

His Worship the Mayor
Councillors
CITY OF MARION

NOTICE OF FINANCE AND AUDIT COMMITTEE MEETING

Council Chamber, Council Administration Centre
245 Sturt Road, Sturt

Tuesday, 02 October 2018 09:30 AM

The CEO hereby gives Notice pursuant to the provisions under Section 83 of the Local Government Act 1999 that a Finance and Audit Committee meeting will be held.

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 Centre on Sturt Road, Sturt.



Adrian Skull
Chief Executive Officer



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OPEN MEETING**KAURNA ACKNOWLEDGEMENT**

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

ELECTED MEMBERS DECLARATION (if any)**CONFIRMATION OF MINUTES****Confirmation of the minutes for the Finance and Audit Committee Meeting held on 21 August 2018**

Originating Officer Governance Officer - Victoria Moritz

Corporate Manager Manager Corporate Governance - Kate McKenzie

Report Reference: FAC181002

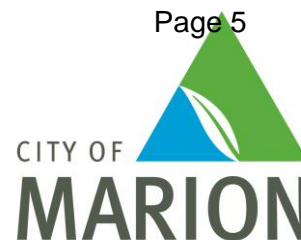
RECOMMENDATION:

That the minutes arising from the Finance and Audit Committee Meeting held on 21 August 2018 be taken as read and confirmed.

ATTACHMENTS:

#	Attachment	Type
1	FAC100821 - FAC Minutes 21 August 2018	PDF File

**MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING
HELD AT THE ADMINISTRATION CENTRE
245 STURT ROAD, STURT
ON 21 AUGUST 2018**



PRESENT

Mr. Greg Connor (Chair), Ms Emma Hinchey (from 4.15 pm), Ms Natalie Johnston, Councillor Telfer and Councillor Kerry (from 4.25 pm)

In Attendance

Mr. Adrian Skull	Chief Executive Officer
Mr. Vincent Mifsud	General Manager Corporate Services
Ms. Abby Dickson	General Manager City Development
Mr. Tony Lines	General Manager City Services
Ms Kate McKenzie	Manager Corporate Governance
Mr. Ray Barnwell	Manager Finance and Contracts
Mr. Jason Cattonar	Manager Development and Regulatory (Item R03)
Ms. Steph Roberts	Manager Human Resources (Item R05)
Ms Cass Gannon	Performance and Innovation Leader (Item R06 – R09)
Ms. Mel Nottle-Justice	Business Improvement Officer (Item R06 - R09)
Mr. Mat Allen	Manager Engineering and Field Services (Item R08)
Ms. Sherie Walzcak	Unit Manager Risk (Items R10 & R11)
Mr. John Deally	Manager ICT (Item R12)
Mr. Jared Lawrence	KPMG (Items R03 & R04)
Mr. James Rivett	KPMG (Items R03 & R04)

1. OPEN MEETING

The meeting commenced at 4.02 pm. The Chair welcomed all those present to the meeting.

2. KAURNA ACKNOWLEDGEMENT

We begin by acknowledging the Kaurna 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 had a conflict of interest regarding any item of the agenda. No interests were declared.

4. CONFIRMATION OF MINUTES

4.03pm Confirmation of the Minutes for the Finance and Audit Committee Meeting held 29 May 2018

Moved Councillor Telfer, Seconded Ms. Johnson that the minutes of the Finance and Audit Committee (the Committee) meeting held on 29 May 2018 are confirmed as a true and correct record of proceedings.

Carried Unanimously

5. BUSINESS ARISING

4.04 pm Review of the Business Arising from previous meetings of the Finance and Audit Committee

Report Reference: FAC180821

The Committee noted the Business Arising Statement and noted that:

- The FAC Performance and Effectiveness Survey will be presented to the October meeting due to the size of the agenda. A total of eight (8) response were received and the preliminary review of the survey results did not indicate any major issues that would require immediate attention.
- The report of Valuation of Buildings and Assets will be circulated to FAC members out of session (prior to the October FAC meeting). There were no major variations to report. Land value reduced by approximately \$8m (from a total land value of \$360m). Buildings reduced by \$7m (from a total value of \$83m) and infrastructure reduced by a total of \$17m. Both valuation processes were a full comprehensive review.

6. CONFIDENTIAL ITEM

Nil

7. REPORTS FOR DISCUSSION

4.09 pm Elected Members' Report

Report Reference: FAC180821R01

Councillor Telfer provided an overview of the report highlighting the following:

- It is now a point in the Council Term (due to the elections in November) where Elected Members are stepping back and preparing for 2018-2022 Council Term.
- The Caretaker period commences on 18 September.
- The Oaklands Crossing Project has been a major achievement for the Council and is progressing well.
- Council has purchased property adjacent to the Marino Hall. Council will now work through the long term vision for the property, however this will be a decision for the new Council.

The Committee queried Councils position on rate capping and it was noted that Marion was potentially the only Council that had supported rate capping. It may be that other Councils supported the concept of rate capping but did not support the draft bill in its current form. The Committee noted that the Council's Long Term Financial Plan reflects a 1.8% average rate increase over the life of the Plan, which is well below the current 30 June 2018 CPI of 2.7%. The Council is well placed to manage any impact of rate capping into the future.

4.13 pm Compliance Policy and Framework

Report Reference FAC180821R02

4.15 pm Ms. Emma Hinchey entered the meeting.

The Manager Corporate Governance provided an overview of the report highlighting that the Policy and Framework has been developed:

- Following recommendations from the Auditor General report in 2016

- In-line with the Australian Standards for Compliance
- Using a risk based approach to assess compliance obligations and those assessed high or outside of risk tolerance levels will be monitored via a centralised approach. Compliance obligations assessed as medium or low risk will be managed by the relevant business units.

The Committee confirmed that the documents are solid and a good approach. The Committee suggested the following:

- Amend the definition of compliant by deleting the words “is a desired outcome”;
- The third point on the final page of the Compliance Framework document should read “Reporting of organisational wide non-compliance.....”.
- Further clarity should be provided regarding who will monitor the high risk compliance obligations and how this will occur;
- The Committee’s Terms of Reference will need to be amended to reflect any changes in its responsibilities and obligations.

The Committee was advised that the high risk compliance obligations will be monitored via Corporate Governance. The process is currently manual but software solutions will be investigated moving forward.

The Committee noted that internal consultation will now occur with management on the Policy, Framework and Compliance Assessment. The Committee requested that an update be provided at the December 2018 meeting to monitor progress.

ACTION: That an update report on the implementation of the Compliance Framework be provided to the December 2018 FAC Meeting.

4.22 pm Internal Audit Program Report Reference FAC180821R03

Mr Jarred Lawrence and James Rivett from KPMG entered the meeting.

Mr Lawrence informed the Committee that KPMG currently has no audits in progress and the next audit (Procure to Pay – scope approved at the May 2018 FAC meeting) is scheduled to commence in October 2018.

It was noted that the Committee previously requested that the Workplace Emergency Management Review be combined with the Business Continuity Review which is scheduled to commence in January 2019. This scope is yet to be considered by the Committee.

KPMG advised the Committee that a number of scopes will be presented to the next meeting in October.

4.25 pm Councillor Kerry entered the meeting

Fines and Enforcement Internal Audit

KPMG provided an overview of the report highlighting that the objective of the audit was to assess the risk and controls associated with the overall management and administration of the fines and enforcement process. The focus of this audit was parking, dog expiations and environmental health expiations.

The revenue for parking expiations has increased in the 16/17 financial year. A total of 614 appeals were received in 16/17 for various reasons. The number of appeals received equates to 9% of the expiated issues and of these only a third were successfully appealed.

The audit determined two low rated recommendations – one relating to working with Civica to implement better reporting functionalities and the second related to delegations/authority

to waive expiations under section 101(1) of the Expiations of Offences Act 1996. The second recommendation has been rectified. The recommendation concerning civica will take more time to implement.

The Committee noted the report and commented that the audit was somewhat underwhelming. The Committee sought assurance from KPMG that the audits moving forward are adding greater value to the organisation. .

The Committee noted that the revenue received from expiations was lower to other comparable Councils. The Committee queried if this was impacted by resources or inefficiencies? It was noted that it has been Council's view not to gain revenue from expiations and they should be used as a deterrent rather than a revenue stream.

Development Assessment Planning (Holmes Dyer)

The Manager Corporate Governance advised the Committee that this was the final review from the 17/18 Internal Audit Plan and had been completed outside of the KPMG contract. The scope of the audit was to review the processes and service levels for Council's development assessment functions pursuant to the Development Act 1993. The audit demonstrated that the department is discharging its functions and responsibilities well, however there was some opportunity for improvement regarding cultural processes that have deviated from the legislation over time due to EDR court decisions and interpretations.

The Committee noted the amount of recommendations and suggested a number of these seemed like quick fixes. It was noted that some of the timeframes had been set around the Caretaker Period for the elections as certain issues could not be brought to Council during this period.

The Manager Development and Regulatory Services noted that implementation of the recommendations had already commenced and he was confident that the recommendations would be implemented well before the due date. It was highlighted that the focus is on changing the established practices of the team which will require time and cultural change.

The Committee suggested that any process within the department that may cause a non-compliance risk should be rectified as soon as possible. The Committee agreed that there is a number of lower risks but when accumulated it increased the ultimate risk to the organisation.

The Committee also queried the impact of the new Act and the planning reforms. It was noted that the major changes will commence in 2020. The Regulations are currently being drafted and will be distributed to the sector for consultation.

The Committee also noted that on-going training will be required for cultural change within the team. This can't just be a once off process.

The Committee requested a one page up-date on progress at the December FAC meeting.

ACTION – A one page report be brought to the next FAC meeting in December 2018.

4.35 pm Meeting with the Internal Auditors in Confidence (without management present)

Report Reference FAC180821R04

Moved Councillor Telfer, Seconded Councillor Kerry that the Finance and Audit Committee:

1. Pursuant to Section 90(2) and (3)(g) of the *Local Government Act 1999*, orders that all persons present, be excluded from the meeting, with the exception of Jared Lawrence and Justin Jamieson from KPMG, as the Finance and Audit Committee

meets with Council's Internal Auditors, on the basis that the Finance and 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.

Carried Unanimously

4.50 pm The meeting moved into confidence

The Committee met in camera with Jared Lawrence and James Rivett from KPMG.

The Auditors reported in response to questions from those present that they had received good cooperation from Management and Staff during the conduct of their Audits. The working relationship was a healthy one between both parties.

There was a minor concern with the timing of the review process of reports but this was being addressed. It was agreed that greater emphasis needed to be on the planning of audits to ensure that there was minimal duplication between Internal Audits and the Service Review process. The Committee thanked the Auditors for their support.

5.01 pm The meeting came out of confidence.

5.01 pm Councillor Kerry left the meeting

5.02 pm KPMG Volunteer Audit Report update Report Reference FAC180818R05

The Committee noted the report. All recommendations have been completed with the exception of the recommendation relating to the development of a Code of Conduct for Volunteers. This work has been progressing with the Employee Code of Conduct that will be released for consultation within the next few weeks.

The Committee noted that the DSH clearances for volunteers are now all in place and moving forward, all Volunteers will be required to sign the Code of Conduct. All Volunteers have signed the current Code that is in place.

The Committee noted the 3 year strategy for Volunteer Management and made the following comments:

- Ensure that diversity reflects more than 'age' within the strategy
- Develop metrics/measures that will determine success.

It was noted that there is a detailed plan of works that sits behind the strategy to ensure delivery.

5.06 pm Service Review Program 2018/19 - Progress Update Report Reference FAC180821R06

The Committee noted the report.

5.07 pm Service Review Program - Recommendations - Progress Update Report Reference FAC180821R07

The Performance Innovation Leader provided an overview of the Service Review Program noting that the team is progressing well with nine (9) of the reviews to be delivered this financial year. It was noted that with the reduction in the number of reviews, the Performance and Innovation Team (PIT) will be assisting the organisation with the implementation of recommendations.

The Committee made the following points:

- That quarter three finalised 11 recommendations in total.
- The organisation should attempt to reduce the outstanding recommendations to zero (or very close to zero)
- The reporting should reflect:
 - The changes from one quarter to another;
 - A traffic light system to reflect on track, at risk and overdue;
 - What recommendations have been completed within due date.
- The Hard Waste review reflects that the tender would be open on the Tender SA website for 3 months. This seems excessive and should be reviewed.

5.12 pm Councillor Kerry entered the meeting.

5.12pm Service Review - Report - Open Space Operations Transformation Phase 2 Report Reference FAC180821R08

The Manager Engineering and Field Services provided an overview of the report highlighting that this was the second phase of the Open Space Review. The focus was on tree planting, watering, irrigation, walkway maintenance and sensitive sites. The review included field observations, review of customer events, analysis of invoices, review of asset management and identification of any gaps within open space. The review has 50 recommendations for change/improvement.

The review has demonstrated that:

- The organisation can increase the number of tree plantings from approximately 1,400 to 3,000 per year. This can be achieved within existing resources.
- The introduction of tablets in the field has also reduced the amount of paperwork and created efficiencies.
- The FTE for the open space team can be reduced by four (4) over 3 years? through natural attrition. Consultation has occurred with the union and staff. They are both supportive of process improvement but not necessarily the reduction in the FTE.

The Committee provided feedback that the report was good and fulsome. It provided good analysis and outcomes for the Council. This could be applied to other reviews as the format and process was solid. The Committee queried how Council will realise any savings from the changes implemented and how this will be recorded?

The Manager Engineering and Field Services highlighted that comparisons with the baseline data will assist with measuring savings by assessing any variations. It will be reflected through budgets and the long term financial plan.

The Committee queried how much the service review cost. It was noted that a large portion was completed in house however some costs were incurred for a consultant. This detail would be provided at the next meeting via the business arising statement.

ACTION – The cost associated with the service review be provided at the next meeting.

5.21 pm Service Review - Report - Records Management Report Reference FAC180821R09

The Business Improvement Officer provided an overview of the report highlighting that this service review focused on assessing records management from across the organisation. The review noted that the Records Team functions were limited and focused on process for mail room functionality. The review identified that some records management functions weren't being completed and a new records management model and framework was required to ensure the organisation was compliant with its records management obligations. Once the model and framework are established, the resources would need to be realigned to ensure delivery.

The Committee noted the legislative amendments scheduled to commence in July 2019 and the body of work required before this date. Once this work was completed, the team should be able to maintain the on-going work load to ensure the backlog doesn't occur again.

It was noted that the Council has submitted a GDS 21 Certification for the records management system, which will provide Council with the ability to scan and destroy documentation. Once this certification is received, it will assist the processes for the records team.

It was noted that approximately \$4k was incurred with a records management consultant to assist with a self-assessment for the review.

The Committee noted the report and looked forward to the progress of the recommendations.

5.31 pm Work Health & Safety - Annual Performance Report 2018 Report Reference FAC180821R10

The Unit Manager Risk provided an overview of the report highlighting that the organisation had another productive and positive year with Work, Health and Safety. The major achievement was moving from a manual process to use of a software system (Skytrust). Stage one was well progressed and due to be completed at the end of 2018. Skytrust is provided free of charge to the council via the LGA Insurance Schemes.

The Committee noted the reduction of 78% (in two years) for the lost time injury frequency rate (LTIFR) which is a proud effort for the organisation. The cultural change program is still required but good results have occurred to date. It was noted that the reduction in claim numbers has directly reduced the administrative requirements of managing injuries in the workplace.

The Committee queried if the hazard and near miss reporting was low for an organisation of Marion's size and if there was any issues with under reporting? It was agreed that some benchmarking would be completed and presented to the next Committee meeting

ACTION: Benchmarking of Council's hazard and near miss data to be presented at the Committee meeting in December 2018.

5.40 pm Business Continuity Exercise Report Report Reference FAC180821R11

The Committee noted the report and the exercise completed. The Committee noted good progress regarding the Council's preparedness in this space and queried what was planned for the next business continuity exercise? It was noted that a Health Check was planned in November 2018. This would be facilitated by the Local Government Risk Services.

8. REPORTS FOR NOTING

5.41 pm Australian Services Excellence Standards - Audit Outcome Report Reference FAC180821R12

The Committee noted the report and that the City of Marion was the first Council to receive a 100% compliance the first time completing the audit. This was a positive outcome for the Council. The Committee queried if the Council would increase the audit level next time and apply for the higher level of "Award"? The Committee was advised that this was being considered but acknowledged it would be significantly more work and the benefits would need to be assessed and justified.

5.42 pm ICT Planning Roadmap - 2018 Update Report Reference FAC180821R13

The Manager ICT presented the ICT Digital Transformation Plan and road map. This road map is an iterative document that is reviewed and updated on an annual basis taking into consideration work in progress and what is planned for the next financial year. The road map is used by management to assess new initiatives and what is implemented across the business.

The Committee noted that the Business System Fitness Review (BSFR), enterprise data warehouse, asset management system and project management systems are all currently in progress.

It was highlighted that the current FTE for ICT is 10.6 and the current resources does not accommodate ICT project managers. The Committee noted the large amount of work in ICT and the limited resources available and that Council will need to ensure that the resources, both from an investment and FTE perspective, match the work required.

It was highlighted that the BSFR will assist with the prioritisation of works and what is implemented, how it is implemented and the timing. The BSFR is being project managed within the ICT team.

5.52 pm Whistleblower Policy and the Procedure for Code of Conduct Complaints for Elected Members Procedure Report Reference FAC180821R14

The Committee noted both the Whistleblower Policy and the Code of Conduct Complaints Procedure for Elected Members.

The Committee advised staff of some minor edits that require correction in the Policy document.

5.55 pm Tonsley Water Agreement Report Reference FAC180821R15

The General Manager City Services provided an overview of the report highlighting that Council has progressed an agreement with Renewal SA to supply treated stormwater from Oaklands Wetland to Tonsley. The Committee noted that the Council already has stormwater supplied to the entrance of Tonsley. Council will partner with Enwave (private supplier). The agreement was developed with independent review and is not a risk to Council as the Council does not have to commit to any water quality. The Contract will provide income for Council of around \$50k per year. The Committee noted the opportunity cost to Council and the agreement.

9. WORKSHOP / PRESENTATION ITEMS

Nil

10. ANY OTHER BUSINESS

Nil

11. MEETING CLOSURE

The meeting was declared closed at 6.01 pm

12. NEXT MEETING

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

Time: 9.30am

Date: 2 October 2018

Venue: Council Chamber, Administration Building

.....
CHAIRPERSON

/ /

BUSINESS ARISING

Business Arising Statement

Originating Officer	Manager Corporate Governance - Kate McKenzie
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager Corporate Services - Vincent Mifsud
Report Reference	FAC181001

REPORT OBJECTIVE

The purpose of this report is to Review the Business Arising from previous meetings of the Finance and Audit Committee Meetings.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Note the Business Arising Statement.**

Attachment

#	Attachment	Type
1	Business arising statement	PDF File

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
1.	29 May 2018	Internal Audit That the Workplace Emergency Management Internal Audit is combined with the Business Continuity Management Audit and a new audit is scoped from Council's high risk profile.	K McKenzie	October 2018	This scope will be presented to the December 2018 meeting as the Audit is due in January 2019. Two other scopes are included in the agenda for October 2018.	Revised due date to December 2018
2.	29 May 2018	Unsolicited Proposals Policy In the next review of the Finance and Audit Committees Terms of Reference, ensure that the requirements within the Unsolicited Proposals Policy are reflected.	K McKenzie	December 2018	The Terms of Reference for the FAC will be reviewed after the Local Government Elections in November 2018.	
3.	21 August 2018	Compliance Policy and Framework Report Reference FAC180821R02 That an update report on the implementation of the Compliance Framework be provided to the December 2018 FAC Meeting.	K McKenzie	December 2018	Work has commenced on the Compliance Risk Assessment. A full update will be provided in December 2018.	
4.	21 August 2018	Internal Audit Program Report Reference FAC180821R03 <u>Development Assessment Planning</u> A one page report be brought to FAC meeting in December 2018 on the implementation of recommendations for this internal audit.	J Cattonar	December 2018	Work has commenced on the implementation of recommendations. At the 11 th September General Council meeting, a new Development Delegations Policy was adopted, along with new delegations under the Development Act.	
5.	21 August 2018	Service Review - Report - Open Space Operations Transformation Phase 2 Report Reference FAC180821R08 The cost associated with the service review be provided at the next meeting.	V Mifsud	October 2018	Consultant costs for this service review totalled \$32.5k.	

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
6.	21 August 2018	Work Health & Safety - Annual Performance Report 2018 Report Reference FAC180821R10 Benchmarking of Council's hazard and near miss data to be presented at the Committee meeting in December 2018.	S Walczak	December 2018	This information will be provided to the December FAC meeting.	

