131015R7.8

DISCUSSION:

The purpose of this report is to seek the Audit Committee's feedback on the scope of work for a new service review on Hard Rubbish and related services - refer to the project brief in Appendix 1.

This is the first project to be conducted using the new approach to service reviews. The project has been initiated as a result of prioritisation by Elected Members. Feedback from customers and staff verify that improvements can be made in relation to hard rubbish processes.

The scope of this project includes hard rubbish collection, tip tickets, waste education and illegal dumping which are all interrelated services. At this stage, the scope excludes the weekly kerbside collection service as this is under contract until 2018.

A detailed project plan has been developed to ensure involvement of staff and consultation with key stakeholders.

The outcomes of this review are expected to be reported to the Audit Committee at the 15 December 2015 meeting, after discussion at an Elected Member Forum scheduled for 1 December 2015.

There are no budget implications in conducting this service review as existing resources will be utilised.

CONCLUSION

The scope of this service review has been developed on the basis of feedback from Council, customers and staff.

RECOMMENDATIONS (1)

DUE DATES

That Audit Committee:

1. Provide feedback on the Hard Rubbish Service Review Project Brief

13 Oct 2015

PROJECT BRIEF

Appendix 1

Project Name:	Service Review - Hard Rubbish
Project Number:	
Project Sponsor:	Kathy Jarrett
Project Manager:	Mathew Allen
Date:	24 September 2015

1. Description of Project:

To conduct a full service review of the hard rubbish, tip ticket, waste education and illegal dumping service.

2. Project Objectives

To review hard rubbish and related services with a view to improving public value to the community. This service review will consider the requirement for the services, the cost and level of service provided, the efficiency and effectiveness of the services, what our customer's value and what other service delivery options might be possible. This service review will provide information on the current operations as well as options for potential improvement opportunities. The outcomes of the service review will form a revised work area plan.

The secondary objectives include:

- Responding to a Motion with Notice from Council requesting information about illegally dumped rubbish in the City of Marion and solutions for improvement. A response is required by December 2015, and
- To use this review as a demonstration project for refining the new Service Review process.

3. Deliverables (Details of Required Project Outputs)**Project Deliverables:**

The scope of this project includes hard rubbish collections, tip tickets, waste education and illegally dumped rubbish (where the offender is known and unknown). The scope does not specifically include the contracted service for weekly kerbside collection, recycling programs, electronic waste or public waste bins unless the improvement solutions generated by the Service Review impact on these services. Options for improving recycling may be considered as part of the review.

This project must deliver improved outcomes for the community.

Project Management Deliverables:

The service review process will include:

- Assessment of requirements under the Act
- consideration about whether Council should be in this business

- An understanding of the current service standards and service costing
- An understanding of current performance
- A systems view and understanding of key processes
- An understanding of what residents and the community value about the service (i.e. customer feedback)
- An understanding of the full life-cycle of hard rubbish
- An understanding of what other Council's provide in relation to hard rubbish
- And understanding of the waste industry trends in relation to hard rubbish
- A comparison of service levels & costs should the service be provided through other means of delivery
- Consideration of potential improvements for the service (including anticipated outcomes & cost/benefit analysis)
- Development of a business case (if required)
- An implementation plan for improvements
- Reporting to EMG
- An Elected Member Forum workshop on 1 December 2015 to respond to the Motion with Notice and engage Elected Members in discussion regarding the outcomes of the service review.
- Feedback from the Audit Committee
- Report to Council (if changes to the service are proposed)

4. Description of Project Constraints:

Constraints of this project include:

- The availability of Managers and staff involved in the process
- EB agreement
- Deadline of 1/12/15 to respond to the Motion with Notice
- Although out of scope, weekly kerbside collection is contracted until April 2018 – if there are any proposed changes to this service, the contract terms will need to be considered.

5. Justification/Comments supporting the Project:

This service review has been prioritised by Elected Members.

Feedback from customers, City Services staff and CSC staff indicate that the service is not meeting the needs of the community for hard rubbish services. A Motion with Notice from Council indicates a concern regarding illegally dumped rubbish. There are lengthy waiting lists for the hard rubbish collection service and the tip ticket allocations are taken up within a week of becoming available each month. Customers calling the CSC are dissatisfied with the processes and wait lists. The service is generating a level of customer call backs to the CSC for tip tickets which is poor customer service. Illegally dumped rubbish reports have been increasing over time. The Customer Service Benchmarking Australia (CSBA) 2015 report on customer satisfaction highlights customer dissatisfaction and issues with hard rubbish and tip ticket processes (refer to free text comments in the CSBA report). Hard rubbish and waste education services require review in terms of the reporting structure for these services.

6. Project Stakeholders (Internal & External People & Organisations Affected Positively & Negatively by Project Activities & Outcomes)

Internal Stakeholders

Operational Support - manager and staff (hard rubbish services, tip tickets, waste education and

collection of illegally dumped rubbish when the offender is not known)
 Customer Service Centre (calls from the community regarding rubbish – all types)
 Environmental sustainability team (waste education and outcomes of waste processes)
 (potentially) the Contracts Team & contractors (contract for kerbside collection)
 Community Safety Team (illegally dumped rubbish where the offender is known)
 Governance
 Organisational Development/HR
 Potentially WH&S
 Strategy Unit
 EMG
 Audit Committee
 Council

External Stakeholders

Unions
 Residents/community
 Businesses
 EPA
 Other agencies (schools, Housing SA, etc)
 Neighbouring Councils
 Dumps
 Solo waste contract
 Syndicated waste providers for Local Government e.g. East waste

7. Program & Milestones (Dates for Key Events/Outputs)

Finalise project plan week commencing 12/10/15
 Project brief to Audit Committee for feedback 13/10/15
 Project team – first meeting scheduled for 15/10/15
 Elected Member forum briefing scheduled for 1/12/15
 Project plan (to be refined) – attached.

8. Estimated Project Cost (Include Order of Accuracy)

This project is to commence on the basis that internal resources will be utilised. It is not envisaged that external consultancy is required or that direct costs will be incurred requiring additional budget.

9. Project Governance (include if known)

Project Sponsor: Kathy Jarrett
 Project Manager: Mathew Allen

Project Team: Roger Belding, Joanne Thomas, Brian Easton, Raelene Govett, Anna White (where required) & one or two field staff members (tba). The Environmental Sustainability and Contracts teams may need to be consulted.

Specialist Assistance: Heather Falckh as service review facilitator. Analysis of data may require assistance from Michelle Stewart.

10. Risk Management Approach (Management approach to managing risks that may affect successful project completion)

Risk management plan to be completed. Risks may include:

- Availability of staff to participate in the review
- Availability of project manager & sponsor to progress the review
- Review is progressing concurrently with the set-up of the service review program. There is potential for changes to the service review process.
- Elected Member involvement before the review is completed
- Need for specialist knowledge or available resources to undertake research
- Inability to obtain additional customer feedback within the project timeframe
- Time to complete a thorough review of the service
- Potential for lack of relevant data and information
- Change management processes
- Union involvement
- Confidence in analysis of alternative options for service delivery

Project Brief Sign-Off

Project Manager

----- Mathew Allen	----- Signature	----- Date
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Project Sponsor

----- Kathy Jarrett	----- Signature	----- Date
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**CITY OF MARION
AUDIT COMMITTEE MEETING
13 October 2015**

Originating Officer: Heather Falckh, Manager Organisational Excellence
Kate McKenzie, Manager Governance

Director: Kathy Jarrett

Subject: Internal Audit and Service Review Update

Report Reference: AC131015R

EXECUTIVE SUMMARY:

The purpose of this report is to provide an update on Council's new approach to Internal Audit Services and the Service Review program.

RECOMMENDATIONS (1)

DUE DATES

That the Audit Committee :

- 1. Note the progress on the development of the Service Review program and provide feedback accordingly. 13 Oct 2015**

BACKGROUND:

At the last meeting of the Audit Committee on 18 August 2015, the Committee considered the Internal Audit & Business Reviews Report and recommended to Council:

1. *That based on the outcomes of the discussion regarding internal audit service delivery, the Audit Committee recommend to Council the delivery of Internal Audit Services by KPMG.*
2. *No tender be awarded for the provision of Service Review services.*

Council considered the Committees recommendations at the Council meeting of 25 August 2015 and endorsed the Audit Committee's recommendations.