* completed items to be removed are shaded

SCHEDULE OF MEETINGS 2018			
Day	Date	Time	Venue
Tuesday	27 February 2018	9.30am – 12.30 pm	Administration Centre
Tuesday	29 May 2018	9.30am – 12.30 pm	Administration Centre
Tuesday	21 August 2018	4.00 – 6.00 pm Followed by 7.00 – 9.00 pm (Joint workshop with Council)	Administration Centre
Tuesday	2 October 2018	9.30am – 12.30 pm	Administration Centre
Tuesday	11 December 2018	9.30am – 12.30 pm	Administration Centre

INDICATIVE AUDIT COMMITTEE WORK PROGRAM - 2018

TUESDAY, 27 February 2018

Topic	Action
Elected Member Report	Communication Report
Draft Annual Business Plan and Budget 2018/19 and Draft Long Term Financial Plan	Review and Feedback
Insurance Review (Confidential)	Review and Recommendation to Council
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Organisational Key Performance Indicators 2018/19	Review and Recommendation to Council

TUESDAY, 29 May 2018

Topic	Action
Elected Member Report	Communication Report
Draft Annual Business Plan and Budget 2018/19 (after public consultation) & Draft Long Term Financial Plan	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Corporate Risk Profile	Review and Feedback
Update on Property Internal Audit Review	Information Report
Corporate Reporting Internal Audit Update	Information Report
Annual Report – Business Continuity Program	Information Report

TUESDAY, 21 August 2018 (Joint Workshop with Council)

Topic	Action
Elected Member Report	Communication Report
Annual Review of WHS Program	Review and Feedback
Draft Compliance Policy and Framework	Review and Feedback
Meeting with Internal auditors in camera	Seeking feedback from Auditors
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Update on Internal Audit – Volunteer Management	Information report
Service Review Program – Scopes, Reviews and Monitoring	Review and Feedback
Outcome of Australian Service Excellence Standards Audit	Information Report
Joint Workshop with Council	Service Reviews
Valuations of Buildings and Assets (sent out of session)	Review and Feedback

TUESDAY, 2 October 2018

Topic	Action
Elected Member Report	Communication Report
Independence of Council's Auditor for the year end 30 June 2018	Review and Recommendation to Council
Audited Annual Financial Statements for the year end 30 June 2018	Review and Recommendation to Council
Investment Performance 2017/18	Noting
Debtors Report	Noting
Meeting with external auditors in camera	Seeking feedback from Auditors
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Annual FAC Report for Council	Review and Recommendation to Council
FAC Performance Review	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback

Tuesday, 11 December 2018

Topic	Action
Elected Member Report	Communication Report
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Work Program and Meeting Schedule 2019	Review and Feedback
Ombudsman SA Annual Report 2017/18	Review and Feedback
Framework and Key Assumptions for preparation of 2019/20 ABP and LTFP	Review and Feedback
Local Government Risk Services Audit	Review and Feedback

CONFIDENTIAL ITEMS

REPORTS FOR DISCUSSION

Elected Member Report

Originating Officer	Manager Corporate Governance - Kate McKenzie
Corporate Manager	N/A
General Manager	General Manager Corporate Services - Vincent Mifsud
Report Reference	FAC181002R02

REPORT OBJECTIVE

Section 4.20 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 Finance and Audit Committee meeting on 21 August 2018, Council has held two (2) General Council meetings on 28 August and 11 September 2018.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Notes the report.**

GENERAL ANALYSIS

At these two (2) meetings, the Council made the following decisions that relate to the Finance and Audit Committee Terms of Reference in chronological order:

DISCUSSION

28 August 2018 - General Council Meeting:

Expression of Interest - 262 Sturt Road - Progress Report and Next Stage Report Reference GC180828F01

Council considered this matter in confidence however it released the minutes from this item on the 30th August 2018 that authorised Administration to invite Cruachan Investments Pty Ltd to prepare a full business case for the development and ongoing operation of Ice Rinks Adelaide at 262 Sturt Road, Marion (Certificate of Title 5794/420), that includes a parking and traffic management plan for the site which takes account of the concerns of the local residents. Council also resolved the principles outlined in the report pertaining to the full business case, which will assist Council to make an assessment if it proceeds to contract negotiations with Cruachan Investments Pty Ltd for the long term tenure of the land. A further report will be considered by Council in February 2019.

Oaklands Crossing Agreement Report Reference GC280818R05

Council endorsed the Oaklands Crossing agreement with the State Government that confirmed Council's total contribution of up to \$5 million to the Oaklands Crossing Project, comprising of a contribution of \$1 million in 2018/19 and a further \$4 million over the years 2019/20 to 2021/22.

Corporate Risk Report - Quarter Four 2017/18 including Annual Risk Profile Report Reference FAC210818R12

Council noted the Council's Corporate Risk Profile including the reduction of risk, the mitigation strategies of high rated risks and how the Risk Profile compares against the sector.

Preliminary options for Marino Hall and land at 2 Bakewell Crescent, Marino Report Reference: GC180828M02

The FAC was previously advised that Council has procured a piece of land adjacent to Marino Hall. Council endorsed Administration to undertake preliminary investigations into options for the development of the Marino Hall and adjacent land located at 2 Bakewell Crescent, Marino which included:

Current community use of Marino Hall

- Engagement with the Marino Hall Committee
- Analysis of facility condition and its ability to meet user needs
- Car parking needs
- Linkages with surrounding community facilities

11 September 2018 - General Council**Outcome of Expression of Interest for Hotel at 287 Diagonal Road, Oaklands Park Report Reference GC180911F02**

Council considered a report on the expression of interest for the Marion Cultural Centre site. Council did not recommend a proponent to proceed to a full business case through the EOI process, given insufficient information was provided for the Evaluation Panel. Council determined to retain the Marion Cultural Centre services and endorsed Administration to undertake further discussion about an International Hotel Development in the City of Marion.

Outcome of Proposed Class Action Report Reference: GC180911F01

Council considered a confidential report about a proposed class action being undertaken by Quinn Emanuel against Jardine Lloyd Thompson. Council authorised the CEO, based on the outcomes of the recent review and comprehensive insurance marketing testing conducted, to respond to Quinn Emanuel advising that the City of Marion does not wish to join the proposed class action against Jardine Lloyd Thompson.

Code of Conduct Reports

Council considered two (2) Code of Conduct reports in confidence. If the Committee requests further information regarding these matters, it will need to move into confidence to discuss. Outcomes of the Codes will be reported to Council on the 9th October 2018.

Delegations Review Report Reference GC180911R11

Council reviewed various delegations including the Development Act which was a recommendation of a previous Internal Audit.

Independent Member - Finance and Audit Committee Meeting Report Reference GC180911R12

Council re-appointed Ms Emma Hinchey to the Finance and Audit Committee for a period of 3 years until 30 November 2021

The current Elected Members of the FAC would like to thank the independent members and staff for their knowledge, input and learnings during their time on the Committee.

Annual Financial Statements for the year ended 30 June 2018

Originating Officer	Unit Manager Statutory Finance and Payroll - David Harman
Corporate Manager	Manager Finance - Ray Barnwell
General Manager	General Manager Corporate Services - Vincent Mifsud
Report Reference	FAC181002R03

REPORT OBJECTIVE

This report presents the City of Marion's Annual Financial Statements for the financial year ended 30 June 2018. Reports provided include:

1. Representation letters (Attachment 1) - audit of annual financial report for period 1 July 2017 to 30 June 2018. 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, General Manager Corporate Services once the statements have been adopted by Council.
2. Comparative analysis to prior year Audited Financial Statements and original adopted budget (Analytical Review) – Attachment 2
3. Annual Financial Statements for year ended 30 June 2018 – Attachments 3 to 5.
4. External Auditor (Deloitte Touché Tohmatsu) report to Council – Attachment 6.

These reports are provided for consideration by the Finance and Audit Committee prior to adoption of the 2017/18 Annual Financial Statements by Council at its meeting on 9 October 2018.

EXECUTIVE SUMMARY

The 2017/18 Annual Financial Statements demonstrate Council's ongoing strong financial performance, providing a sound basis for Council's long-term objectives set out in its Strategic Plan.

In summary Council achieved an Operating Surplus of \$10.904m, which was \$5.008m greater than the surplus forecast in the original adopted 2017/18 budget. The key factors resulting in this higher than expected operating surplus are detailed at Attachment 2 (Analytical Review – against Adopted Budget 2017/18).

The Annual Financial Statements of the City of Marion, for the year ended 30 June 2018, have been completed with no audit findings with regards to the financial statements. 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

In accordance with its 'Terms of Reference' the Finance and 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.

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 outlined in their Management Letter (Attachment 6) Deloitte carried over three of their previous year Internal Financial Control audit findings with two new recommendations made to further strengthen our Internal Control environment. All of these have been categorised as 'insignificant' under the risk matrix and management have agreed to appropriately respond to all of these recommendations. Council's Auditors have indicated that they expect to issue an unmodified audit opinion with regards to Council's Internal Financial Control environment.

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 2017/18 Audited Financial Statements the 1st Budget Review 2018/19 process will be conducted, which includes:

- Transferring the 2017/18 Carryovers & Unexpended Grants (noting that the funding relating to projects which have been retimed will be brought into the budget when required);
- Reconciling and identifying the 2017/18 funding savings achieved against Council's adopted 2017/18 budget.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Recommends to Council that the audited Annual Financial Statements for the year ended 30 June 2018, as included at Attachments 3-5, be adopted.**
- 2. Notes Deloitte's management letter, as included at Attachment 6.**
- 3. Notes the comparative analysis to prior year Audited Financial Statements and original adopted budget (Analytical Review), as included at Attachment 2.**

GENERAL ANALYSIS

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

Legal / Legislative / Policy: Local Government Act 1999, Local Government (Financial Management) Regulations 2011

DISCUSSION

Four main statements are prepared as part of the Annual Financial Statements as summarised below:

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 \$10.904m for 2017/18 compared to an operating surplus of \$11.673m for 2016/17.

Operating Income – prior year comparison

Total Operating income for 2017/18 was \$92.566m compared to \$88.173m in 2016/17. The increase of \$4.393m (5%) predominantly results from an increase in Rates of \$2.3m (from an adopted rate increase of 2.2% + growth of 0.99%) and a number of other smaller increases outlined in further detailed in Attachment 2 ("Analytical Review – against Prior Year Actual").

Operating Expenses – prior year comparison

Total Operating expense for 2017/18 was \$81.662m compared to \$76.500m in 2016/17. The increase of \$5.162m (6.8%) predominantly relates to an increase in Materials, Contracts & Other Expenses of \$4.061m (15.2%) including waste collection, utilities and a number of projects and maintenance works outlined in Attachment 2.

Employee costs increased \$1.053m (3.3%) in 2017/18 from 2016/17 with increases from Enterprise Agreements and lower than average capitalised labour (where staff costs are allocated to capital works).

Capital Revenues and Revaluation – prior year comparison

Other key variances reported on the Statement of Comprehensive Income are *Amounts Received Specifically for New or Upgraded Assets* (down \$1.002m) predominantly relating to a State Government Grant received in 2016/17 of \$2m for the Sam Willoughby International BMX Track. There has also been a decrease from the comprehensive valuation by independent professional valuers of council's assets (\$4.922m).

Variances against the 2016/17 Statement of Comprehensive Income are further detailed in Attachment 2 ("Analytical Review – against Prior Year Actual").

KEY OPERATING RATIOS

OPERATING SURPLUS RATIO	2018	2017	2016
Operating Surplus (before capital revenues)	12%	13%	12%

This ratio expresses the operating surplus/(deficit) as a percentage of total operating revenue. Council has set a target for this ratio of between 0 and 5% on a 5 year rolling average.

Comment:

The Operating Surplus Ratio in the adopted budget for 2017/18 was 5.8% and this has been significantly impacted by the grant for Edwardstown Soldiers Memorial Oval redevelopment (\$1,400k), the advance payment of 2018/19 Financial Assistance Grant instalment (\$1,879k), and a number of other variances. The ratio would have been 8.5% if not for these two grants.

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".

RATE REVENUE RATIO	2018	2017	2016
<u>Rate Revenue</u> Operating Revenue	81%	82%	85%

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:

- Creation of the External Funding Attraction Program, with a focus 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 2018.

Infrastructure, Property, Plant & Equipment (IPP&E):

Council's IPP&E decreased by \$3.130m (0.3%) compared to 2016/17 with the majority of the movement relating to a net revaluation decrease of \$4.922m made up predominantly of decreases in Land (\$8.149m) and Infrastructure (\$21.961m), offset by an increase of \$25.625m in Buildings & Other Structures. The majority of Council's assets relate to community property and infrastructure assets (roads, paths, drainage, etc).

The table below identifies the key contributors to the movement in Council's non-current assets which can mainly be attributed to revaluations of its Infrastructure assets.

	2018 \$000s	2017 \$000s	Increase/(Decrease) \$000s
Buildings	106,068	83,206	22,862
Infrastructure	652,385	677,069	(24,684)
Land	351,995	360,144	(8,149)

Other variances when comparing 2017/18 against the 2016/17 Statement of Financial Position are further detailed in Attachment 2 ("Analytical Review – against Prior Year Actual").

KEY FINANCIAL POSITION RATIOS

WORKING CAPITAL RATIO	2018	2017	2016
Current Assets - (Less <u>Restricted Assets</u>) Current Liabilities - (Liabilities associated with Restricted Assets)	2.5	2.1	1.5

This ratio focuses on the liquidity position of Council, adjusting for restricted assets (e.g. 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, along with having sufficient cash to cover the balances in its Asset Sustainability Reserve. Council's significant cash reserves quarantined for future major projects and long term asset management objectives have impacted on this ratio.

ASSET SUSTAINABILITY RATIO	2018	2017	2016
<u>Net Asset Renewals</u> Depreciation Expense	75%	75%	84%

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) is set to achieve an average Asset Sustainability Ratio of 97% over the next three years, but only 83% over the 10-year term of the LTFP. Continual review and monitoring of Council's Asset Management Plans are to be incorporated into Council's Long Term Financial Planning process in an effort to close this gap.

ASSET CONSUMPTION RATIO	2018	2017	2016
<u>Carrying value of depreciable assets</u> Gross value of depreciable assets	77%	78%	78%

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.

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. A result of between 40% and 80% is considered acceptable.

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 2018 were \$7.905m a net decrease of \$1.197m over the level of borrowings in June 2017.

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

KEY DEBT RATIOS

NET FINANCIAL LIABILITIES RATIO	2018	2017	2016
<u>Net Financial Liabilities</u> Total Operating Revenue	(33%)	(25%)	(8%)

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:

This result is due to Council's Financial Assets exceeding its Financial Liabilities predominantly as a result a substantial holding of cash and other financial assets allocated for unexpended grants and funding for capital projects carried over or retimed to 2018/19 and beyond totalling \$12.256m. Without these holdings this ratio would be (-20%). 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	2018	2017	2016
<u>Net Interest Expense</u> Total Operating Revenue	(0.6%)	(0.4%)	(0.0%)

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	2018	2017	2016
<u>Principal + Interest</u> Total Operating Revenue	1.9%	2.4%	2.9%

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

Comment:

The ratio confirms that Council has a low debt holding and is well positioned for future borrowings outlined in its Long Term Financial Plan. The 1.9% result is below the maximum target of 5%.

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 \$1,175.9m 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.

The Statement indicates a cash surplus of \$21.5m compared with \$29.9m in 2016/17. As previously

mentioned a sizable portion of the cash position is committed to unexpended grants, carryovers and retimed works (\$12.256m).

KEY CASH RATIOS

OPERATING CASH FLOW COVERAGE	2018	2017	2016
Cash Flow from Operations - (Loan Principal Repayments) Average Annual Optimal Level of Expenditure per Council's Asset Management Plans	132%	147%	108%

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:

Council's operating cash flow coverage is sufficient to meet the asset renewal requirements included in its Long Term Financial Plan. This ratio has been impacted by higher than forecast investment returns with Council's significant cash reserves quarantined for future major projects and managing its long term asset management objectives.

RESERVE FUNDS

A review of the balances of Council's reserves indicates that they are at a level sufficient to meet their purpose and intent which are listed in *Note 9 Reserves* in Attachment 3. Council's current Reserve funds are made up of the following:

Grants and Carryovers Reserve: \$12.256m

This is made up of grant funded carryover projects and capital works carried over to 2018/19 or retimed to future years as required.

Open Space Reserve: \$1.218m

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

Asset Sustainability Reserve – General \$9.591m

The current balance in this fund is considered by management to be adequate to provide Council with the funding capacity to not only respond to a major infrastructure failure (\$2m is retained in this reserve for this specific purpose) but to also assist Council in managing its long term asset management objectives.

Asset Sustainability Reserve – Community Facility Partnership Fund (CFPP) \$6.672m

Funding has been specifically set aside in the Asset Sustainability Reserve for the renewal, upgrade and purchase of Council assets as specifically resolved by Council. It includes a balance set aside to encourage organisations leasing council facilities to seek partnership funding for the required renewal and upgrade of those facilities.

Asset Sustainability Reserve – Major New Projects

\$5.394m

Funding has also been specifically set aside in the Asset Sustainability Reserve for major new projects. Council has endorsed funding its \$4.0m contribution to the Edwardstown Soldiers Memorial Recreation Ground redevelopment from this reserve.

EQUITY ACCOUNTED INVESTMENTS

Council has part ownership in two equity accounted investments and is required to include its equity share in these in its Annual Financial Statements along with copies of these entities' Financial Statements.

Southern Region Waste Resource Authority (SRWRA)

SRWRA provides and operates services for the management of waste and waste facilities on behalf of its constituent councils – The Cities of Onkaparinga, Marion and Holdfast Bay – ensuring that a long term Waste Management Strategy exists in the southern region of Adelaide. The City of Marion has a 30% share in SRWRA.

Council Solutions

Council Solutions is a joint initiative of the Cities of Adelaide, Charles Sturt, Marion, Onkaparinga, Salisbury and Tea Tree Gully. Its purpose is to optimise the financial sustainability of its constituent councils through the benefits of collaborative strategic procurement and contract negotiation and management. The City of Marion has a 16.67% share in Council Solutions.

Attachment

#	Attachment	Type
1	1. Management Representation Letter - Draft	PDF File
2	2. Analytical Review	PDF File
3	3. Annual Financial Statements 2017-18 CoM	PDF File
4	4. Annual Financial Statements 2017-18 SRWRA	PDF File
5	5. Annual Financial Statements 2017-18 Council Solutions	PDF File
6	6. Deloitte Reports	PDF File

(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 the Corporation of the City of Marion for the year ended 30 June 2018, 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 July 2018, 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 control 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* require adjustment or disclosure have been adjusted or disclosed within the financial report.
15. In respect of other information:
 - We have informed you of all the documents that we expect to issue that may comprise other information;
 - The financial report and any other information obtained by you prior to the date of your auditor's report is consistent with one another, and the other information does not contain any material misstatements.
16. The selection and application of accounting policies as described in Note 1 in the financial report are appropriate.
17. We have no plans or intentions that may affect the carrying value or classification of assets and liabilities.
18. Liabilities, both actual and contingent, have been properly recorded and, when appropriate, adequately disclosed in the financial report.
19. 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.
20. 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.
21. We have communicated to you all deficiencies in internal control of which we are aware.
22. 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.
23. 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".
24. 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.
25. 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.
26. 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
General Manager Corporate Services

Date

Appendix A to the Management Representation Letter
City of Marion 30 June 2018

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)

XX September 2018

Penny Woods

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

Dear Penny Woods,

This representation letter is provided in connection with your reasonable assurance engagement for the purpose of you expressing an opinion as to whether, the requirement to design and implement internal controls in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and incurring of liabilities has been performed, in all material respects, in accordance Section 125 of the Local Government Act 1999 ("the Act") for the period 1 July 2017 to 30 June 2018.

We confirm that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

1. We have provided you with:
 - (a) access to all information of which we are aware that is relevant to the purposes of your reasonable assurance engagement such as records, documentation and other matters;
 - (b) additional information that you have requested from us for the purpose of the reasonable assurance engagement; and
 - (c) unrestricted access to persons within the Corporation of the City of Marion from whom you determined it necessary to obtain evidence.
2. We have fulfilled our responsibilities, as set out in the terms of the reasonable assurance engagement letter dated 27 September 2018 for ensuring that the requirement to design and implement internal controls in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and incurring of liabilities has been performed, in accordance Section 125 of the Local Government Act 1999 ("the Act") for the period 1 July 2017 to 30 June 2018.
3. The effects of control deficiencies are immaterial, individually and in aggregate, to the requirement to design and implement internal controls in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and incurring of liabilities. A summary of such items is attached to this representation letter as Appendix A.
4. Significant assumptions used by us in making any material estimates are reasonable.
5. We have communicated to you all deficiencies in internal control relevant to the reasonable assurance engagement that are clearly not trivial or inconsequential of which we are aware.
6. We acknowledge that we are responsible for the underlying subject matter.