DISCUSSION:

The tender process for Internal Audit and Service Reviews has been finalised and the Internal Audit function has now been transferred to the Manager Governance portfolio. Reporting on the Internal Audit program will now be provided separately to the service review program.

Service Reviews

Since then, discussion at the joint Audit Committee and Elected Member Forum 18 August 2015 and a subsequent Elected Member Forum on 1 September 2015 have confirmed the new approach for Service Reviews (Appendix 1). The key points of note include:

- The program will be delivered over three (3) years.
- The program will be delivered predominately through internal resources together with some utilisation of external resources.
- The approach is to be implemented to support development of internal capability and skills to conduct the service reviews.

Any additional feedback from the Audit Committee would be welcome in order to finalise this.

Elected Members have indicated their priority areas for service review and this is provided in Appendix 2. The highest priority areas (highlighted in purple) are:

- Waste services, and
- Community Facilities.

As part of the Waste Services review, a Hard Rubbish service review project brief is now provided to the Audit Committee for feedback. The Hard Rubbish service review will be a demonstration project to refine the new service review approach, whilst the service review program is being implemented. A separate review of Community Facilities is underway and this review will be aligned to the service review approach.

This high level priorities list developed by Council will be refined in order to develop a three year service review schedule - to be provided to the Audit Committee in December.

A detailed project plan has been developed to implement the service review program. The high level actions include:

- A communication plan – to leaders, staff and Unions
- Development of a 3 year program schedule and subsequent tender process for any service reviews identified as appropriate to be conducted by consultants
- Establishment of an internal Governance process to oversee the program and provide peer challenge on service review outcomes
- Development of reporting processes – the method and content will be provided to the next Audit Committee meeting for feedback
- Resourcing of the Service Review program

- Development of support materials and documentation of the City of Marion approach
- Development of an approach for training and skills transfer
- Establishment of processes to review the program
- An objective to establish a program office in the future

It is proposed that the program measures will include:

- Progress against the service review program
- Outcomes of service reviews (including financial KPI's)
- Return on investment of the program

Internal Audit

The contractual arrangements with KPMG have now been finalised and initial meetings have occurred between KPMG, Manager Governance and the Executive Management Group. Work has commenced on drafting an Internal Audit Plan 2015 – 2017 (the Plan). The draft Plan will be presented to 15 December 2015 Audit Committee Meeting for consideration and comment. The Plan will be based on core assurance, key risks, the internal control self-assessment and recommendations from the Executive Group.

As part of the induction to this role, KPMG are undertaking a City of Marion tour to further understand the City of Marion and the community that it represents. KPMG have also requested to meet with the Presiding Member of the Audit Committee and the external auditors (Deloitte).

In addition to the Plan, two (2) internal audit scopes will be presented to the December 2015 Audit Committee meeting for comment and review. It is proposed that the two scopes are:

- Payroll
- Corporate Credit Cards

CONCLUSION:

The new service review program is being established and a service review has been scheduled as a pilot project to test the approach.

Approach for Service Reviews

Definition:

A service review can be defined as a systematic evaluation of a service to ensure the City of Marion:

- meets the expectations of our communities
- is continuously improving
- is delivering in a most efficient and effective manner
- builds the skills and capability of the organisation
- achieves financial sustainability
- delivers services with quality and timeliness at the least cost
- meets requirements under the Local Government Act and statutes

Service reviews consider what the current situation is, the costs and benefits of the service, how efficient and effective the service is, and whether there are alternative service delivery models.

Depending on the service, examples of service delivery models that could be considered as part of a service review include:

- Maintaining the service as it currently is with identified improvements
- Disengaging from and ceasing the service
- Shared services with other Councils or organisations
- Forming strategic relationships
- Joint ventures
- Community run services
- Outsourcing/in-sourcing service provision
- Creation of new services or commercialisation to generate revenue, and
- Potentially the creation of Boards to manage facilities for some services.

Approach for Service Reviews:

- The program of Service Reviews will be conducted over a 3 year period.
- The program will be delivered largely by internal resources together with some utilisation of external resources. External resources will be delivered through the existing budget for Internal Audit and Service Review. A Service Review program will be developed annually and areas will be identified for internal or external review. Those reviews requiring external consultants are to be scoped on a project by project basis and tendered separately.
- An approach is to be implemented to support the development of internal capability and skills to conduct the Service Reviews.

Role of Council:

- Indicate priority areas for service review
- Consider the quarterly progress reports and Audit Committee feedback.
- Approve Service Review outcomes where there are proposed changes to levels of services or the introduction of new services.
- Approve changes to services where the approach improves outcomes through commercialisation of services.
- Note any changes to service delivery models where the service outcomes remain the same.
- Note any changes to operations for services that result in greater efficiency and effectiveness.

Role of Audit Committee:

- The program will incorporate reporting to the Audit Committee and Council on a series of measures to ensure it delivers on objectives.
- The Audit Committee provides feedback to Administration and Council on proposed changes identified through Service Reviews.

Role of the Chief Executive:

- To determine the individual service priorities, timeframes, resourcing, and change management approach for service reviews
- Each service review will be scoped to determine the parameters of review
- The service review is conducted by analysing the current state and exploring potential opportunities. Data is gathered, customer feedback is sought and contact is made with other organisations to seek new ideas.
- Proposals for improvement are tested, agreed with key stakeholders and relevant approvals are sought.
- A service review will result in an updated work area plan for the service, linking the outcomes back to the Strategic Management Framework. The outcomes of a service review will also feed into other plans such as workforce plans, asset management plans, capital works programs and the long term financial plan.
- A post implementation review is conducted on each project to validate the outcomes achieved from each Service Review.
- Provide reporting to the Audit Committee and Council on a quarterly basis with an update on the progress of Service Reviews.
- Provide reporting to the Audit Committee and Council on the outcomes of individual Service Reviews for information or for Council approval.
- Conduct a review of the Service Review approach after 12 months to improve the approach.

Results of Elected Member Prioritisation Survey August 2015

Appendix 2

City of Marion Services List for Service Review

Four responses were received to the Elected Member Survey (3 votes each = 12 votes in total)

The services highlighted are the services voted as priority for review - green colour represents one vote, purple colour represents 2 votes.

This indicates that Waste Services and Community Facilities are the highest priority areas for Service Review.

Core Service Area	Vote for Top 3	Council Service Range	Mandatory/ Discretionary	Total Cost by Council Service Range	Service Activities	Last Formal Service Review
Development		Land use and development planning	M	2,521,399	Land use planning Development Plan Amendments	
		Development and building assessments	M		Development assessments - planning Development assessments - building	
		Local Government searches	M		Responding to Section 7 notices	
		Economic planning & leadership	D	574,118	Regional representation and promotion Business support	
Environment		Environmental planning & leadership	D	700,125	Regional representation and advocacy Climate adaptation planning Maintenance and improvement of Environmental Management System	
		Biodiversity management	M D D	1,151,901	Tree management NRM links Council nursery	
Infrastructure		Waste services	M	6,645,454	Kerbside collection - 3 bins Southern depot recycling program Food waste recycling education program Public places litter collection Hard rubbish Mattress collection Illegally dumped rubbish Electronic Waste separation and disposal Street Sweeping	
		Water management	M	3,454,359	Stormwater drainage, water efficiency & use of recycled stormwater Coastal, Recycled Water and Natural Water Courses Wetlands	
		Roads, bridges & footpaths	M	10,235,140	Roads Footpaths Bridges	
		Other infrastructure and services	D M M D M	4,100,450	Walking and Cycling trails Street lighting Street & Reserve Signage Bus shelters Traffic Control Devices	

Core Service Area	Vote for Top 3	Council Service Range	Mandatory/ Discretionary	Total Cost by Council Service Range	Service Activities	Last Formal Service Review
			D D		Other Infrastructure Graffiti removal services	