Yours sincerely,

Adrian Skull
Chief Executive Officer

Vincent Mifsud
General Manager Corporate Services

Date

Date

DRAFT

Appendix A to the Management Representation Letter - Internal Controls

30 June 2018

Control	Observation	Recommendation	Management Response
REV-GRA-0001	There is no formal grant attraction procedure at present, however management are addressing the issue and are working towards implementing a functioning system.	Deloitte recommends that the formal grant attraction procedure be finalised.	Council's External Funding Attraction Working Group has commenced the preparation of a formal grant attraction procedure which it expects to be implemented in 2018/19.
ASS-LOA-0001	There were no specific reference details in the policy specific for issuing funds to clubs or community groups in accordance with the Delegations of Authority and in compliance with the Conflicts of Interest Policy.	Deloitte recommends that the policy be amended such that there is specific reference in the policy to issuing funds in accordance with the delegations of authority and conflicts of interest policies.	The process for issuing funds continues to be the same as prior year. All funds issued to clubs for grants were done by way of Council Resolution as required where no delegation exists.
ASS-DEB-0012	There is no way of generating a report in the system which shows changes to debtor masterfile. It is possible to see the date a debtor was edited by clicking into each individual debtor however details of the change cannot be seen i.e. whether it was name, address etc.	Deloitte recommends that changes to the debtor master file are reviewed and supported with documented evidence of review.	Other controls relating to debtors around following up on payments sufficiently mitigate the risk of non-payment associated with change of address details. As the system cannot generate a report that highlights these changes, in conjunction with other mitigating controls it will be recommended during the control review to be conducted during 2018/19 that this control be removed.
EXP-ELE-0005	There is no formal management review evidence available for the regular review of the Register of Allowances and Benefits conducted by Governance and Records.	Deloitte recommends there is a formal review process in place.	The process in place for preparation of the Register of Allowances and Benefits involves a two stage review process – first by the Unit Manager Governance and Records, followed by the Manager Corporate Governance. This will be formalised to ensure an evidentiary process is established to show that the register has been reviewed.
GEI-ITE-0009	There is no way of generating a report in the system which shows changes to creditor masterfile. It is possible to see the date a creditor was edited by clicking into each individual creditor however details of the change cannot be seen i.e. whether it was name, address etc.	Deloitte recommends that changes to the creditor master file are reviewed and supported with documented evidence of review.	The risk and consequence of change of address details is deemed to be low as the majority of suppliers are paid via EFT. It is important to note that Council has the ability to report on changes to Bank Details, and these are reviewed on a regular basis. Bank details changes must be supported by an invoice with the new information on them (emails and phone calls are not sufficient). New suppliers must be created via a documented approval process.

Statement of Comprehensive Income	2017/18	2016/17	Variance	Variance	Favourable/ (Unfavourable)	Analysis
	\$000's	\$000's	\$000's	%		
Income						
Rates Revenues	74,864	72,591	2,273	3.1%	F	2017/18 Rate increase of 2.2% plus growth of 0.993%
Statutory Charges	2,305	1,879	426	22.7%	F	Parking fines (\$283k), planning & development fees (\$90k) and dog registration & fines (\$66k)
User Charges	2,250	1,949	301	15.4%	F	Increase in Marion Outdoor Pool admission charges (\$90k), user contributions towards HACC services (\$64k), sale of ASR (Oaklands Wetland) Water (\$57k)
Grants, Subsidies & Contributions	9,954	9,242	712	7.7%	F	Predominantly relates to grant funding received from the Commonwealth Government towards the Edwardstown Soldiers Memorial Oval redevelopment and a number of other one-off projects
Investment Income	1,112	929	183	19.7%	F	Higher cash holdings throughout the year have resulted in greater investment income - refer Investment Report
Reimbursements	654	691	(37)	(5.4%)	U	
Other Income	894	479	415	86.6%	F	Contributions received from a number of sporting clubs towards jointly funded works on sports courts and facilities (\$314k)
Net Gain - Equity Accounted Businesses	533	413	120	29.1%	F	Movement in equity accounted investments - refer Note 19 and SRWRA Annual Financial Statements (includes a distribution received of \$765k offset by reduction in value of equity share of \$232k)
Total Income	92,566	88,173	4,393	5.0%		
Expenses						
Employee Costs	33,274	32,221	1,053	3.3%	U	Includes annual increases from Enterprise Agreements of 2.0% Salary, 2.0% Wages (from January) and lower than average capitalised labour (\$270k)
Materials, Contracts & Other Expenses	30,844	26,783	4,061	15.2%	U	Increase in utilities (\$288k), contribution towards drainage works in neighbouring council (\$300k), commencement of the pilot project for Urban Activation (\$98k), NRM levy (\$116k), waste collection & dumping fees (\$316k), comprehensive valuation (\$100k), Heron Way amphitheatre (\$345k), Finniss Street streetscaping (\$223k), website and online booking platform (\$208k), tree planting (\$88k), infrastructure maintenance (including roads, footpaths, walking trails and reserves - \$530k)
Depreciation, Amortisation & Impairment	16,991	16,870	121	0.7%	U	
Finance Costs	541	613	(72)	(11.7%)	F	No new borrowings were taken out resulting in a decrease in interest expense.
Net Loss - Equity Accounted Businesses	12	13	(1)	(7.7%)	F	Movement in equity accounted investments - refer Note 19 and Council Solutions Annual Financial Statements
Total Expenses	81,662	76,500	5,162	6.7%		
Operating Surplus/(Deficit)	10,904	11,673	(769)	(6.6%)		
Asset Disposal & Fair Value Adjustments	(1,311)	(1,226)	(85)	6.9%	U	Asset disposal related differences.
Amounts Received Specifically for New or Upgraded Assets	1,522	2,524	(1,002)	(39.7%)	U	Relates predominantly to State Government grant received for the Sam Willoughby International BMX track (\$2.0m) received in 2016/17 offset by a number of other grants.
Physical Resources Received Free of Charge	131	439	(308)	(70.2%)	U	
Net Surplus/(Deficit)	11,246	13,410	(2,164)	(16.1%)		
Other Comprehensive Income						
Changes in Revaluation Surplus - IPP&E	(4,922)	29,324	(34,246)	(116.8%)	U	Reflects change in the valuation of assets following the comprehensive revaluation undertaken by independent professional valuers in 2017/18
Total Other Comprehensive Income	(4,922)	29,324	(34,246)	(116.8%)		
Total Comprehensive Income	6,324	42,734	(36,410)	(85.2%)		

Statement of Financial Position

	2017/18	2016/17	Variance	Variance	Analysis
	\$000's	\$000's	\$000's	%	
ASSETS					
Current Assets					
Cash & Cash Equivalents	21,509	29,913	(8,404)	(28.1%)	Extra funds invested in term deposits with over 90 day terms included below in Other Financial Assets
Trade & Other Receivables	5,878	5,840	38	0.7%	
Other Financial Assets	27,450	11,900	15,550	130.7%	Relates to current term deposits with over 90 day terms
Inventories	227	248	(21)	(8.5%)	
Total Current Assets	55,064	47,901	7,163	15.0%	
Non-Current Assets					
Equity Accounted Investments in Council Businesses	5,815	6,059	(244)	(4.0%)	Movement in equity accounted investments - refer Note 19 and SRWRA and Council Solutions Annual Financial Statements
Infrastructure, Property, Plant & Equipment	1,132,532	1,135,662	(3,130)	(0.3%)	Movements in valuation of assets, net of asset acquisitions, disposals and depreciation.
Other Non-Current Assets	6,826	5,202	1,624	31.2%	Increase in Work In Progress, predominantly relating to the multi-year redevelopment of Edwardstown Soldiers Memorial Oval
Total Non-Current Assets	1,145,173	1,146,923	(1,750)	(0.2%)	
TOTAL ASSETS	1,200,237	1,194,824	5,413	0.5%	
LIABILITIES					
Current Liabilities					
Trade & Other Payables	10,339	10,235	104	1.0%	
Borrowings	1,100	1,197	(97)	(8.1%)	Current borrowings have decreased due to the final payment of a long term loan
Provisions	5,422	5,239	183	3.5%	
Total Current Liabilities	16,861	16,671	190	1.1%	
Non-Current Liabilities					
Borrowings	6,805	7,905	(1,100)	(13.9%)	Reduction in total borrowings in line with scheduled repayments of existing loans - no new borrowings taken out during 2017/18
Provisions	700	701	(1)	(0.1%)	
Total Non-Current Liabilities	7,505	8,606	(1,101)	(12.8%)	
TOTAL LIABILITIES	24,366	25,277	(911)	(3.6%)	
Net Assets	1,175,871	1,169,547	6,324	0.5%	
EQUITY					
Accumulated Surplus	380,504	373,871	6,633	1.8%	Refer Statement of Comprehensive Income & Statement of Change in Equity (movement in comprehensive income net of reserve transfers)
Asset Revaluation Reserves	760,237	765,159	(4,922)	(0.6%)	Reflects change in the valuation of assets following the comprehensive revaluation undertaken by independent professional valuers in 2017/18
Other Reserves	35,130	30,517	4,613	15.1%	Increase in amounts held in reserves
Total Council Equity	1,175,871	1,169,547	6,324	0.5%	

Statement of Comprehensive Income	2017/18 \$000's	Original Budget \$000's	Variance \$000's	Variance %	Favourable/ (Unfavourable)	Analysis
Income						
Rates Revenues	74,864	74,897	(33)	(0.0%)	U	
Statutory Charges	2,305	1,812	493	27.2%	F	Parking fines (\$351k), planning & development fees (\$52k) and dog registration & fines (\$75k)
User Charges	2,250	1,752	498	28.4%	F	Increase in Marion Outdoor Pool admission charges (\$138k), user contributions towards HACC services (\$150k), sale of ASR (Oaklands Wetland) Water (\$79k) and rental income (\$35k)
Grants, Subsidies & Contributions	9,954	5,509	4,445	80.7%	F	Edwardstown Soldiers Memorial Oval redevelopment (\$1,400k), advance payment of 2018/19 Grants Commission Financial Assistance Grants in 2017/18 (\$1,879k), HACC services (\$132k), ACE Foundation Skills (\$124k), Sturt River Linear Path (\$140k) and the Coastal Walking Trail (\$200k)
Investment Income	1,112	754	358	47.5%	F	Actual interest reflects on actual cash holdings throughout the year - refer Investment Report
Reimbursements	654	681	(27)	(4.0%)	U	
Other Income	894	1,233	(339)	(27.5%)	U	Budgeted contribution from Onkaparinga towards Sam Willoughby UCI BMX (\$750k) not received as works not commenced offset by contributions received from a number of sporting clubs towards jointly funded works on sports courts and facilities (\$314k)
Net Gain - Equity Accounted Businesses	533	334	199	59.6%	F	Movement in equity accounted investments - refer Note 19 and SRWRA Annual Financial Statements (includes a distribution received of \$765k offset by reduction in value of equity share of \$232k)
Total Income	92,566	86,972	5,594	6.4%		
Expenses						
Employee Costs	33,274	34,014	(740)	(2.2%)	F	Predominantly relates to savings from greater than budgeted vacancies throughout the year
Materials, Contracts & Other Expenses	30,844	30,375	469	1.5%	U	HACC services (offset with increased income \$342k), infrastructure maintenance (including roads, footpaths, walking trails and reserves - \$157k)
Depreciation, Amortisation & Impairment	16,991	17,030	(39)	(0.2%)	F	
Finance Costs	541	545	(4)	(0.7%)	F	
Net Loss - Equity Accounted Businesses	12	0	12	0.0%	U	Movement in equity accounted investments - refer Note 19 and Council Solutions Annual Financial Statements
Total Expenses	81,662	81,964	(302)	(0.4%)		
Operating Surplus/(Deficit)	10,904	5,008	5,896	117.7%	F	
Asset Disposal & Fair Value Adjustments	(1,311)	0	(1,311)	0.0%	U	Predominantly relates to demolition of Edwardstown Soldiers Memorial Recreation Oval buildings being replaced.
Amounts Received Specifically for New or Upgraded Assets	1,522	1,710	(188)	(11.0%)	U	Transfer of Edwardstown grant to Operating Grants & Subsidies (\$1,400k) offset by unbudgeted grants for Marion Outdoor Pool Masterplan Works (\$150k), Hendrie Street Inclusive Playground (\$170k), Heron Way Reserve (\$621k) and Hamilton Avenue Reserve Toilet (\$180k)
Physical Resources Received Free of Charge	131	1,500	(1,369)	(91.3%)	U	The Contributed Asset budget has previously been forecast at \$1.5m per annum in the LTFP. Due to the fluctuating nature of contributed assets, the process for budgeting in future years will be brought in line with the budgeting process for capital grants where Council will only budget for contributed assets where it is expecting to receive them.
Net Surplus/(Deficit)	11,246	8,218	3,028	36.8%	F	
Other Comprehensive Income						
Changes in Revaluation Surplus - IPP&E	(4,922)	0	(4,922)	0.0%	U	
Share of Other Comprehensive Income - Equity Accounted Council Business	0	0	0	0.0%		
Total Other Comprehensive Income	(4,922)	0	(4,922)	0.0%		
Total Comprehensive Income	6,324	8,218	(1,894)	(23.0%)	U	

City of Marion

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018



City of Marion

General Purpose Financial Statements for the year ended 30 June 2018

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City of Marion

General Purpose Financial Statements

for the year ended 30 June 2018

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 2018 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 2018

\$ '000	Notes	2018	2017
Income			
Rates Revenues	2a	74,864	72,591
Statutory Charges	2b	2,305	1,879
User Charges	2c	2,250	1,949
Grants, Subsidies and Contributions	2g	9,954	9,242
Investment Income	2d	1,112	929
Reimbursements	2e	654	691
Other Income	2f	894	479
Net Gain - Equity Accounted Council Businesses	19	533	413
Total Income		92,566	88,173
Expenses			
Employee Costs	3a	33,274	32,221
Materials, Contracts & Other Expenses	3b	30,844	26,783
Depreciation, Amortisation & Impairment	3c	16,991	16,870
Finance Costs	3d	541	613
Net loss - Equity Accounted Council Businesses	19	12	13
Total Expenses		81,662	76,500
Operating Surplus / (Deficit)		10,904	11,673
Asset Disposal & Fair Value Adjustments	4	(1,311)	(1,226)
Amounts Received Specifically for New or Upgraded Assets	2g	1,522	2,524
Physical Resources Received Free of Charge	2i	131	439
Net Surplus / (Deficit) ¹		11,246	13,410
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in Revaluation Surplus - I,PP&E	9a	(4,922)	29,324
Total Other Comprehensive Income		(4,922)	29,324
Total Comprehensive Income		6,324	42,734

¹ Transferred to Statement of Changes in Equity

City of Marion

Statement of Financial Position

as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current Assets			
Cash and Cash Equivalents	5a	21,509	29,913
Trade & Other Receivables	5b	5,878	5,840
Other Financial Assets	5c	27,450	11,900
Inventories	5d	227	248
Total Current Assets		55,064	47,901
Non-Current Assets			
Equity Accounted Investments in Council Businesses	6a	5,815	6,059
Infrastructure, Property, Plant & Equipment	7a	1,132,532	1,135,662
Other Non-Current Assets	6b	6,826	5,202
Total Non-Current Assets		1,145,173	1,146,923
TOTAL ASSETS		1,200,237	1,194,824
LIABILITIES			
Current Liabilities			
Trade & Other Payables	8a	10,339	10,235
Borrowings	8b	1,100	1,197
Provisions	8c	5,422	5,239
Total Current Liabilities		16,861	16,671
Non-Current Liabilities			
Borrowings	8b	6,805	7,905
Provisions	8c	700	701
Total Non-Current Liabilities		7,505	8,606
TOTAL LIABILITIES		24,366	25,277
Net Assets		1,175,871	1,169,547
EQUITY			
Accumulated Surplus		380,504	373,871
Asset Revaluation Reserves	9a	760,237	765,159
Other Reserves	9b	35,130	30,517
Total Council Equity		1,175,871	1,169,547

City of Marion

Statement of Changes in Equity
for the year ended 30 June 2018

\$ '000	Notes	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	Total Equity
2018					
Balance at the end of previous reporting period		373,871	765,159	30,517	1,169,547
a. Net Surplus / (Deficit) for Year		11,246	-	-	11,246
b. Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	9a	-	(4,922)	-	(4,922)
Other Comprehensive Income		-	(4,922)	-	(4,922)
Total Comprehensive Income		11,246	(4,922)	-	6,324
c. Transfers between Reserves		(4,613)	-	4,613	-
Balance at the end of period		380,504	760,237	35,130	1,175,871
2017					
Balance at the end of previous reporting period		369,211	735,835	21,767	1,126,813
a. Net Surplus / (Deficit) for Year		13,410	-	-	13,410
b. Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	9a	-	29,324	-	29,324
Other Comprehensive Income		-	29,324	-	29,324
Total Comprehensive Income		13,410	29,324	-	42,734
c. Transfers between Reserves		(8,750)	-	8,750	-
Balance at the end of period		373,871	765,159	30,517	1,169,547

City of Marion

Statement of Cash Flows

for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Cash Flows from Operating Activities			
<u>Receipts</u>			
Rates Receipts		74,602	72,393
Statutory Charges		2,335	1,888
User Charges		2,475	2,013
Grants, Subsidies and Contributions (operating purpose)		10,222	9,377
Investment Receipts		1,112	929
Reimbursements		711	725
Other Receipts		5,665	3,555
<u>Payments</u>			
Payments to Employees		(33,446)	(32,423)
Payments for Materials, Contracts & Other Expenses		(35,993)	(26,707)
Finance Payments		(541)	(613)
Net Cash provided by (or used in) Operating Activities	11b	27,142	31,137
Cash Flows from Investing Activities			
<u>Receipts</u>			
Amounts Received Specifically for New/Upgraded Assets		1,522	2,524
Sale of Replaced Assets		529	2,049
Sale of Surplus Assets		318	363
Distributions Received from Equity Accounted Council Businesses		765	-
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(13,223)	(12,675)
Expenditure on New/Upgraded Assets		(8,687)	(4,931)
Net Purchase of Investment Securities		(15,550)	(3,700)
Net Cash provided by (or used in) Investing Activities		(34,326)	(16,370)
Cash Flows from Financing Activities			
<u>Receipts</u>			
Proceeds from Bonds & Deposits		-	3
<u>Payments</u>			
Repayments of Borrowings		(1,197)	(1,126)
Repayment of Bonds & Deposits		(23)	(2)
Net Cash provided by (or used in) Financing Activities		(1,220)	(1,125)
Net Increase (Decrease) in Cash Held		(8,404)	13,642
plus: Cash & Cash Equivalents at beginning of period	11a	29,913	16,271
Cash & Cash Equivalents at end of period	11a	21,509	29,913

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

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City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

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 on a going concern basis using the historical cost convention 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 31 May 2018.

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

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.

In recent years the payment of untied financial assistance grants has varied from the annual allocation as shown in the table below:

	Cash Payment Received	Annual Allocation	Difference
2015/16	\$1,278,810	\$2,715,629	-\$1,436,819
2016/17	\$4,091,214	\$2,700,069	+\$1,391,145
2017/18	\$3,399,489	\$3,269,242	+\$130,247

Because these grants are untied, the Australian Accounting Standards require that payments be recognised upon receipt. Accordingly, the operating results of these periods have been distorted

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 1. Summary of Significant Accounting Policies (continued)

compared to those that would have been reported had the grants been paid in the year to which they were allocated.

The Operating Surplus Ratio disclosed in Note 15 has also been calculated after adjusting for the distortions resulting from the differences between the actual grants received and the grants entitlements allocated.

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.

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 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.

6.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council 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. 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	\$250,000
Reserve Pathways	\$500,000
Buildings	
Bus Shelters	\$1,000,000
Shelters/Gazebos	\$250,000
Fencing	\$500,000

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 1. Summary of Significant Accounting Policies (continued)

Furniture and Fittings	\$25,000
Equipment	
Irrigation	\$1,000,000
LED Lighting	\$1,000,000
Other	
BBQs	\$250,000
Reserve Furniture	\$500,000
Drink Fountains	\$50,000
Reserve Bollards	\$250,000
Reserve Bins	\$100,000
City Band Instruments	\$100,000
Council Artwork	\$100,000

6.3 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.

6.4 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.

	Short Life Years	Long Life Years
<i>Furniture & Equipment</i>		
Office Equipment	3 to 10	N/a
Office Furniture	15	N/a
Vehicles and Heavy Equipment	3 to 15	N/a
Other Plant & Equipment	7 to 25	N/a
LED Lighting	50	N/a
Irrigation – Equipment	10	N/a
Irrigation - Pipework	60	N/a
<i>Buildings</i>		
Sub Structure	N/a	80 to 200
Super Structure	40 to 80	N/a
Roofing	40	N/a
Services	40 to 50	N/a
Fitout	30 years	N/a
<i>Infrastructure</i>		
Sealed Roads – Surface	25 to 40	N/a
Road Base	60 to 100	200
Road Formation	200	N/a
Kerb	70 - 105	200
Footpath – Bitumen/Rubber	20 to 40	60 to 100
Footpath – Concrete	50 to 85	N/a
Footpath – Paved	50 to 85	N/a
Other Road Structures	20 to 100	20 to 40
Traffic Signs	15 to 20	N/a
Bridges	80 to 140	200
Stormwater Pipes Concrete	100 to 175	200
Stormwater Pipes PVC	60 to 100	N/a
Stormwater Pipes Ribloc	60 to 100	200
Junction Boxes	100 to 175	200
Pollutant Traps	100 to 175	200
Box Culverts	100 to 175	200
Headwalls	100 to 175	200
Drainage Pits	100 to 175	200
<i>Other Infrastructure</i>		
Wetland Assets	15-100	250 years
Car Parks	25 to 40	N/a
Lighting	15-25	N/a
Recreation Pathways	30-40	N/a
Sports Floodlights	25	N/a

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 1. Summary of Significant Accounting Policies (continued)

<i>Other Assets</i>		
Playground Equipment	20	N/a
Reserve Furniture	25	N/a
Band Instruments	30	N/a
Civic Art Structures	15 to 80	N/a

6.5 Impairment

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, are not subject to impairment testing.