Core Service Area	Vote for Top 3	Council Service Range	Mandatory/ Discretionary	Total Cost by Council Service Range	Service Activities	Last Formal Service Review
		Community facilities	D	9,325,333	Marion Swimming Centre Libraries & Cultural Centres Neighbourhood Centres Sports and Recreational Centres	Swimming Centre Feb 2013
		Open space, parks and gardens	D	6,326,195	Reserves, parks & gardens Reserve irrigation Playgrounds Skate parks Public amenities Land management and leasing	
Community		Arts & cultural promotion and support	D	1,661,264	Art galleries, collections, festivals & events Cultural & heritage programs & events Marion Cultural Centre theatre program Public art & placemaking Marion City Band	Swimming Centre Feb 2013 NH programs July 2012 Community Grants and Attracting Grants April 2015
		Library services	M D D	4,139,356	Provision of books, magazines through 3 branches, online, mobile and housebound Provision of public internet services Library programs and events	
		Sports & recreation promotion and support	D	679,111	Leisure, Sports & Recreation Club support Swimming services	
		Community capacity building and development	D	2,883,067	Community governance Volunteer services Neighbourhood & Community Development Community engagement & participation Support for Friends Groups in Marion Community education, partnership facilitation and grants Environment category of Community Grants Community subsidies and scholarships - arts & cultural promotion Community information services Environmental information available through libraries Community Gardens Learning and education programs Waste education Environmental programs delivered through neighbourhood centres Healthy lifestyle programs	

Core Service Area	Vote for Top 3	Council Service Range	Mandatory/ Discretionary	Total Cost by Council Service Range	Service Activities	Last Formal Service Review
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Core Service Area	Vote for Top 3	Council Service Range	Mandatory/ Discretionary	Total Cost by Council Service Range	Service Activities	Last Formal Service Review
		Inspection, regulation and control	M	1,666,919	Dog and cat regulation & control Control of pest animals Parking regulation and control General inspection: By law enforcement (Moveable signs, Use of local government land, Use of streets and roads) Environmental health inspections Land clearing Building inspections for fire prevention Building inspections for planning applications & development enforcement Food safety inspections Graffiti control & prevention Crime prevention programs Regulation of Dry zones Control of public nuisances	Internal review of dog registration 2013
		Emergency planning & response	M	63,009	Emergency planning & response	
		Community care	D	1,605,370	Home and community care services Community Bus service	
		Immunisation services	D	84,637	Child immunisation services	
		Public Health Planning	M	161,694	Health in all policies leadership & facilitation	
Public Value - Enabling services		Strategic planning Organisational Excellence Major project facilitation Asset Management	M	2,372,890	Strategic and operational planning Portfolio management Performance monitoring Service Review & improvement Major project planning and management Asset Management	Strategic Management Framework Feb 2011 Performance management 2012 Asset Management July 2014

Core Service Area	Vote for Top 3	Council Service Range	Mandatory/ Discretionary	Total Cost by Council Service Range	Service Activities	Last Formal Service Review
		Financial management	M	5,652,340	Financial management Rates management Contract management oversight Tender management Procurement oversight	Regular internal and external audits Financial Management process Oct 2012 Contract Management Dec 2011 & June 2015 Revenue & receipting and Accounts Payable June 2009 Internal Financial controls May 2014 & 2015
		Governance support	M	2,234,933	Risk management By laws & delegations development Advocacy and representation Policy framework development Internal audit Executive & EM support including coordination and administration of Council Meetings	Risk Management Dec 2012 Excellence in Governance Oct 2012
		Communications and marketing	D	1,720,301	Customer service response Publications, website, intranet & internal communications	
		Workforce & culture management	M	1,690,520	WHS Training & development Workforce planning Recruitment Organisational development Staff performance management Human resource support	WH&S review 2012 Employer of Choice July 2014

Core Service Area	Vote for Top 3	Council Service Range	Mandatory/ Discretionary	Total Cost by Council Service Range	Service Activities	Last Formal Service Review
		ICT & knowledge management	D	3,612,279	ICT development and support Management of Customer information Records management GIS/ Mapping ICT procurement Telecommunications services	ICT review Oct 2012
		Operational support	D	3,413,378	Operating plant management Fleet & operating plant procurement & disposal Mobile fleet operations Stores and stock management	