Other 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).

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.

6.6 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 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

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings 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. Present values are calculated using government guaranteed securities rates with similar maturity terms.

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

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 1. Summary of Significant Accounting Policies (continued)

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 finance leases, where Council substantially carries all of 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 within the appropriate asset class and are amortised to expense over the period during which the Council 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.

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 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.

13 New accounting standards and interpretations

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies.

City of Marion has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective.

Some Australian Accounting Standards and Interpretations have been issued but are not yet effective. Those standards have not been applied in these financial statements. Council will implement them when they are effective.

The standards are not expected to have a material impact upon Council's future financial statements are:

Effective for annual reporting periods beginning on or after 1 January 2017

- AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*
- AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*
- AASB 2016-7 *Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities*

Effective for annual reporting periods beginning on or after 1 January 2018

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 1. Summary of Significant Accounting Policies (continued)

- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*
- AASB 2014-1 *Amendments to Australian Accounting Standards (Part E)*
- AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*
- AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*
- AASB 2017-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 4*

Effective for annual reporting periods beginning on or after 1 January 2019

- AASB 16 *Leases*
- AASB 16 *Leases (Appendix D)*
- AASB 1058 *Income of Not-for-Profit Entities*
- AASB 1058 *Income of Not-for-Profit Entities (Appendix D)*
- AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*
- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*
- AASB 1059 *Service Concession Arrangements: Grantors*
- AASB 1059 *Service Concession Arrangements: Grantors (Appendix D)*

15 Disclaimer

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

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.

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 2. Income

\$ '000	Notes	2018	2017
(a). Rates Revenues			
General Rates			
General Rates		74,161	71,746
Less: Mandatory Rebates		(1,357)	(1,060)
Less: Discretionary Rebates, Remissions & Write Offs		(3)	(7)
Total General Rates		72,801	70,679
Other Rates (Including Service Charges)			
Natural Resource Management Levy		1,801	1,666
Total Other Rates		1,801	1,666
Other Charges			
Penalties for Late Payment		262	246
Total Other Charges		262	246
Total Rates Revenues		74,864	72,591
(b). Statutory Charges			
Development Act Fees		899	810
Town Planning Fees		74	86
Animal Registration Fees & Fines		531	465
Parking Fines / Expiation Fees		801	518
Total Statutory Charges		2,305	1,879
(c). User Charges			
Hall & Equipment Hire		285	256
Sales - General		373	297
Sundry		887	785
Admission Fees		460	380
Rental Income		245	231
Total User Charges		2,250	1,949

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 2. Income (continued)

\$ '000	Notes	2018	2017
(d). Investment Income			
Interest on Investments			
- Local Government Finance Authority		1,103	924
- Banks & Other		9	5
Total Investment Income		1,112	929
(e). Reimbursements			
Private Works		250	171
Other		404	520
Total Reimbursements		654	691
(f). Other Income			
Insurance & Other Recoupments - Infrastructure, IPP&E		175	31
Sundry		145	124
Donations & Contributions income		574	324
Total Other Income		894	479
(g). Grants, Subsidies, Contributions			
Amounts Received Specifically for New or Upgraded Assets		1,522	2,524
Total Amounts Received Specifically for New or Upgraded Assets		1,522	2,524
Other Grants, Subsidies and Contributions		8,433	7,851
Individually Significant Item - Additional Grants Commission Payment (refer below)		1,521	1,391
Total Other Grants, Subsidies and Contributions		9,954	9,242
Total Grants, Subsidies, Contributions		11,476	11,766
The functions to which these grants relate are shown in Note 12.			
(i) Sources of grants			
Commonwealth Government		4,256	3,613
State Government		7,133	7,956
Other		87	197
Total		11,476	11,766
(ii) Individually Significant Items			
Grant Commission (FAG) Grant Recognised as Income		1,521	1,391

2018 : In June 2018, Council received payment of the first two instalments of the 2018/19 Grants Commission Financial Assistance Grants. This was offset by the 2017/18 Grants Commission payment received in June 2017.

2017: In June 2017, Council received payment of the first two instalments of the 2017/18 Grants Commission Financial Assistance Grants. This has had a material effect on Council's operating result in the 2016/17 financial year.

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 2. Income (continued)

\$ '000	Notes	2018	2017
(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		2,839	1,245
<i>Less:</i>			
<i>Expended during the current period from revenues recognised in previous reporting periods</i>			
Other		(443)	(835)
Subtotal		(443)	(835)
<i>Plus:</i>			
<i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>			
Other		1,632	2,429
Subtotal		1,632	2,429
Unexpended at the close of this reporting period		4,028	2,839
Net increase (decrease) in assets subject to conditions in the current reporting period		1,189	1,594
(i). Physical Resources Received Free of Charge			
Land & Improvements		-	264
Roads, Bridges & Footpaths		112	83
Stormwater Drainage		12	68
Buildings		-	23
Other		7	1
Total Physical Resources Received Free of Charge		131	439

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 3. Expenses

\$ '000	Notes	2018	2017
(a). Employee Costs			
Salaries and Wages		28,259	27,408
Employee Leave Expense		2,571	2,609
Superannuation - Defined Contribution Plan Contributions	18	2,540	2,488
Workers' Compensation Insurance		806	890
Less: Capitalised and Distributed Costs		(902)	(1,174)
Total Operating Employee Costs		33,274	32,221
Total Number of Employees (full time equivalent at end of reporting period)		360	344
(b). Materials, Contracts and Other Expenses			
(i) Prescribed Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports		34	37
Bad and Doubtful Debts		3	-
Elected Members' Expenses		329	340
Operating Lease Rentals - Cancellable Leases		483	450
Subtotal - Prescribed Expenses		849	827
(ii) Other Materials, Contracts and Expenses			
Contractors		14,022	12,770
Energy		2,022	1,815
Maintenance		3,046	2,014
Legal Expenses		249	180
Levies Paid to Government - NRM levy		1,799	1,683
Levies - Other		174	160
Parts, Accessories & Consumables		3,031	2,681
Professional Services		1,342	977
Sundry		2,485	1,826
Insurance		521	627
Fringe Benefits Tax		181	215
Advertising		138	103
Printing & Postage		333	331
Memberships & Subscriptions		260	209
Bank Fees & Charges		200	203
Telecommunication Charges		192	162
Subtotal - Other Material, Contracts & Expenses		29,995	25,956
Total Materials, Contracts and Other Expenses		30,844	26,783

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 3. Expenses (continued)

\$ '000	Notes	2018	2017
(c). Depreciation, Amortisation and Impairment			
(i) Depreciation and Amortisation			
Buildings & Other Structures		4,884	4,927
Infrastructure		8,493	8,361
- Other		1,409	1,380
Plant & Equipment		1,210	1,260
Furniture & Fittings		77	76
Intangible Assets		58	54
Other Assets		965	954
Subtotal		17,096	17,012
Less: Capitalised and Distributed costs		(105)	(142)
Total Depreciation, Amortisation and Impairment		16,991	16,870
(d). Finance Costs			
Interest on Loans		541	613
Total Finance Costs		541	613

Note 4. Asset Disposal & Fair Value Adjustments

Infrastructure, Property, Plant & Equipment			
(i) Assets Renewed or Directly Replaced			
Proceeds from Disposal		688	2,412
Less: Carrying Amount of Assets Sold		(2,053)	(3,638)
Gain (Loss) on Disposal		(1,365)	(1,226)
(ii) Assets Surplus to Requirements			
Proceeds from Disposal		159	-
Less: Carrying Amount of Assets Sold		(105)	-
Gain (Loss) on Disposal		54	-
Net Gain (Loss) on Disposal or Revaluation of Assets		(1,311)	(1,226)

Note 5. Current Assets

(a). Cash & Cash Equivalents			
Cash on Hand at Bank		309	213
Short Term Deposits & Bills, etc.		21,200	29,700
Total Cash & Cash Equivalents		21,509	29,913

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 5. Current Assets (continued)

\$ '000	Notes	2018	2017
(b). Trade & Other Receivables			
Rates - General & Other		2,315	2,065
Rates Postponed for State Seniors		159	145
Accrued Revenues		328	467
Debtors - General		1,501	1,463
GST Recoupment		988	1,064
Prepayments		587	636
Total Trade & Other Receivables		5,878	5,840

(c). Other Financial Assets (Investments)

Other Financial Assets (Term Deposits with over 90 days to maturity)		27,450	11,900
Total Other Financial Assets (Investments)		27,450	11,900

Amounts included in other financial assets that are not expected to be received within 12 months of reporting date are disclosed in Note 13

(d). Inventories

Stores & Materials		227	248
Total Inventories		227	248

Note 6. Non-Current Assets

(a). Equity Accounted Investments in Council Businesses

Southern Region Waste Resource Authority	19	5,739	5,971
Council Solutions	19	76	88
Total Equity Accounted Investments in Council Businesses		5,815	6,059

(b). Other Non-Current Assets

Capital Works-in-Progress		6,660	4,978
Computer Software & Licences		1,178	1,238
Less Accumulated Amortisation		(1,012)	(1,014)
Total Other Non-Current Assets		6,826	5,202

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

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

\$ '000	Fair Value Level	as at 30/6/2017					Asset Movements during the Reporting Period							as at 30/6/2018				
		At Fair Value	At Cost	Accumulated		Carrying Value	Asset Additions		WDV of Asset Disposals	Depreciation Expense (Note 3c)	Adjustments & Transfers	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	357,491	2,653	-	-	360,144	-	-	-	-	-	(8,149)	-	351,995	-	-	-	351,995
Buildings & Other Structures	3	136,341	27,436	80,571	-	83,206	2,256	925	(1,060)	(4,884)	-	-	25,625	168,688	2,399	65,019	-	106,068
Infrastructure	3	741,028	4,562	105,764	-	639,826	2,072	7,161	-	(8,493)	-	(21,961)	-	756,151	2,055	139,601	-	618,605
- Other	3	46,771	6,410	15,938	-	37,243	3,092	944	(548)	(1,409)	(4,538)	(1,004)	-	42,819	3,164	12,203	-	33,780
Plant & Equipment		-	13,687	7,197	-	6,490	1,390	2,036	(536)	(1,210)	4,538	-	-	-	21,872	9,164	-	12,708
Furniture & Fittings		-	1,734	892	-	842	7	35	-	(77)	-	-	-	-	1,774	967	-	807
Other Assets		13,295	1,938	7,322	-	7,911	637	433	(14)	(965)	-	-	567	11,290	537	3,258	-	8,569
Total Infrastructure, Property, Plant & Equipment		1,294,926	58,420	217,684	-	1,135,662	9,454	11,534	(2,158)	(17,038)	-	(31,114)	26,192	1,330,943	31,801	230,212	-	1,132,532
Comparatives		1,275,378	51,136	214,856	-	1,111,658	4,195	11,081	(3,638)	(16,958)	-	-	29,324	1,294,926	58,420	217,684	-	1,135,662

Note 7a (ii). Investment Property

Nil

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

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

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 2018

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.D5 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 2018

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 comprehensive revaluation was carried out by independent valuation for the reporting period, 30 June 2018.

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 comprehensive revaluation was carried out by independent valuation for this reporting period, 30 June 2018.

Infrastructure

A comprehensive revaluation of infrastructure assets (roads, footpaths, kerbs, drains, bridges, traffic devices and traffic signs) was carried out by independent valuation for this reporting period, 30 June 2018.

A comprehensive revaluation was carried out by independent valuation for this reporting period, 30 June 2018 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 comprehensive revaluation was carried out by independent valuation for this reporting period, 30 June 2018.

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 8. Liabilities

		2018	2018	2017	2017
\$ '000	Notes	Current	Non Current	Current	Non Current
(a). Trade and Other Payables					
Goods & Services		9,537	-	9,451	-
Payments Received in Advance		21	-	-	-
Accrued Expenses - Employee Entitlements		744	-	737	-
Accrued Expenses - Other		18	-	20	-
Deposits, Retentions & Bonds		-	-	23	-
Other		19	-	4	-
Total Trade and Other Payables		10,339	-	10,235	-

(b). Borrowings

Loans	1,100	6,805	1,197	7,905
Total Borrowings	1,100	6,805	1,197	7,905

All interest bearing liabilities are secured over the future revenues of the Council

(c). Provisions

Employee Entitlements (including oncosts)	5,422	700	5,239	701
Total Provisions	5,422	700	5,239	701

Note 9. Reserves

\$ '000	1/7/2017	Increments (Decrements)	Transfers	Impairments	30/6/2018
(a). Asset Revaluation Reserve					
Land	258,845	(8,149)	-	-	250,696
Buildings & Other Structures	59,250	25,625	-	-	84,875
Infrastructure	25,857	(21,961)	-	-	3,896
- Stormwater Drainage	97,742	-	-	-	97,742
- Other	1,302	(1,004)	-	-	298
- Roads, Bridges, Footpaths	318,547	-	-	-	318,547
Other Assets	4,506	567	-	-	5,073
JV's / Associates - Other Comprehensive Income	(890)	-	-	-	(890)
Total Asset Revaluation Reserve	765,159	(4,922)	-	-	760,237
Comparatives	735,835	29,324	-	-	765,159

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 9. Reserves (continued)

\$ '000	1/7/2017	Tfrs to Reserve	Tfrs from Reserve	Other Movements	30/6/2018
(b). Other Reserves					
Open Space Reserve	1,188	53	(23)	-	1,218
Grants/Carry Forward Projects Reserve	13,698	11,077	(12,519)	-	12,256
Asset Sustainability Reserve	15,631	8,098	(2,073)	-	21,656
Total Other Reserves	30,517	19,228	(14,615)	-	35,130
Comparatives	21,767	15,929	(7,179)	-	30,517

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 developer are transferred to the Fund.

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.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 9. Reserves (continued)

\$ '000

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 borrowing
- 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

2018

2017

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

4,028

2,839

Total Cash & Financial Assets

4,028

2,839

Total Assets Subject to Externally Imposed Restrictions

4,028

2,839

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 11. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2018	2017
(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	21,509	29,913
Balances per Statement of Cash Flows		21,509	29,913
(b). Reconciliation of Change in Net Assets to Cash from Operating Activities			
Net Surplus/(Deficit)		11,246	13,410
Non-Cash Items in Income Statements			
Depreciation, Amortisation & Impairment		16,991	16,870
Equity Movements in Equity Accounted Investments (Increase)/Decrease		(521)	(400)
Non-Cash Asset Acquisitions		(131)	(439)
Grants for Capital Acquisitions (Treated as Investing Activity Receipts)		(1,522)	(2,524)
Net (Gain) Loss on Disposals		1,311	1,226
Other		2	-
		27,376	28,143
Add (Less): Changes in Net Current Assets			
Net (Increase)/Decrease in Receivables		(38)	(1,086)
Net (Increase)/Decrease in Inventories		21	(72)
Net (Increase)/Decrease in Other Current Assets		58	(4)
Net Increase/(Decrease) in Trade & Other Payables		(457)	4,152
Net Increase/(Decrease) in Unpaid Employee Benefits		182	4
Net Cash provided by (or used in) operations		27,142	31,137
(c). Non-Cash Financing and Investing Activities			
Acquisition of assets by means of:			
- Physical Resources Received Free of Charge	2i	131	439
Amounts recognised in Income Statement		131	439
Total Non-Cash Financing & Investing Activities		131	439
(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 2018

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 2018	Actual 2017	Actual 2018	Actual 2017	Actual 2018	Actual 2017	Actual 2018	Actual 2017	Actual 2018	Actual 2017
\$ '000										
Leader in the Delivery of the Community Vision										
Development Assessment	1,042	1,086	3,823	3,669	(2,781)	(2,583)	-	3	-	-
Crime Prevention	1	1	388	390	(387)	(389)	-	-	-	-
Community Support & Development	5,269	3,404	10,130	9,701	(4,861)	(6,297)	3,399	1,999	116,030	115,560
Public & Environment Health	87	90	895	843	(808)	(753)	35	38	-	-
General Inspection	1,359	1,011	1,610	1,589	(251)	(578)	-	1	-	-
Public Infrastructure	3,503	3,713	18,988	18,132	(15,485)	(14,419)	2,910	3,319	676,208	707,144
Open Space	711	260	13,288	12,000	(12,577)	(11,740)	468	59	290,111	264,162
Public Conveniences	3	2	607	516	(604)	(514)	-	-	3,172	3,005
Strategic Projects	182	25	1,356	1,276	(1,174)	(1,251)	-	21	-	1
Asset Management	-	-	-	-	-	-	-	-	15,967	17,492
Neighbourhood Centres	778	640	2,481	2,480	(1,703)	(1,840)	521	382	7,820	6,882
Cultural Development	353	311	3,453	3,371	(3,100)	(3,060)	2	24	14,852	11,129
Libraries	675	700	7,483	7,518	(6,808)	(6,818)	558	547	14,612	14,581
Waste & Recycling	96	56	7,956	7,525	(7,860)	(7,469)	9	3	5,739	5,972
Economic Development	195	204	1,002	749	(807)	(545)	200	160	-	-
Total Leader in the Delivery of the Community Vision	14,302	11,503	74,865	69,759	(60,563)	(58,256)	8,102	6,556	1,144,511	1,145,928
Organisation of Excellence										
Governance	1	89	4,191	4,130	(4,190)	(4,041)	-	1	-	2
Service Quality	-	1	168	136	(168)	(135)	-	-	589	578
Total Organisation of Excellence	1	90	4,359	4,266	(4,358)	(4,176)	-	1	589	580
Treasury	77,730	76,167	2,426	2,462	75,304	73,705	1,852	2,685	55,137	48,316
Total Functions/Activities	92,033	87,760	81,650	76,487	10,383	11,273	9,954	9,242	1,200,237	1,194,824

Revenues and expenses exclude net gain (loss) on disposal or revaluation of assets, net gain (loss) from joint ventures & associated entities, 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 2018

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 Kurna 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

NEIGHBOURHOOD CENTRES

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

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 12b. Components of Functions (continued)

\$ '000

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.

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

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 12b. Components of Functions (continued)

\$ '000

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

Note 13. Financial Instruments

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 2.15% and 2.35% (2017: 1.85% and 2.40%). Short term deposits have an average maturity of 98 days and an average interest rate of 2.34% (2017: 95 days and 2.42%).

Carrying Amount:

Approximates fair value due to the short term to maturity.

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 13. Financial Instruments (continued)

\$ '000

Recognised Financial Instruments**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% (2017: 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).

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.

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 13. Financial Instruments (continued)

\$ '000

Recognised Financial Instruments**Receivables****Retirement Home Contributions****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:

Amounts due have been calculated in accordance with the terms and conditions of the respective legislation.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

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**Retirement Home Contributions****Accounting Policy:**

To avoid inconvenience when complying with the separate audit requirements imposed by the relevant legislation, amounts are carried at nominal values.

Terms & Conditions:

Pursuant to Commonwealth legislation certain intending residents are required to contribute amounts on an interest free basis. The amounts are subject to certain deductions as prescribed by the legislation, the balance being repaid on termination of tenancy.

Carrying Amount:

Approximates fair value for short tenancies; may be non-materially overstated for longer tenancies.

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 over 10 to 15 years; interest is charged at fixed rates between 5.80% and 6.85% (2017: 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 2018

Note 13. Financial Instruments (continued)

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2018					
Financial Assets					
Cash & Equivalents	21,509	-	-	21,509	21,509
Receivables	1,829	-	-	1,829	1,829
Other Financial Assets	27,450	-	-	27,450	27,450
Total Financial Assets	50,788	-	-	50,788	50,788
Financial Liabilities					
Payables	10,339	-	-	10,339	10,339
Current Borrowings	1,570	-	-	1,570	1,100
Non-Current Borrowings	-	5,301	3,155	8,456	6,805
Total Financial Liabilities	11,909	5,301	3,155	20,365	18,244
2017					
Financial Assets					
Cash & Equivalents	29,913	-	-	29,913	29,913
Receivables	1,930	-	-	1,930	1,930
Other Financial Assets	11,900	-	-	11,900	11,900
Total Financial Assets	43,743	-	-	43,743	43,743
Financial Liabilities					
Payables	10,235	-	-	10,235	10,235
Current Borrowings	1,743	-	-	1,743	1,197
Non-Current Borrowings	-	5,791	4,235	10,026	7,905
Total Financial Liabilities	11,978	5,791	4,235	22,004	19,337

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

	30 June 2018		30 June 2017	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Fixed Interest Rates	6.16%	7,905	6.17%	9,102
		7,905		9,102

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 2018

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

2018

2017

Capital Commitments

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

Land	69	56
Buildings	533	961
Infrastructure	1,237	2,952
Plant & Equipment	21	208
Other	274	64
	2,134	4,241

These expenditures are payable:

Not later than one year	2,134	4,241
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
	2,134	4,241

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 15. Financial Indicators

	Amounts	Indicator	Prior Periods	
\$ '000	2018	2018	2017	2016

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	10,904	12%	13%	12%
Total Operating Income	92,566			

This ratio expresses the operating surplus as a percentage of total operating revenue.

2. Net Financial Liabilities Ratio

Net Financial Liabilities	(30,471)	(33%)	(25%)	(8%)
Total Operating Income	92,566			

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.

Adjustments to Ratios

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. These Adjusted Ratios correct for the resulting distortion in key ratios for each year and provide a more accurate basis for comparison.

Adjusted Operating Surplus Ratio	10%	12%	12%
Adjusted Net Financial Liabilities Ratio	(33%)	(25%)	(8%)

3. Asset Sustainability Ratio

Net Asset Renewals	13,278	78%	75%	84%
Infrastructure & Asset Management Plan required expenditure	16,991			

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 2018

Note 16. Uniform Presentation of Finances

\$ '000	2018	2017
<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	92,566	88,173
less Expenses	(81,662)	(76,500)
Operating Surplus / (Deficit)	10,904	11,673
Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	(13,807)	(12,675)
<i>add back</i> Depreciation, Amortisation and Impairment	16,991	16,870
<i>add back</i> Proceeds from Sale of Replaced Assets	529	2,049
Subtotal	3,713	6,244
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	(8,687)	(4,931)
<i>add back</i> Amounts Received Specifically for New and Upgraded Assets	1,522	2,524
<i>add back</i> Proceeds from Sale of Surplus Assets (including Investment Property & and Real Estate Developments)	318	363
Subtotal	(6,847)	(2,044)
Net Lending / (Borrowing) for Financial Year	7,770	15,873

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 17. Operating Leases

\$ '000	2018	2017
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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	279	300
Later than one year and not later than 5 years	292	287
Later than 5 years	142	-
	713	587

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

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 2017/18; 9.50% in 2016/17). 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 2016/17) of "superannuation" salary.

In addition, Council makes a separate contribution of 3.2% 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, Louise Campbell, FIAA, of Willie Towers Watson as at 30 June 2017. The Trustee has determined that the current funding arrangements are adequate 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 2018

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	
	2018	2017	2018	2017
Joint Ventures	521	400	5,815	6,059
Total	521	400	5,815	6,059

(i) JOINT VENTURES, ASSOCIATES AND JOINT OPERATIONS

(a) Carrying Amounts

Name of Entity	Principal Activity	2018	2017
Southern Region Waste Resource Authority (SRWRA)	Waste Disposal	5,739	5,971
Council Solutions	Procurement	76	88
Total Carrying Amounts - Joint Ventures & Associates		5,815	6,059

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 2018, the net assets of SRWRA total \$19,133,000. The City of Marion interest, totalling \$5,739,000 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 has a 16.67% interest in the assets and liabilities of Council Solutions. For the year ended 30 June 2018, the net assets of Council Solutions total \$455,000. The City of Marion interest, totalling \$76,000 is disclosed below.

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 19. Interests in Other Entities

\$ '000

(b) Relevant Interests

Name of Entity	Interest in Operating Result		Ownership Share of Equity		Proportion of Voting Power	
	2018	2017	2018	2017	2018	2017
Southern Region Waste Resource Authority (SRWRA)	30%	30%	30%	30%	30%	30%
Council Solutions	17%	17%	17%	17%	17%	17%

(c) Movement in Investment in Joint Venture or Associate

	Southern Region Waste Resource Authority (SRWRA)		Council Solutions	
	2018	2017	2018	2017
Opening Balance	5,971	5,558	88	101
Share in Operating Result	533	413	(12)	(13)
Distributions Received	(765)	-	-	-
Council's Equity Share in the Joint Venture or Associate	5,739	5,971	76	88

(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:

	2018	2017
(i) Operating Expenditures Payable		
Not later than one year	18	18
Later than one year and not later than 5 years	19	37
Later than 5 years	-	-
	37	55

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

Notes to and forming part of the Financial Statements

for the year ended 30 June 2018

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.

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 currently has no guaranteed loans or other banking facilities advanced to community organisations and sporting bodies at reporting date.

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 4 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.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 22. Events after the Balance Sheet Date

Events that occur after the reporting date of 30 June 2018, 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 09/10/18.

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

Note 23. Related Party Transactions

\$ '000	2018	2017
---------	------	------

Key Management Personnel

Transactions with Key Management Personnel

The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the Local Government Act 1999. In all, 17 persons were paid the following total compensation:

The compensation paid to Key Management Personnel comprises:

Salaries, Allowances & Other Short-Term Employee Benefits	1,190	1,167
Post-Employment Benefits	77	74
Total	1,267	1,241

Amounts paid as direct reimbursement of expenses incurred on behalf of Council have not been included above.

Receipts from Key Management Personnel comprise:

Other than amounts paid as ratepayers or residents (e.g. rates, swimming pool entry fees, etc.), Council received no receipts from Key Management Personnel.

City of Marion

General Purpose Financial Statements for the year ended 30 June 2018

Auditor's Report - Financial Statements

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City of Marion

General Purpose Financial Statements for the year ended 30 June 2018

Auditor's Report - Financial Statements

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City of Marion

General Purpose Financial Statements for the year ended 30 June 2018

Auditor's Report - Internal Controls

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City of Marion

General Purpose Financial Statements for the year ended 30 June 2018

Auditor's Report - Internal Controls

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City of Marion

General Purpose Financial Statements

for the year ended 30 June 2018

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 2018, 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 2018

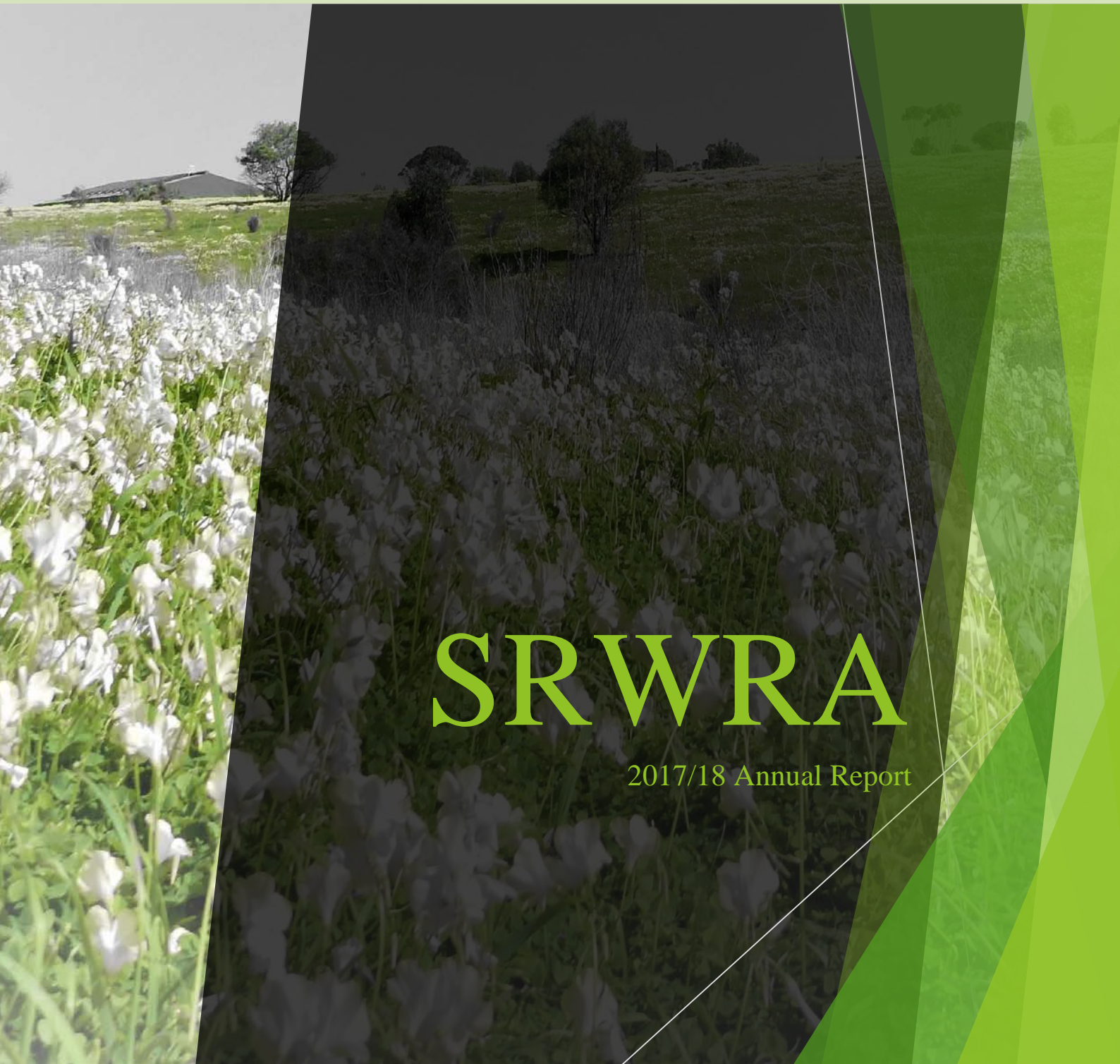
Statement by Auditor

I confirm that, for the audit of the financial statements of City of Marion for the year ended 30 June 2018, 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 2018.





SRWRA is a regional subsidiary established by the Cities of Onkaparinga, Marion and Holdfast Bay, pursuant to Section 43 of the Local Government Act, 1999.

Under our Charter, SRWRA is responsible for providing and operating waste management services on behalf of our constituent Councils.

At a practical level, our core business activity is the management of our wholly-owned SRWRA Landfill and Recycling Operation employing innovative resource recovery approaches in managing all products and materials as valuable and finite resources. This is one of the State's major landfill operations currently receiving over 100,000 tonnes of waste annually.

Since 1996 the Authority has been extracting landfill gas (methane) through its gas management plant. On average, the Authority generates over 18,000MWh per annum from the SRWRA Landfill facility, equivalent to powering more than 2,500 local homes. As a result, more than 6.8m cubic metres of methane from the SRWRA's Landfill Gas site is consumed, CO2 abatement equivalent to taking 26,000 cars off the road.

The SRWRA's joint venture operation with Integrated Waste Services (IWS) has developed through 2017/18 with significant improvements in the recycling programme through the jointly operated Southern Recycling Centre (SRC) realising significant improvements in the reduction of waste to landfill.

Joint Venture Partner



Constituent Councils



Chairperson's Message



Waste management impacts many aspects of society and the economy. This has never been more evident than in the past 12 months when the Chinese government stopped taking recyclable materials from Australia, an action which focused our collective consciousness on the need to ensure we have sustainable markets for recycled materials in Australia.

As a country we have a strong commitment to recycling and South Australia has long been at the forefront of this. For many people, recycling means putting waste in the yellow-top bin with the expectation that this is then sorted and turned back into its base materials such as paper, glass, plastics etc. Unfortunately, all too much of this product is not suitable for recycling and ends up in a landfill. This must change. In Australia we need to proactively stimulate markets for the use of recycled materials so that industry will continue to invest and innovate to produce products which rely less on virgin materials. The circular economy needs commitment from government at the policy level, all levels of government from a procurement perspective and from the consumer. We must strive to keep resources in use for as long as possible, extract the maximum value from them while they

are in use, then recover and regenerate products and materials at the end of each service lifecycle. We need our businesses and governments to actively prioritise the use of recycled goods or to introduce recycled material quotas.

As the Southern Region Waste Resource Authority, we continue to ensure that we are investing in the technology and systems to increase resource recovery from our operations. The Southern Recycling Centre is now operating effectively and has diverted over 10,000 tonnes from landfill over the past 12 months, and we expect this volume to increase over time.

Our landfill operation is one of the South Australia's largest, and it continues to be a very important component in ensuring SRWRA continues to fulfil its responsibility to provide and operate waste management services on behalf of its Constituent Councils.

We have again delivered an excellent financial performance distributing \$2.550 million to the Constituent Councils while keeping waste disposal costs very competitive in the market.

The Board, the Audit Committee and our staff, capably led by Chief Executive Mark Hindmarsh, are to be commended for their dedication and commitment to ensure the Authority continues to meet the objectives and responsibilities outlined in its Charter in a fiscally and environmentally sustainable manner.

On behalf of the Board of the Southern Region Waste Resource Authority, I am pleased to submit the Annual Report for the 2018 financial year.

Board of Management as at June 30th 2018

Chairperson



Mark Booth

Members



Kirk Richardson
City of Onkaparinga



Vincent Mifsud
City of Marion



Lynda Yates
City of Holdfast Bay



Alison Hancock
City of Onkaparinga



Ian Crossland
City of Marion



Roberto Bria
City of Holdfast Bay

Deputy Members



Heidi Greaves
City of Onkaparinga



Nick Kerry
City of Marion



John Smedley
City of Holdfast Bay

Chief Executive Officer's Message



The past year has seen an increased focus on the Waste Management Sector especially around the recovery of reusable and recyclable waste products.

The Authority is committed to sustainability and sets a high environmental standard for its incorporation and use of recycled products which promotes the regeneration of recyclable products and supports the key delivery outcomes by reducing reliance on disposal to landfill.

Recovery and reuse form a staple part of the landfill and recycling operations with over 40,000 tonnes of waste being recovered for reuse on site this year. An integral part of the recovery and diversion from landfill process comes from the Southern Recycling Centre diverting over 10,000 tonnes of organic waste from landfill this year for positive reuse.

The Authority continues to develop its operations incorporating new advancements in lining technology, pioneering an Australian first with a new lining design and application.

The culmination of investigation and exploration of several developments and efficiencies in the use of recovered products has seen the Authority deliver a milestone financial performance distributing \$2.55 million to its Constituent Councils whilst assuring low cost competitive disposal costs for its members.

With several successful projects coming to fruition the year has been an educational year of working with new technologies to enhance the operation of the waste management and resource recovery systems at the Authority.

SRWRA has a dedicated team and strong supportive Board who are integral to the momentum of efficiencies and continuous improvements across the administration and operations of the SRWRA landfill and recycling operations.

I would like to take this opportunity to extend my thanks and appreciation to the SRWRA staff, Board members and Audit Committee members for their hard work and dedicated contribution over the past twelve months, strengthening the Authorities commitment and responsibilities to waste management on behalf of its Constituent Councils.

In the continued development of the SRWRA's community educational initiatives each year the Authority writes to all the local primary schools in the Constituent Council areas promoting the Les Perry Memorial Grant Programme. Schools in the Constituent Council areas are encouraged to apply to the Authority for a grant of approximately \$500 each to focus on recycling and educating children on the importance of recycling and re-use of common household waste materials. A total of 14 schools were successfully awarded the grant this year.

I am pleased to report that the 2017/18 financial period for the Authority showed an operating surplus of \$1.75M for the year ended 30th June 2018. This is an excellent result, built around the improvements and ongoing efficiencies of the operations over the past twelve months. The Authority strives to operate a reasonable commercial return to the Constituent Councils whilst ensuring there are adequate financial reserves to meet future developments and post closure requirements of its operations.

A complete copy of the Audited Financial Statements for 2017/18 form part of this report.

As the demands on the Waste Industry continues to evolve and develop, I look forward to leading the Authority through the challenges and exciting opportunities in the year ahead.



FINANCIAL REPORT

For the Financial Year Ended 30 June 2018

SOUTHERN REGION WASTE RESOURCE AUTHORITY

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EO Statement

Audit Report

Council Certificates of Audit Independence

SOUTHERN REGION WASTE RESOURCE AUTHORITY

ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2018

CERTIFICATION OF FINANCIAL STATEMENTS

We 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 2018 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 12th day of Sept 2018

SOUTHERN REGION WASTE RESOURCE AUTHORITY

STATEMENT OF COMPREHENSIVE INCOME
for the financial year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
INCOME			
User charges	2	11,713	11,617
Investment income	2	620	552
Other Income	2	1,201	244
Net gain - equity accounted Joint Venture	15	176	265
Total Income		13,710	12,678
EXPENSES			
Employee costs	3	1,189	1,194
Materials, contracts & other expenses	3	9,777	9,240
Depreciation, amortisation & impairment	3	908	949
Other Expenses	3	80	78
Net loss - equity accounted Joint Venture	15	-	-
Total Expenses		11,954	11,461
OPERATING SURPLUS / (DEFICIT)		1,756	1,217
Net gain (loss) on disposal or revaluation of assets	4	21	18
Amounts received specifically for new or upgraded assets		-	140
NET SURPLUS / (DEFICIT)		1,777	1,375
transfer to Equity Statement			
Other Comprehensive Income			
Changes in revaluation surplus - property, plant & equipment		-	-
Total Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME		1,777	1,375

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 2018

		2018	2017
	Notes	\$'000	\$'000
ASSETS			
Current Assets			
Cash and cash equivalents	5	16,343	19,940
Trade & other receivables	5	1,839	2,025
Inventories	5	-	-
		18,182	21,965
Total Current Assets		18,182	21,965
Non-current Assets			
Equity Accounted Joint Venture	15	885	709
Property, Plant & Equipment	6	15,580	15,081
Total Non-current Assets		16,465	15,790
Total Assets		34,647	37,755
LIABILITIES			
Current Liabilities			
Trade & Other Payables	7	2,436	2,529
Provisions	7	101	149
Total Current Liabilities		2,537	2,678
Non-current Liabilities			
Provisions	7	12,980	15,174
Total Non-current Liabilities		12,980	15,174
Total Liabilities		15,517	17,852
NET ASSETS		19,130	19,903
EQUITY			
Accumulated Surplus		19,130	19,903
TOTAL EQUITY		19,130	19,903

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

SOUTHERN REGION WASTE RESOURCE AUTHORITY

STATEMENT OF CHANGES IN EQUITY for the financial year ended 30 June 2018

2018	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	TOTAL EQUITY
	Notes			
Balance at end of previous reporting period	19,903	-	-	19,903
Adjustments due to compliance with revised Accounting Standards	-	-	-	-
Adjustments to give effect to changed accounting policies	-	-	-	-
Restated Opening Balance	19,903	-	-	19,903
Net Surplus/ (Deficit) for Year	1,777			1,777
Other Comprehensive Income				
Gain on revaluation of infrastructure, property, plant & equipment	-	-	-	-
Transfers between reserves	-	-	-	-
Distributions to Member Councils	(2,550)	-	-	(2,550)
Balance at end of period	19,130	-	-	19,130

2017	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	TOTAL EQUITY
	Notes			
Balance at end of previous reporting period	18,528	-	-	18,528
Adjustments due to compliance with revised Accounting Standards	-	-	-	-
Adjustments to give effect to changed accounting policies	-	-	-	-
Restated Opening Balance	18,528	-	-	18,528
Net Surplus/ (Deficit) for Year	1,375	-	-	1,375
Other Comprehensive Income				
Gain on revaluation of infrastructure, property, plant & equipment	-	-	-	-
Transfers between reserves	-	-	-	-
Distributions to Member Councils	-	-	-	-
Balance at end of period	19,903	-	-	19,903

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 2018

		2018	2017
	Notes	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Operating receipts		13,439	11,927
Investment receipts		623	552
<u>Payments</u>			
Operating payments to suppliers & employees		(12,322)	(10,279)
Net Cash provided by (or used in) Operating Activities	8 (b)	1,740	2,200
CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		-	-
Sale of surplus assets		33	163
Distributions received from equity accounted Joint Venture	15	-	125
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(341)	(754)
Expenditure on new/upgraded assets		(2,479)	(863)
Capital contributed to equity accounted Joint Venture	15	-	-
Net Cash provided by (or used in) Investing Activities		(2,787)	(1,329)
CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Payments</u>			
Distribution to Member Councils		(2,550)	-
Net Cash provided by (or used in) Financing Activities		(2,550)	-
Net Increase (Decrease) in cash held		(3,597)	871
Cash & cash equivalents at beginning of period		19,940	19,069
Cash & cash equivalents at end of period	8 (a)	16,343	19,940

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 2018

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 1999, and has its principal place of business at 112 Bakewell Dr, Seaford Heights SA 5169.

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 2018

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 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 -10 years
Buildings	30 - 50 years
Waste Facility	10 - 15 years
Landfill Construction	Amortised proportionately to rate of filling

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.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 1 - Significant Accounting Policies (cont)

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 2017/18 (9.5% in 2016/17; 9.5% in 2015/16). 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.

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.

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 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.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 1 - Significant Accounting Policies (cont)

10 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.

11 Comparative Information

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

12 New Accounting Standards

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2018 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.

13 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.

14 Capping Liability Review

During the 2017/18 financial year, the Authority undertook a review of all the key assumptions and estimates in relation to the measurement of the Future Restoration liability recorded in Note 7 of the Financial Statements. The Authority engaged Golder Associates Pty Ltd to complete the independent assessment of the liability. As a result of work completed, Golder Associates estimated the liability to be \$1.471 million as at 30 June 2018. The Authority has applied an additional 10% contingency estimate on the Post Closure liability estimate for risk mitigating purposes which resulted in a total reduction in the liability of \$2.555 million reducing the balance of the provision for future restoration costs to \$1.605 million (2017: \$4.159 million).

As a result of the reduction in the liability, a non-cash income amount totalling \$0.886 million was recognised in the Statement of Comprehensive Income.

During the 2018/19 financial year, all other landfill capping liability estimates and assumptions will be reviewed and updated accordingly. Any changes to key assumptions or estimates will be applied in the 2018/19 financial year once the review has been completed.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 2 - INCOME

	Notes	2018 \$'000	2017 \$'000
USER CHARGES			
Landfill Operations		11,713	11,617
		<u>11,713</u>	<u>11,617</u>
INVESTMENT INCOME			
Interest on investments			
Local Government Finance Authority		444	488
Banks & other		24	22
Investment property rental income		152	42
		<u>620</u>	<u>552</u>
OTHER INCOME			
Movement in Landfill Liabilities	1.14	886	-
Other Income		48	88
Southern Recycling Centre		267	156
		<u>1,201</u>	<u>244</u>

Note 3 - EXPENSES

EMPLOYEE COSTS			
Salaries and Wages		1,092	1,042
Employee leave expense		(42)	26
Superannuation		87	90
Workers' Compensation Insurance		52	50
Less: Capitalised and distributed costs		-	(14)
Total Operating Employee Costs		<u>1,189</u>	<u>1,194</u>
Total Number of Employees		11	11
<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	16
Board Expenses		38	37
Operating Lease Rentals - cancellable leases		-	-
Subtotal - Prescribed Expenses		<u>56</u>	<u>53</u>
<u>Other Materials, Contracts & Expenses</u>			
Contractors		143	238
Fuel		113	135
Equipment Hire		68	19
Maintenance		299	299
Legal Expenses		21	14
Levies paid- EPA Levy		8,547	8,018
Professional services		28	20
Southern Recycling Centre		187	60
Sundry		315	384
Subtotal - Other Materials, Contracts & Expenses		<u>9,721</u>	<u>9,187</u>
		<u>9,777</u>	<u>9,240</u>

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 3 - EXPENSES (cont)

	Notes	2018 \$'000	2017 \$'000
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Landfill Construction		394	488
Buildings & Waste Facility		140	99
Plant & Equipment		374	362
Impairment	6	-	-
		<u>908</u>	<u>949</u>
OTHER EXPENSES			
Transfer to Provision of Cell 3-1 & 3-2 Capping		80	78
		<u>80</u>	<u>78</u>

Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

PROPERTY, PLANT & EQUIPMENT			
Proceeds from disposal		33	163
Less: Carrying amount of assets sold		(12)	(145)
Gain (Loss) on disposal		<u>21</u>	<u>18</u>
NET GAIN (LOSS) ON DISPOSAL OF ASSETS		<u>21</u>	<u>18</u>

Note 5 - CURRENT ASSETS

CASH & EQUIVALENT ASSETS			
Cash on Hand and at Bank		2,013	3,787
Short Term Deposits & Bills, etc		14,330	16,153
		<u>16,343</u>	<u>19,940</u>
TRADE & OTHER RECEIVABLES			
Accrued Revenues		22	19
Debtors - general		1,813	1,994
Prepayments		4	12
		<u>1,839</u>	<u>2,025</u>
INVENTORIES			
Stores & Materials		-	-
		<u>-</u>	<u>-</u>

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 6 - PROPERTY, PLANT & EQUIPMENT

	2017				2018			
	\$'000				\$'000			
	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
Land	1,427	400	-	1,827	1,427	2,556	-	3,983
Buildings	560	3,825	(351)	4,034	560	4,042	(491)	4,111
Plant & Equipment	-	4,150	(2,358)	1,792	-	4,393	(2,651)	1,742
Office Equipment	-	132	(102)	30	-	148	(113)	35
Landfill Construction:								
Landfill Cell 3-1 & 3-2	-	-	-	-	-	-	-	-
Landfill Cell's 3-1 & 3-2 Capping	-	-	-	-	-	-	-	-
Cell 3-3 & 3-4 (Lower)	-	-	-	-	-	-	-	-
Cell 3-3 & 3-4 (Lower) Capping	-	-	-	-	-	-	-	-
Cell 4	-	-	-	-	-	-	-	-
Cell 4 (Capping)	-	-	-	-	-	-	-	-
Super Cell		7,436	(4,867)	2,569		7,511	(5,042)	2,469
Super Cell Capping		4,737	(1,777)	2,960		4,887	(1,982)	2,905
Post Closure Rehabilitation	-	5,851	(5,740)	111	-	5,974	(5,756)	218
Future Restoration Costs	-	4,159	(2,495)	1,664	-	4,159	(4,159)	-
Work in Progress	-	94	-	94	-	117	-	117
TOTAL PROPERTY, PLANT & EQUIPMENT	1,987	30,784	(17,690)	15,081	1,987	33,787	(20,194)	15,580
Comparatives	1,987	36,085	(23,611)	14,461	1,987	30,784	(17,690)	15,081

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 2018

Note 6 - PROPERTY, PLANT & EQUIPMENT

	2017 \$'000	CARRYING AMOUNT MOVEMENTS DURING YEAR							2018 \$'000
		\$'000							
	CARRYING AMOUNT	Additions		Disposals	Depreciation	Impairment	Adjustments	Transfer	CARRYING AMOUNT
Capital		Renewals							
Land	1,827	2,156	-	-	-	-	-	-	3,983
Buildings	4,034	217	-	-	(140)	-	-	-	4,111
Plant, Equipment & Motor Vehicles	1,792	-	326	(12)	(364)	-	-	-	1,742
Office Equipment	30	-	15	-	(10)	-	-	-	35
Landfill Construction:									
Landfill Cell 3-1 & 3-2	-	-	-	-	-	-	-	-	-
Landfill Cell's 3-1 & 3-2 Capping	-	-	-	-	-	-	-	-	-
Cell 3-3 & 3-4 (Lower)	-	-	-	-	-	-	-	-	-
Cell 3-3 & 3-4 (Lower) Capping	-	-	-	-	-	-	-	-	-
Cell 4	-	-	-	-	-	-	-	-	-
Cell 4 (Capping)	-	-	-	-	-	-	-	-	-
Super Cell	2,569	74	-	-	(174)	-	-	-	2,469
Super Cell Capping	2,960	150	-	-	(205)	-	-	-	2,905
Post Closure Rehabilitation	111	122	-	-	(15)	-	-	-	218
Future Restoration Costs	1,664	-	-	-	-	-	(1,664)	-	-
Work in Progress	94	23	-	-	-	-	-	-	117
TOTAL PROPERTY, PLANT & EQUIPMENT	15,081	2,742	341	(12)	(908)	-	(1,664)	-	15,580
Comparatives	14,461	1,343	755	(145)	(949)	-	-	(384)	15,081

This Note continues on the following pages.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the financial year ended 30 June 2018

Note 7 - LIABILITIES

	Notes	2018 \$'000		2017 \$'000	
		Current	Non-current	Current	Non-current
TRADE & OTHER PAYABLES					
Goods & Services		2,371	-	2,469	-
Accrued expenses - other		65	-	60	-
		2,436	-	2,529	-
PROVISIONS					
Annual Leave		63	-	78	-
Long Service Leave		38	39	71	32
Post Closure Rehabilitation		-	3,895	-	3,772
Cell Capping - 3-1 & 3-2		-	2,554	-	2,474
Cell Capping - 3-3 & 3-4 (Lower)		-	2,937	-	2,845
Cell 4 Capping		-	1,950	-	1,892
Future Restoration Costs		-	1,605	-	4,159
		101	12,980	149	15,174

Movements in Provisions - 2018 year only (current & non-current)

	Opening Balance	Additional Amounts Recognised/ (Derecognised)	Payments	Closing Balance
Post Closure Rehabilitation	3,772	123	-	3,895
Cell Capping -3-1 & 3-2	2,474	80	-	2,554
Cell Capping - 3-3 & 3-4 (Lower)	2,845	92	-	2,937
Cell 4 Capping	1,892	58	-	1,950
Future Restoration Costs	4,159	(2,554)	-	1,605
Total	15,142	(2,201)	-	12,941

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 8 - 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	2018 \$'000	2017 \$'000
Total cash & equivalent assets	5	16,343	19,940
Less: Short-term borrowings		-	-
Balances per Cash Flow Statement		<u>16,343</u>	<u>19,940</u>

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

Net Surplus (Deficit)	1,777	1,375
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	908	949
Net (Gain) loss in Equity Movement Joint Venture	(176)	(265)
Movement in Landfill Provisions	(886)	-
Net (Gain) Loss on Disposals	(21)	(45)
	<u>1,602</u>	<u>2,014</u>
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	186	(1,018)
Net (increase) decrease in inventories	-	48
Net (increase) decrease in other current assets	-	-
Net increase (decrease) in trade & other payables	(93)	1,166
Net increase (decrease) in other provisions	45	(10)
Net Cash provided by (or used in) operations	<u>1,740</u>	<u>2,200</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
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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 2018

Note 9 - FINANCIAL INSTRUMENTS

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Accounting Policy: Carried at lower of cost and net realisable value; Interest is recognised when earned.	
Deposits	<p>Terms & conditions: Deposits are returning fixed interest rates of 1.25 - 2.5% (2017: 1.25 - 2.5%). Short term deposits have an average maturity of 90 days (2017: 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 2018

Note 9 (cont) - FINANCIAL INSTRUMENTS

Liquidity Analysis

2018	Floating Interest Rate \$'000	Fixed interest maturing in			Non- interest bearing \$'000	Total \$'000
		≤ 1 year \$'000	> 1 year ≤ 5 years \$'000	> 5 years \$'000		
Financial Assets						
Fair Value through P&L						
Cash Assets	2,013	14,330	-	-	-	16,343
Loans & Receivables						
Receivables	-	-	-	-	1,839	1,839
Total	2,013	14,330	-	-	1,839	18,182
<i>Weighted Average Interest Rate</i>	1.25%	2.50%				
Financial Liabilities						
Payables	-	-	-	-	2,436	2,436
Total	-	-	-	-	2,436	2,436
EXCESS OF FINANCIAL ASSETS OVER LIABILITIES	2,013	14,330	-	-	(597)	15,746
2017						
	Floating Interest Rate \$'000	Fixed interest maturing in			Non- interest bearing \$'000	Total \$'000
		≤ 1 year \$'000	> 1 year ≤ 5 years \$'000	> 5 years \$'000		
Financial Assets						
Fair Value through P&L						
Cash Assets	3,787	16,153	-	-	-	19,940
Loans & Receivables						
Receivables	-	-	-	-	2,025	2,025
Total	3,787	16,153	-	-	2,025	21,965
<i>Weighted Average Interest Rate</i>	1.50%	2.80%				
Financial Liabilities						
Payables	-	-	-	-	2,529	2,529
Total	-	-	-	-	2,529	2,529
EXCESS OF FINANCIAL ASSETS OVER LIABILITIES	3,787	16,153	-	-	(504)	19,436

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the financial year ended 30 June 2018

Note 10 - COMMITMENTS FOR EXPENDITURE

	2018 \$'000	2017 \$'000
	<u>Notes</u>	
Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Committed Projects	-	-
	<u>-</u>	<u>-</u>
As at 30 June 2018, the Authority has entered into no capital commitments that are not already recorded on the Statement of Financial Position.		
Other Expenditure Commitments		
Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:		
Audit Services	37	55
	<u>37</u>	<u>55</u>
These expenditures are payable:		
Not later than one year	18	18
Later than one year and not later than 5 years	19	37
Later than 5 years	-	-
	<u>37</u>	<u>55</u>

Note 11 - CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

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.

2. Legal Expenses

All known costs have been recognised.

Note 12 - EVENTS OCCURRING AFTER REPORTING DATE

There were no events subsequent to 30 June 2018 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 2018

Note 13 - 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.

	2018 \$'000	2017 \$'000
Income	13,710	12,678
less Expenses	(11,954)	(11,461)
Operating Surplus / (Deficit)	<u>1,756</u>	<u>1,217</u>
<i>less Net Outlays on Existing Assets</i>		
Capital Expenditure on renewal and replacement of Existing Assets	341	754
Depreciation, Amortisation, Impairment and Movement in Landfill Provisions	(988)	(1,027)
Proceeds from Sale of Replaced Assets	-	-
	<u>(647)</u>	<u>(273)</u>
<i>less Net Outlays on New and Upgraded Assets</i>		
Capital Expenditure on New and Upgraded Assets	2,479	863
Amounts received specifically for New and Upgraded Assets	-	-
Proceeds from Sale of Surplus Assets	(33)	(163)
	<u>2,446</u>	<u>700</u>
Net Lending / (Borrowing) for Financial Year	<u><u>(43)</u></u>	<u><u>790</u></u>

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 14 - DISCLOSURES OF RELATED PARTY TRANSACTIONS

The Key Management Personnel include the Chair of the Board, Chief Executive and other officers prescribed under Section 112 of the *Local Government Act 1999*. The following payments were made to Key Management Personnel during the year:

	2018 \$'000
Salaries, allowances & other short term benefits	380
Post-employment benefits	-
Long term benefits	26
Termination Benefits	7
TOTAL	413

Transactions with Related Parties:

The following transactions occurred with Related Parties:

Related Party Entity	Sale of Goods and Services (\$'000)	Amounts Outstanding from Related Parties (\$'000)	Description of Services Provided to Related Parties
City of Onkaparinga	4,509	382	Provision of waste disposal services
City of Holdfast Bay	825	84	Provision of waste disposal services
City of Marion	2,026	248	Provision of waste disposal services
Southern Recycling Centre	4,523	508	Provision of waste disposal services

Amounts recorded as outstanding from Related Parties are recorded in Trade and other receivables in Note 5.

The Related Parties disclosed above are equity owners of the Authority and are referred to as Member Councils. Member Councils have equal representation on the Board of the Authority and accordingly have significant influence on the financial and operating decisions of the Authority. No one Member Council individually has control of those policies.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the financial year ended 30 June 2018

Note 15 - 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.

	2018 \$'000	2017 \$'000
The Authority's respective interests are:		
- interest in operating result:	49.99%	49.99%
- ownership of equity	49.99%	49.99%
the proportion of voting power	50.00%	50.00%
<u>Movement in Investment in Joint Operation:</u>		
Opening Balance	709	164
New Capital Contributions	-	405
Share in Operating Result	176	71
Equity Adjustment	-	194
Distributions Received	-	(125)
Share in Equity of Joint Operation	885	709

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.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 16 - 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 2018

Note 16 - 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 \$
2018					
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

2017					
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

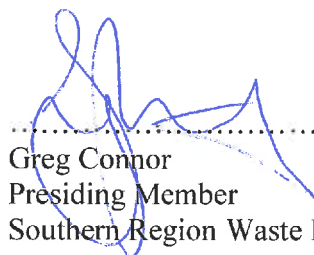
(b) **Disclosed fair value measurements**

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, Galpins, 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

28 / 8 / 18
.....

Dated

Galpins

Accountants, Auditors
& Business Consultants

David Chant CA, FCPA
Simon Smith CA, FCPA
David Sullivan CA, CPA
Jason Seidel CA
Renae Nicholson CA
Tim Muhlhausler CA
Aaron Coonan CA
Luke Williams CA, CPA
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SOUTHERN REGION WASTE RESOURCE AUTHORITY

GENERAL PURPOSE FINANCIAL STATEMENTS For the year ended 30 June 2018

Statement by Auditor

I confirm that, for the audit of the financial statements of the Southern Region Waste Resource Authority for the year ended 30 June 2018, 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) Regulation 2011*.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Simon Smith FCPA, Registered Company Auditor

Partner

13/09/2018

David Chant CA, FCPA
Simon Smith CA, FCPA
David Sullivan CA, CPA
Jason Seidel CA
Renaë Nicholson CA
Tim Muhlhausler CA
Aaron Coonan CA
Luke Williams CA, CPA
Daniel Moon CA



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

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

We have audited the compliance of the Southern Region Waste Resource Authority ("the Authority") with the requirements of *Section 125 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 period 1 July 2017 to 30 June 2018 have been conducted properly and in accordance with law.

The Authority's Responsibility for 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 125 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 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 2017 to 30 June 2018. 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 assess risk.

Limitation of Use

This report has been prepared for the members of the Authority in Accordance with *Section 129 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 which it was prepared.

Inherent Limitation.

Due to the inherent limitations of any compliance procedure, it is possible that fraud, error or non-compliance may occur and not to be detected. An assurance engagement on controls is not designed to detect all instances of controls operating ineffectively as it is not performed continuously throughout the period and the tests performed are on a sample basis. Any projection of the outcome of the evaluation of controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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 125 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 2018.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Simon Smith FCPA, Registered Company Auditor

Partner

13/09/2018

David Chant CA, FCPA
Simon Smith CA, FCPA
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INDEPENDENT AUDITOR'S REPORT

To the members of the Southern Region Waste Resource Authority

Report on the Audit of the Financial Report

Opinion

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 2018, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by the Executive Officer and the Chairman.

In our opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of the Authority as at 30 June 2018, and its financial performance and its cash flows for the year then ended in accordance with the Australian Accounting Standards, Local Government Act 1999 and Local Government (Financial Management) Regulations 2011.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility for the Financial Report

The Authority is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 and for such internal control as the Authority determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Authority is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Report

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS



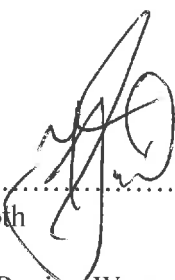
Simon Smith FCPA, Registered Company Auditor

Partner

13/09/2018

**Southern Region Waste Resource Authority
Board Chair – Auditor Independence**

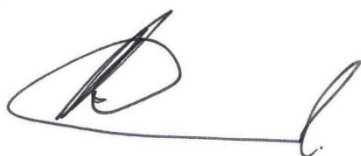
I, Mark Booth, the person occupying the position of Chair of the Southern Region Waste Resource Authority's Board, do hereby certify (for the purposes of Regulation 22 (3) of the Local Government (Financial Management) Regulations 2011), that the auditor of the Southern Region Waste Resource Authority, Galpins, 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.


.....
Mark Booth
Chair
Southern Region Waste Resource Authority Board

28 / 8 / 2018
.....
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, Galpins, 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
23 August 2018



City of Onkaparinga
PO Box 1
Noarlunga Centre
South Australia 5168
www.onkaparingacity.com

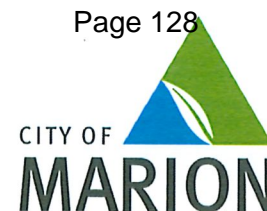
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Aberfoyle Park office
The Hub
Aberfoyle Park
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Facsimile (08) 8382 8744

Willunga office
St Peters Terrace
Willunga
Telephone (08) 8384 0666
Facsimile (08) 8382 8744

Woodcroft office
175 Bains Road
Morphett Vale
Telephone (08) 8384 0666
Facsimile (08) 8382 8744

17 August 2018



Henny Redden
Southern Region Waste Resource Authority
PO Box 2414
McLaren Vale SA 5171

PO Box 21, Oaklands Park
South Australia 5046

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South Australia 5047

T (08) 8375 6600

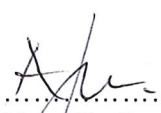
F (08) 8375 6699

E council@marion.sa.gov.au

Dear Henny,

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

I, Adrian Skull, the person for the time being occupying the position of Chief Executive Officer of the City of Marion, 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, Galpins, 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.


.....
Adrian Skull
Chief Executive Officer
City of Marion

15.8.18
.....
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.



City of Marion



@CityofMarion



City of Marion



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holdfast.sa.gov.au

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Glenelg Customer Service Centre and Library
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**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, Galpins, 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

17/8/18
Dated



Attendance at Board Meetings

July 2017 – June 2018

BOARD MEETINGS	A	B
BOARD MEMBERS		
Chairman Mark Booth	7	7
Trish Aukett (resigned April 2018)	5	3
Roberto Bria (appointed May 2018)	2	2
Kirk Richardson	7	7
Vincent Mifsud	7	6
Alison Hancock (appointed October 2017)	5	5
Lynda Yates	7	6
Ian Crossland	7	5
DEPUTY BOARD MEMBERS		
Please Note: Deputy Board Members are only required to attend a Board Meeting when the Board Member is an apology.		
Nick Kerry		
John Smedley		2
Heidi Greaves		

A = Number of meetings held 1 July 2017 to 30 June 2018 at which time the Board Member or the Deputy Board Member was a member of the Board.

B = Number of meetings attended by the Board Member or Deputy Board Member from 1 July 2017 to 30 June 2018.

Attendance at Audit Committee Meetings

AUDIT COMMITTEE MEETINGS	A	B
Chairman Greg Connor	4	4
Vicki Brown	4	4
David Powell	4	3
Mark Booth	4	3
Lynda Yates (Deputy SRWRA Representative)	3	3

A = Number of meetings held 1 July 2017 to 30 June 2018 at which time the Audit Committee Member was a member of the Committee.

B = Number of meetings attended by the Audit Committee Board Member from 1 July 2017 to 30 June 2018



Performance Against Business Plan

Each year SRWRA prepares an Annual Business Plan that is submitted to the Constituent Councils detailing its aims and objectives.

Aims and objectives	
Operating Surplus is maintained	Achieved
Meet all legislative requirements (WHS, EPA, Zero Waste)	Achieved
Asset Management plans are in place	Achieved
Grow the revenue (to offset a reduction in the forecast SRWRA revenue)	Achieved
Capital works program is planned and funded i.e. cell construction (link to LTFP).	Achieved
Development of a Bio-Pad, Bailing field and Hard-Stand/Capped operational area	In Progress





SRWRA Constituent Councils



**Council Solutions Regional Authority
General Purpose Financial Reports
for the year ending 30 June 2018**

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Council Solutions Regional Authority
Certification Of Financial Statements
for the year ending 30 June 2018

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 2018 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:

5/9/18

COUNCIL SOLUTIONS REGIONAL AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2018

		2018	2017
	Notes	\$'000	\$'000
INCOME			
Investment Income	2	4	6
Management Fees	2	1,054	1,167
Other Income	2	641	61
Total Income		<u>1,699</u>	<u>1,234</u>
EXPENSES			
Materials, contracts & other expenses	3	1,770	1,310
Total Expenses		<u>1,770</u>	<u>1,310</u>
OPERATING SURPLUS / (DEFICIT)		<u>(71)</u>	<u>(76)</u>
NET SURPLUS / (DEFICIT)		<u>(71)</u>	<u>(76)</u>
Total Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME		<u>(71)</u>	<u>(76)</u>

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

COUNCIL SOLUTIONS REGIONAL AUTHORITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		174	334
Receivables		563	469
Total Current Assets	4,7	737	803
Total Assets		737	803
LIABILITIES			
Current Liabilities			
Trade & Other Payables		124	222
Other Current Liabilities		158	55
Total Current Liabilities	5,7	282	277
Total Liabilities	5,7	282	277
NET ASSETS		455	526
EQUITY			
Accumulated Surplus		312	383
Share Capital		143	143
TOTAL EQUITY		455	526

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

COUNCIL SOLUTIONS REGIONAL AUTHORITY
STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2018

	Initial Contribution by Owners	Accumulated Surplus	Total
2018	\$'000	\$'000	\$'000
Opening Balance	143	383	526
Net Surplus for Year	-	(71)	(71)
Balance at end of period	143	312	455

	Initial Contribution by Owners	Accumulated Surplus	Total
2017	\$'000	\$'000	\$'000
Opening Balance	143	459	602
Net Surplus for Year	-	(76)	(76)
Balance at end of period	143	383	526

STATEMENT OF CASH FLOW
for the year ended 30 June 2018

	2018	2017
Notes	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<u>Receipts</u>		
Operating receipts	1,600	1,150
Investment Income	4	6
<u>Payments</u>		
Operating payments to suppliers & employees	(1,764)	(1,089)
Net Cash provided by (or used in) Operating Activities	(160)	67
Net Increase (Decrease) in cash held	(160)	67
Cash & cash equivalents at beginning of period	334	267
Cash & cash equivalents at end of period	174	334

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 2018

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*.

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 2018

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 2018 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 16	Leases
AASB 1058	Income of Not-for-Profit Entities

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 2014-10, AASB 2015-1, AASB 2015-2, AASB 2015-3, AASB 2015-4, AASB 2015-5, AASB 2015-6 and AASB 2015-7.

The Authority is of the view that other than AASB 16 and AASB 1058, 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.

COUNCIL SOLUTIONS REGIONAL AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

Note 2 - INCOME

	2018 \$'000	2017 \$'000
INVESTMENTS		
Interest Income	4	6
	<u>4</u>	<u>6</u>
REBATES		
Management Fees	1,054	1,167
	<u>1,054</u>	<u>1,167</u>
OTHER INCOME		
Reimbursements	641	61
	<u>641</u>	<u>61</u>

Note 3 - EXPENSES

	2018 \$'000	2017 \$'000
MATERIALS, CONTRACTS & OTHER EXPENSES		
Advertising	1	2
Audit Fees	4	4
Catering	1	2
Contractors	45	73
Consultant Fees	532	253
Insurance	27	32
IT Expenses	34	20
Legal Fees	63	48
Membership Fees & Subscriptions	4	12
Motor Vehicle	2	1
Reimbursements - Salary & Wages	982	775
Rent	26	30
Sitting Fees	32	39
Sundry	13	14
Telephone	2	1
Training and Development	2	4
	<u>1,770</u>	<u>1,310</u>

COUNCIL SOLUTIONS REGIONAL AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

Note 4 - CURRENT ASSETS

	2018 \$'000	2017 \$'000
CASH & CASH EQUIVALENTS		
Cash at Bank	174	334
	<u>174</u>	<u>334</u>
RECEIVABLES		
Accounts Receivables	418	271
Accrued Income	143	196
Prepaid Expenses	2	2
	<u>563</u>	<u>469</u>
TOTAL CURRENT ASSETS	<u>737</u>	<u>803</u>

Note 5 - LIABILITIES

	2018 \$'000	2017 \$'000
TRADE & OTHER PAYABLES		
Creditors	120	218
Expenses Accrued	4	4
	<u>124</u>	<u>222</u>
OTHER CURRENT LIABILITIES		
Payable to Adelaide City Council	158	55
	<u>158</u>	<u>55</u>
TOTAL LIABILITIES	<u>282</u>	<u>277</u>

COUNCIL SOLUTIONS REGIONAL AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

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.

	2018	2017
	\$'000	\$'000
Cash at Bank	174	334
Balances per Cash Flow Statement	174	334

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

Net Surplus	(71)	(76)
Net (increase)/decrease in Receivables	(95)	(79)
Net increase/(decrease) in Current Liabilities	6	222
Net Cash provided by (or used in) operations	(160)	67

COUNCIL SOLUTIONS REGIONAL AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

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;

2017-18

	Weighted Average Interest Rate	Fair Value of Variable Interest Rate Instruments	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%	174	-	-	-	173
Receivables	0.0%	-	-	-	-	564
Total Financial Assets		174	-	-	-	737
Financial Liabilities:						
Creditors and Provisions	0.0%	-	-	-	-	282
Total Financial Liabilities		-	-	-	-	282

2016-17

	Weighted Average Interest Rate	Fair Value of Variable Interest Rate Instruments	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	1.8%	334	-	-	-	334
Receivables	0.0%	-	-	-	-	469
Total Financial Assets		334	-	-	-	469
Financial Liabilities:						
Creditors and Provisions	0.0%	-	-	-	-	277
Total Financial Liabilities		-	-	-	-	277

COUNCIL SOLUTIONS REGIONAL AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

(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 summarised as follows;

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 hence, have not been considered.

COUNCIL SOLUTIONS REGIONAL AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

Note 8 - RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL

The Key Management Personnel of the Council include the Chair of the Board, the Board and the CEO.

Salaries, allowances & other short term benefits paid by Council Solutions to KMP were \$259k (2017-18) and \$261k (2016-17)

The following qualifying related party disclosures have been identified in relation to the 2017-18 financial year

Related Party Entity	Amounts received from related parties during 2017-18 FY	Amounts outstanding from related parties as at 30 June 2018	Amounts outstanding to related parties as at 30 June 2018
	\$ '000	\$ '000	\$ '000
City of Adelaide	109	53	100
City of Charles Sturt	128	57	-
City of Marion	203	48	-
City of Salisbury	35	3	-
City of Tea Tree Gully	23	3	-
City of Onkaparinga	45	3	-


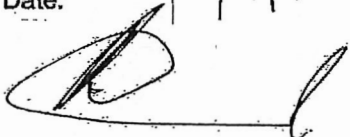
The above amounts received represent reimbursements of designated project costs paid by the above listed Constituent Councils to Council Solutions at various times throughout the year. These amounts have been approved by the Board and reported on as part of the ongoing annual budget setting and budget review process.

Council Solutions provides procurement services to the above listed entities.

Council Solutions Regional Authority
Certification Of Auditor Independence
for the year ending 30 June 2018

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 2018, the Council's Auditor, Ian G McDonald FCA, 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: 5/9/18


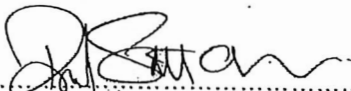
Mark Dowd
 CHIEF EXECUTIVE OFFICER
 City of Onkaparinga

Date: 5 September 2018

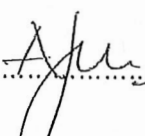

 Tanya Johnston
 PRESIDING MEMBER OF AUDIT COMMITTEE
 Date: 05/09/18


Mark Goldstone
 CHIEF EXECUTIVE OFFICER
 City of Adelaide

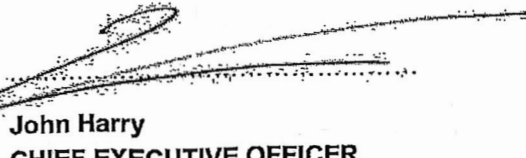
Date: 10/9/18


 Paul Sutton
 CHIEF EXECUTIVE OFFICER
 City of Charles Sturt

Date: 6.9.18.


 Adrian Skull
 CHIEF EXECUTIVE OFFICER
 City of Marion

Date: 6.9.18


 John Harry
 CHIEF EXECUTIVE OFFICER
 City of Salisbury

Date: 7/9/2018.


 John Moyle
 CHIEF EXECUTIVE OFFICER
 Tea Tree Gully

Date: 7/9/18

Ian G McDonald FCA



Council Solutions Regional Authority

ANNUAL FINANCIAL STATEMENTS For the year ended 30 June 2018

STATEMENT BY AUDITOR

We confirm that, for the audit of the financial statements of the Council Solutions Regional Authority for the year ended 30 June 2018, we have maintained our 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*.

A handwritten signature in blue ink that reads 'Ian G McDonald'.

Ian G McDonald FCA

Dated this 17th day of August 2018



Ian G McDonald FCA

Council Solutions Regional Authority Independent Auditor's Report

We have audited the attached financial statements, being a general purpose financial report, of Council Solutions Regional Authority for the year ended 30 June 2018.

Opinion

In our opinion, the financial statements of the Authority are properly drawn up:

- a) to present fairly the financial position of the Authority as at the 30 June 2018 and the results of its operations for the period then ended, and;
- b) according to Australian Accounting Standards.

Basis for Opinion

For the audit of the Authority we have maintained our independence in accordance with the relevant ethical requirements of APES 110 Section 290. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information – Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report is prepared to assist the authority to meet the requirements of Local Government Act 1999 together with the Local Government (Financial Management Regulations 2011). As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the members.

Responsibilities of Management for the Financial Report

The Board of Management is responsible for the preparation of the financial report in accordance with Local Government Act 1999 together with the Local Government (Financial Management Regulations 2011) and for such internal control as management determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Report

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. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the schedule 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 in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the association's preparation 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 association's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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.

A handwritten signature in blue ink that reads 'Ian McDonald'.

Ian G McDonald FCA
Registered Company Auditor

Dated at Grange this 12th day of September 2018

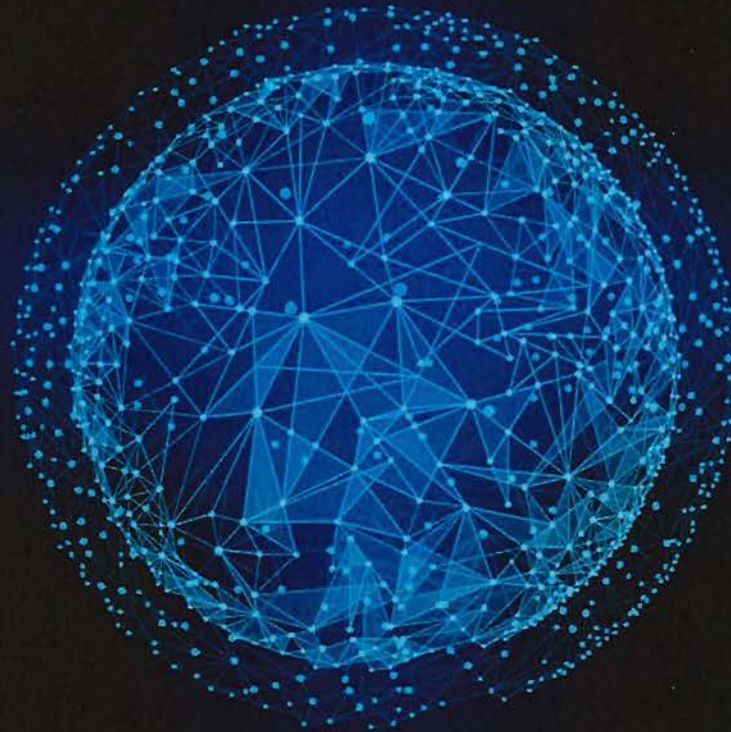
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Nancy 0408 832 848
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Deloitte.



Corporation of the City of Marion

DRAFT report to the Finance and Audit Committee
and Elected Members for the year ended 30 June
2018

26 September 2018



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Adelaide SA 5001 Australia
Tel: +61 8 8407 7000
Fax: +61 8 8407 7001
www.deloitte.com

Mr. Greg Connor
Chair, Finance & Audit Committee
Corporation of the City of Marion
245 Sturt Road, STURT SA

26 September 2018

We are pleased to present this report to the Finance and Audit Committee and Elected Members of the Corporation of the City of Marion ("City of Marion" or "the Council") in connection with the year end audit as of 30 June 2018.

We have substantially completed our audit and subject to the satisfactory resolution of the matters detailed in the Executive Summary we expect to issue an unmodified audit report. Included in the attached report are matters arising from our audit of the financial report of the Corporation of the City of Marion for the year ended 30 June 2018 which we consider appropriate for the attention of the Finance and 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 on 2 October 2018 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 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

Penny Woods
Audit Partner

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	Executive Summary
	A. Audit focus areas
	B. Other audit focus areas
	C. Internal control
	D. Summary of uncorrected misstatements and disclosure deficiencies
	E. Independence
	F. Financial Reporting Update

Executive Summary

Purpose

This report has been prepared to assist the Finance and Audit Committee and Elected Members in fulfilling its governance obligations relating to the City of Marion for the year ended 30 June 2018.

This report includes only those matters which have come to our attention as a result of our audit procedures which we believe require the attention of the Finance and Audit Committee and Elected Members.

Scope

We have conducted an audit of the financial report of the City of Marion for the year ended 30 June 2018 ("financial report") in accordance with the requirements below with the objective of expressing an opinion on the financial report.

- Australian Auditing Standards
- *Local Government Act 1999*
- *Local Government (Financial Management) Regulations 2011*

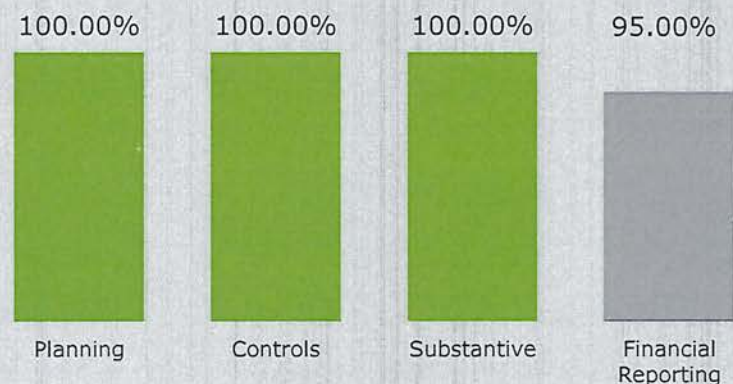
We have also conducted a compliance audit of the Council with the requirements of *Section 125 of the Local Government Act 1999* in relation to the Internal Controls established by the Council to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2017 to 30 June 2018 are in accordance with legislative provisions.

Status

Our audit of the financial report is substantially complete. We expect to issue unmodified audit opinions on the financial report, grant audit, 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 from management
- adoption of the accounts by the Council and signing of Certification of the financial report by the Chief Executive Officer and Mayor.

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 2018.



Executive Summary

Internal Controls

In performing our audit we have not identified any significant deficiencies in internal control relating to the prevention and detection of fraud and error which would impact upon our ability to provide our opinion on the financial report.

We have however, 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

We have not identified any uncorrected misstatements for the year ended 30 June 2018.

Summary of uncorrected disclosure deficiencies

We detected no uncorrected disclosure deficiencies in the financial report

A. Audit focus areas

Audit focus areas

Other focus areas

Internal controls

Misstatements and deficiencies

Independence

Financial Reporting Update

Our audit procedures were focused on those areas of the Council's financial report that were identified and assessed as audit risks. These areas were identified as a result of:



- The risk assessment processes undertaken during the planning phase and throughout our engagement






- Our understanding of the business risks faced by 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
- Discussion with management during the course of our audit

We detail on the following pages the areas of focus which we have identified as relevant to our audit that include significant risks and other areas of interest that we are required to and/or have determined should be, communicated to you.



A. Audit focus areas

Infrastructure, Property, Plant and Equipment

Audit focus areas	Areas of Audit Focus	Risk Factors	Controls Testing	Data Analytics	Use of Specialists
Other focus areas	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. In the 2018 financial year the revaluation resulted in a net decrease in revaluation surplus of \$4.9m				
Internal controls	<p>Summary of response and findings Deloitte performed the following:</p> <p>Evaluation of the assumptions made by your independent experts (JLL and APV) in their valuation reports, by comparing the assumptions they have made with prior year valuation reports and understanding any material variances. We also obtained control reliance by performing extensive testing around key controls in the property, plant and equipment business cycle.</p> <p>We held discussions with your independent expert in order to understand the rationale for the significant movements in the year</p> <p>Our detail testing covered the following areas:</p> <ul style="list-style-type: none"> • existence of fixed assets • additions of fixed assets • disposal of fixed assets <p>We have also performed the following procedures:</p> <ul style="list-style-type: none"> • 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 methodology used by council's valuers. <p>We noted no issues through our testing for the year ending 30 June 2018.</p>				
Misstatements and deficiencies					
Independence					
Financial Reporting Update					



A. Audit focus areas

Rates Revenue and Grant Income

Audit focus areas	Areas of Audit Focus	Risk Factors	Controls Testing	Data Analytics
Other focus areas				
Internal controls				
Misstatements and deficiencies				
Independence				
Financial Reporting Update				
		<p>Rate revenue has been identified as a significant transaction cycle given the size of the account balance.</p> <p>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:</p> <ul style="list-style-type: none"> - The Council has a right to receive the revenue, or - The Council has control over the grant funding. 		
		<p>Summary of response and findings</p> <p>Deloitte performed the following:</p> <p>Rate Revenue</p> <p>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.</p> <p>No issues in relation to rate revenue were noted.</p> <p>Grant Income</p> <p>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.</p> <p>We noted no issues through our testing for the year ending 30 June 2018.</p>		

A. Audit focus areas

Expenditure

Audit focus areas	Areas of Audit Focus	Risk Factors	Controls Testing	Data Analytics
Other focus areas	<p>Given the volume, magnitude and public accountability of Council expenditures the preventative and detective controls over expenditures, including the budgetary cycle were given consideration.</p> <p>Summary of response and findings Deloitte performed the following:</p> <p>Detailed testing has been performed over operating expenditure.</p> <p>For employee costs, an expectation was developed using staff numbers, average pay and known increases awarded.</p> <p>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.</p> <p>No issues in relation to these account balances were noted.</p>			
Internal controls				
Misstatements and deficiencies				
Independence				
Financial Reporting Update				

B. Other audit focus areas

Audit focus areas

Other focus areas

Internal controls

Misstatements
and deficiencies

Independence

Financial reporting
update

Non-compliance with applicable laws and regulations

In performing our audit of the City of Marion for the year ended 30 June 2018 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.

Use of specialists

As planned, specialists assisted in the audit to the extent we considered necessary:

- **Valuation specialists** have been consulted in the evaluation of property and infrastructure valuations

Journal Entry Testing

Through the use of our proprietary software 'My Analytics' we were able to apply a data driven approach to journal entry testing in order to improve audit detection risk. The technique enabled analysis of the complete journal entry population with a specific focus on manual journals and assisted us in addressing the risk of management override of controls.

All journal entries identified for further investigation had appropriate explanations and supporting evidence.

C. Internal controls

Audit focus areas

Other focus areas

Internal controls

Misstatements
and deficiencies

Independence

Financial Reporting
Update

Objective

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 2017 to 30 June 2018 are in accordance with legislative provisions.

Summary of internal 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 South Australian Local Government Financial Management Group (SALGFMG) 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".

Summary of results

We have performed the control assessment on a rotation basis for each of six risk categories. For the financial year ended 30 June 2018, we have selected the risk categories of Revenue and Expenses as well as scoping in controls that fit the following profile:

- Control activities which are different from last year and different from the Better Practice Model
- 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
- Control activities which had findings identified from last year
- Control activities which are significant to the statutory audit

In performing our audit of the Council for the year ended 30 June 2018 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 2018, 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.

C. Internal controls

Audit focus areas

Other focus areas

Internal controls

Misstatements
and deficiencies

Independence

Financial Reporting
Update

Future Considerations

The Council has conducted a risk analysis and implemented 219 of 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, and further reduce the key controls required to address the risks specific to the council.

Not all the core controls have been implemented due to alternative or mitigating controls being identified. In addition the Council has adopted additional Governance, Ethics and ICT (GEI) controls which are not required by the Better Practice Model, however show a strong culture of internal control at the Council.

D. Summary of uncorrected misstatements and disclosure deficiencies

Audit focus areas

Other focus areas

Internal controls

Misstatements
and deficiencies

Independence

Financial Reporting
Update

Summary of uncorrected misstatements

We have not identified any uncorrected misstatements that we believe could, either individually or in aggregate, have a material effect on the financial report for the year ended 30 June 2018.

Summary of disclosure deficiencies

No material uncorrected disclosure deficiencies were detected in the financial report.

E. Independence Declaration

Audit focus areas

Other focus areas

Internal controls

Misstatements
and deficiencies

Independence

Financial Reporting
Update

Mr. Greg Connor
Chair, Finance and Audit Committee
Corporation of the City of Marion
245 Sturt Road
Sturt, South Australia

2 October 2018

Dear Sir

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 2018 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, 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.

Yours faithfully

Deloitte Touche Tohmatsu

Penny Woods
Partner

E. Independence Letter

Audit focus areas

Other focus areas

Internal controls

Misstatements
and deficiencies

Independence

Financial Reporting
Update

Mr. Greg Connor
Chair, Finance and Audit Committee
Corporation of the City of Marion
245 Sturt Road
Sturt, South Australia

2 October 2018

Dear Sir

Independence letter for the Finance and Audit Committee

Deloitte Touche Tohmatsu ("Deloitte") has prepared the following letter to facilitate our communication with the Finance and 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.

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 2018.

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.

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

Deloitte Touche Tohmatsu

Penny Woods
Partner

F. Financial reporting update

Audit focus areas

Other focus areas

Internal controls

Misstatements
and deficiencies

Independence

Financial reporting
update

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 2018 and beyond.

G.1 Standards in issue that are mandatory for the year ended 30 June 2018

The following new and revised Accounting Standards and amendments have been issued by the Australian Accounting Standards Board ("AASB") which must be applied that are of relevance to the Corporation of the City of Marion:

Standard/Interpretation	Effective date	Applicable date
AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Amendments to Australian Accounting Standards – Effective date of AASB 15, AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15, ED 260 Income of Not-for-Profit Entities	1 January 2018	30 June 2019
AASB 9 Financial Instruments	1 January 2018	30 June 2019
AASB 16 Leases	1 January 2019	30 June 2020

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Member of Deloitte Touche Tohmatsu Limited

DRAFT



**The Corporation of the City of
Marion**
Management letter

Year ended 30 June 2018

STRICTLY PRIVATE & CONFIDENTIAL

Mr Kris Hanna
Mayor
Corporation of the City of Marion
PO Box 21
OAKLANDS PARK SA 5046

XX September 2018

Dear Sir

Matters arising from the Audit of the Corporation of the City of Marion for the year ended 30 June 2018

We have completed our audit of the Corporation of the City of Marion ("the Council") for the year ended 30 June 2018, and our Report to the Finance and Audit Committee and Elected Members was discussed at the Finance and Audit Committee meeting on 2 October 2018. That report included the most significant internal control, accounting and other matters which came to our attention during the 30 June 2018 audit. This report provides a discussion on certain matters concerning the company's internal control and accounting practices which came to our attention during our field work in connection with the audit for the year ending 30 June 2018 and our recommendations for improvements.

You will appreciate that our normal audit procedures are designed primarily to enable us to form an opinion on the financial statements as a whole and therefore do not necessarily bring to light at each audit all the weaknesses in internal control or accounting practice which a special investigation might do. 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's management. 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

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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 ("the Council") 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 2018. The scope of our audit was set out in our audit engagement letter dated 11 July 2018 and the audit service plan dated 23 May 2018.

During the audit, every effort was made to identify audit, accounting, internal and IT control deficiencies, disaster recovery and other issues which would be of benefit to the Council and its controlled entities.

In accordance with our normal practice, we write to draw your attention to those matters which came to our attention during the audit for the year ended 30 June 2018

2 Audit Findings – Internal Controls

2.1 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.

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 management and Deloitte.

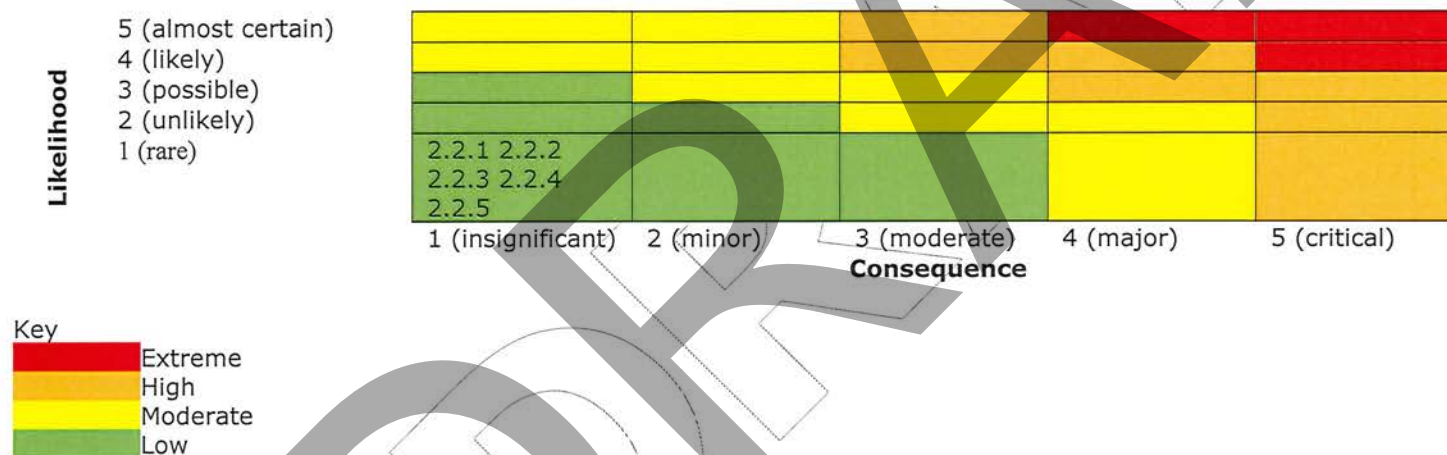
2.2 Overview

Sample controls within the best practice model as developed by the SALGFMG have been tested by Deloitte. Any control deficiencies identified by Deloitte on the controls tested have been summarised below.

Summary	Strategic Planning	Revenue	Expenses	Assets	Liabilities	External Contracts	Governance	Total
Number of controls tested	30	17	5	63	17	7	0	139
Findings	1	1	1	2	0	0	0	5
No Findings	29	16	4	61	17	7	0	134

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.



Observation	Recommendation	Prior Year Response	Status Update 30 June 2018
2.2.1 Grant attraction procedure			
<p>REV-GRA-0001</p> <p>There is no formal grant attraction procedure at present, however management are addressing the issue and are working towards implementing a functioning system.</p>	<p>Deloitte recommends that the formal grant attraction procedure be finalised.</p>	<p>Council has set up an External Funding Attraction Program in 2017/18, overseen by the External Funding Attraction Steering Committee to monitor applications.</p>	<p>Council's External Funding Attraction Working Group has commenced the preparation of a formal grant attraction procedure which it expects to be implemented in 2018/19.</p>
2.2.2 Policy for issuing funds to clubs			
<p>ASS-LOA-0001</p> <p>There were no specific reference details in the policy specific for issuing funds to clubs or community groups in accordance with the Delegations of Authority and in compliance with the Conflicts of Interest Policy.</p>	<p>Deloitte recommends that the policy be amended such that there is specific reference in the policy to issuing funds in accordance with the delegations of authority and conflicts of interest policies.</p>	<p>Grant funds are currently issued by way of Council Resolution at General Council Meetings, with no delegations in place, meaning that this is the only way for them to be issued. Elected Members are required to declare any conflicts of interest at the commencement of any General Council Meetings.</p>	<p>The process for issuing funds continues to be the same as prior year.</p> <p>All funds issued to clubs for grants were done by way of Council Resolution as required where no delegation exists.</p>
2.2.3 Debtor Masterfile			
<p>ASS-DEB-0012</p> <p>There is no way of generating a report in the system which shows changes to debtor Masterfile. It is possible to see the date a debtor was edited by clicking into each individual debtor however details of the change cannot be seen i.e. whether it was name, address etc.</p>	<p>Deloitte recommends that changes to the debtor master file are reviewed and supported with documented evidence of review.</p>	<p>The majority of changes to the Debtor Masterfile are initiated within finance due to address details being incorrect. This can be done by way of cross referencing council's other databases, and in some instances online research. Monitoring the accuracy of these changes is done by way of reviewing outstanding debts and making sure they are followed up in a timely fashion.</p>	<p>Other controls relating to debtors around following up on payments sufficiently mitigate the risk of non-payment associated with change of address details.</p> <p>As the system cannot generate a report that highlights these changes, in conjunction with other mitigating controls it will be recommended during the control review to be conducted during 2018/19 that this control be removed.</p>

Observation	Implication	Recommendation	Management Response
2.2.4 Register of Allowances and Benefits			
<p>EXP-ELE-0005</p> <p>There is no formal management review evidence available for the regular review of the Register of Allowances and Benefits conducted by Governance and Records.</p>	<p>Deficiency in this control means there is no formal way of monitoring changes to the Register of Allowances and Benefits.</p>	<p>Deloitte recommends there is a formal review process in place.</p>	<p>The process in place for preparation of the Register of Allowances and Benefits involves a two stage review process – first by the Unit Manager Governance and Records, followed by the Manager Corporate Governance.</p> <p>This will be formalised to ensure an evidentiary process is established to show that the register has been reviewed.</p>
2.2.5 Authority Exception Reports – Masterfile Changes			
<p>GEI-ITE-0009</p> <p>There is no way of generating a report in the system which shows changes to creditor masterfile. It is possible to see the date a creditor was edited by clicking into each individual creditor however details of the change cannot be seen i.e. whether it was name, address etc.</p>	<p>Deficiency in this control means there is no formal way of monitoring changes to the creditors master file data.</p>	<p>Deloitte recommends that changes to the creditor master file are reviewed and supported with documented evidence of review.</p>	<p>The risk and consequence of change of address details is deemed to be low as the majority of suppliers are paid via EFT.</p> <p>It is important to note that Council has the ability to report on changes to Bank Details, and these are reviewed on a regular basis. Bank details changes must be supported by an invoice with the new information on them (emails and phone calls are not sufficient).</p> <p>New suppliers must be created via a documented approval process</p>



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Independence of Council's Auditor

Originating Officer	Unit Manager Statutory Finance and Payroll - David Harman
Corporate Manager	Manager Finance - Ray Barnwell
General Manager	General Manager Corporate Services - Vincent Mifsud
Report Reference	FAC181002R04

REPORT OBJECTIVE

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 this 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 **Attachment 1**).

EXECUTIVE SUMMARY

During the 2017/18 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 within his delegation.

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

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Notes the statement provided by Council's Auditor attesting to their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2017/18 financial year.**
- 2. Notes 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 2017/18 financial year.**
- 3. Endorses 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 2017/18 financial year.**

Legal / Legislative / Policy: Local Government Act 1999, Local Government (Financial Management) Regulations 2011.

Attachment

#	Attachment	Type
1	Certification of Auditor Independence - CoM	PDF File
2	Certification of Auditor Independence - Deloitte	PDF File

City of Marion

General Purpose Financial Statements for the year ended 30 June 2018

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 2018, 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:

E. Independence Declaration

Audit focus areas

Other focus areas

Internal controls

Misstatements
and deficiencies

Independence

Financial Reporting
Update

Mr. Greg Connor
Chair, Finance and Audit Committee
Corporation of the City of Marion
245 Sturt Road
Sturt, South Australia

2 October 2018

Dear Sir

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 2018 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, 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.

Yours faithfully

Deloitte Touche Tohmatsu

Penny Woods
Partner

E. Independence Letter

Audit focus areas

Other focus areas

Internal controls

Misstatements
and deficiencies

Independence

Financial Reporting
Update

Mr. Greg Connor
Chair, Finance and Audit Committee
Corporation of the City of Marion
245 Sturt Road
Sturt, South Australia

2 October 2018

Dear Sir

Independence letter for the Finance and Audit Committee

Deloitte Touche Tohmatsu ("Deloitte") has prepared the following letter to facilitate our communication with the Finance and 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.

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 2018.

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.

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

Deloitte Touche Tohmatsu

Penny Woods
Partner

Corporate Reporting Policy and Framework

Originating Officer	Quality Governance Coordinator - Deborah Horton
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager Corporate Services - Vincent Mifsud
Report Reference	FAC180821R05

REPORT OBJECTIVE

To seek feedback from the Finance & Audit Committee (FAC) in relation to the attached Corporate Reporting Policy and Framework.

EXECUTIVE SUMMARY

An internal audit undertaken by KPMG identified that the City of Marion's corporate reporting function was not operating at an optimum level. To address this finding, a centralised overarching policy (**Appendix 1**) and framework (**Appendix 2**) have been created that determines the corporate reporting hierarchy and function across the organisation providing clarity regarding roles and responsibilities.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Note this covering report.**
- 2. Provides feedback regarding the Corporate Reporting Policy (Appendix 1).**
- 3. Provides feedback regarding the Corporate Reporting Framework (Appendix 2).**

GENERAL ANALYSIS

BACKGROUND

A centralised corporate reporting 'function' has been an identified need from a previous internal audit which was finalised and reported via the FAC meeting in December 2017.

DISCUSSION

Corporate Reporting Policy (the policy) (Appendix 1)

The policy provides the fundamental governing principles whilst defining high level roles and responsibilities.

Corporate Reporting Framework (the framework) (Appendix 2)

The purpose of the framework is to provide an overall structure for corporate reporting functions across the organisation.

The adoption of these documents will finalise the recommendations from the audit, however the next steps include a significant body of work including:

- reviewing and re-aligning corporate reporting for better reporting outcomes
- exploring systems and processes

- implementing new processes (with accurate data to support decision making)
- developing corporate reports and continual improvement to reporting structures/processes.

Attachment

#	Attachment	Type
1	FAC210818R0X - Appendix 1	PDF File
2	FAC210818R0X - Appendix 2	PDF File

1. RATIONALE

Effective performance reporting is essential for assuring ultimate accountability to local residents and ratepayers. It provides an opportunity to demonstrate value for money, provide insight to the quality and impact of services, the achievement of strategic objectives and demonstrating clear decision-making processes.

2. POLICY STATEMENT

This policy identifies the predominant principles that, when applied, will ensure ethical and responsible decision making in the corporate reporting function and to safeguard organisational integrity expected of a local government entity.

3. OBJECTIVES

The objectives of this policy are to define the City of Marion's corporate reporting principles to;

- ensure corporate performance reporting is relevant,
- minimise poor decision-making,
- Provide clear organisational direction upon the level of compliance to be achieved,

4. PRINCIPLES

Three overarching principles will apply to all reporting activities and corporate reporting functions implemented across the organisation.

1. Transparency
2. Timeliness
3. Accountability



Combined, these principles provide a solid foundation for management oversight and ensure ethical/ responsible decision-making. They also seek to safeguard the integrity of the corporate reporting function against strategic objectives and corporate targets including key performance indicators (KPI's).

Transparency

This principle incorporates;

- what information is reported.
- why the information it is reported.
- who is responsible for collating data and distributing a report, including who is the responsible decision maker.
- when the information should be reported.
- the 'if not', 'why not' approach – flexibility to adopt alternative governance practices with a legitimate reason ensure the appropriate level of disclosure about practices.
- add value – appropriate documentation.
- balanced disclosure.
- safeguard integrity.

Timeliness

This principle incorporates;

- when reporting is to commence.
- frequency.
- clarity regarding reporting periods (annual or ytd, monthly, quarterly).
- time lag in actions.
- timely and balanced disclosure of all matters that have a material effect to the issue.

Accountability

This principle incorporates;

- independence of the reporting function.
- structure of reporting should articulate value by using evidenced, factual information.
- accuracy of interpretation.
- relevant information included within the report.
- due care and diligence.

5. POLICY SCOPE AND IMPLEMENTATION

This policy applies to all City of Marion staff that have a reporting responsibility or produces information for a reporting function.

6. ROLES AND RESPONSIBILITIES

Corporate Governance is responsible for the implementation of this policy via the Corporate Reporting Framework.

7. REFERENCES

- *City of Marion Corporate Reporting Framework*

8. REVIEW AND EVALUATION

This policy will be reviewed once within a term of Council. Its review will be initiated by the Governance Department.



Corporate Reporting Framework

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Background

In December 2017, KPMG undertook an internal audit of the City of Marion's (CoM) corporate reporting function.¹ A key finding of the audit identified that the corporate reporting function was not operating at optimum level.² To address this finding, the primary purpose of the Corporate Reporting Framework (the CR framework) is to support the Policy position by providing further direction and guidance for corporate reporting upon which Council and its delegated authorities can base their decision-making including;

- why and when reports are generated.
- who is responsible for the creation and dissemination of reports.
- who is the decision maker and what action is required/or outcome to achieve.

This CR framework should be read in conjunction with the CoM Corporate Compliance Framework. It identifies a reporting method to maintain and safeguard a culture of integrity, aligned with other organisational management plans and processes (ie. risk, financial, environmental, governance, health and safety) for effective, transparent and efficient decision-making.

Purpose

The purpose of this framework includes:

- Providing a clear documented approach to corporate reporting for the CoM to enable;
 - informed decision making.
 - a complete and historical record of the organisations progress/journey.
 - a clear direction and prioritisation for reporting across the organisation.
 - the creation of quantified targets and the measurement of performance against targets.
 - public confidence in Council's administration.
 - professional test and record of the quality of management's strategic thinking and delivery.
 - accountability to the public and wider community.
- Clarifying roles and responsibilities in relation to reporting activities across the organisation.
- Identifying how reporting across the organisation is aligned with the CoM Strategic Management Framework which includes;
 - Annual Business Plan.
 - Long Term Financial Plan.
 - Three year Business Plan
 - Three year Work Area Plans.
 - 10 year Strategic plan.
 - Community Vision - Towards 2040.

Outcomes

The outcomes of this CR framework are to:

- provide clarity for the organisation for the reporting and monitoring of corporate performance.
- provide an effective and responsive framework.
- align and integrate corporate reporting with other internal organisational processes.
- clarify roles and responsibilities of resources allocated to corporate reporting to manage potential risks and strengthen accountability.

¹ FAC121217R7.7

² FAC121217R7.7 Finance & Audit Committee, Internal Audit – Corporate Reporting, 12 December 2017, 16.

- Enable informed decisions regarding day-to-day and strategic activities/projects by being able to easily determine if 'performance' has changed over time, if so why, by how much and in what direction.
- provide certainty regarding the integrity of data captured for reporting.
- achieve public confidence in the administration of services that contribute to the wellbeing of the CoM residents and wider Adelaide Community.

Scope

This CR framework applies to the CoM.

Definition of terms

The following provides clarity for various terms used regarding documents produced by the organisation when performing a reporting function. For a document hierarchy, refer to .

Corporate reporting: Is an all-encompassing phrase which includes all reports that

Framework: A document articulating a high-level structure that is a support or guide for a particular subject. In relation to this document 'framework' refers to the CoM Corporate Reporting Framework unless specified otherwise.

Plan:

Policy: A high-level directive that establishes a philosophical/principle based approach to a subject. The City of Marion has three types of policy: public, legislative and corporate.³

Procedure: A procedure clearly identifies logical and methodical instructions for a particular course of action usually complete with expected timeframes for each action. A procedure can also be referred to as a Standard Operating Procedure (SOP) or work-process or work-flow.

Strategic Management Framework: This document includes six tiers of reporting documents (Annual Business Plan>Long Term Financial Plan>Three Year Business Plan>Three Year Work Area Plans>10 Year Strategic Plan>30 Year Community Vision Towards 2040) that, when combined contribute to Council achieving its 30 Year strategic vision.

Three overarching principles

The principles of transparency, timeliness and accountability will apply to all reporting activities implemented across the organisation.⁴ Refer to the City of Marion Corporate Reporting Policy.

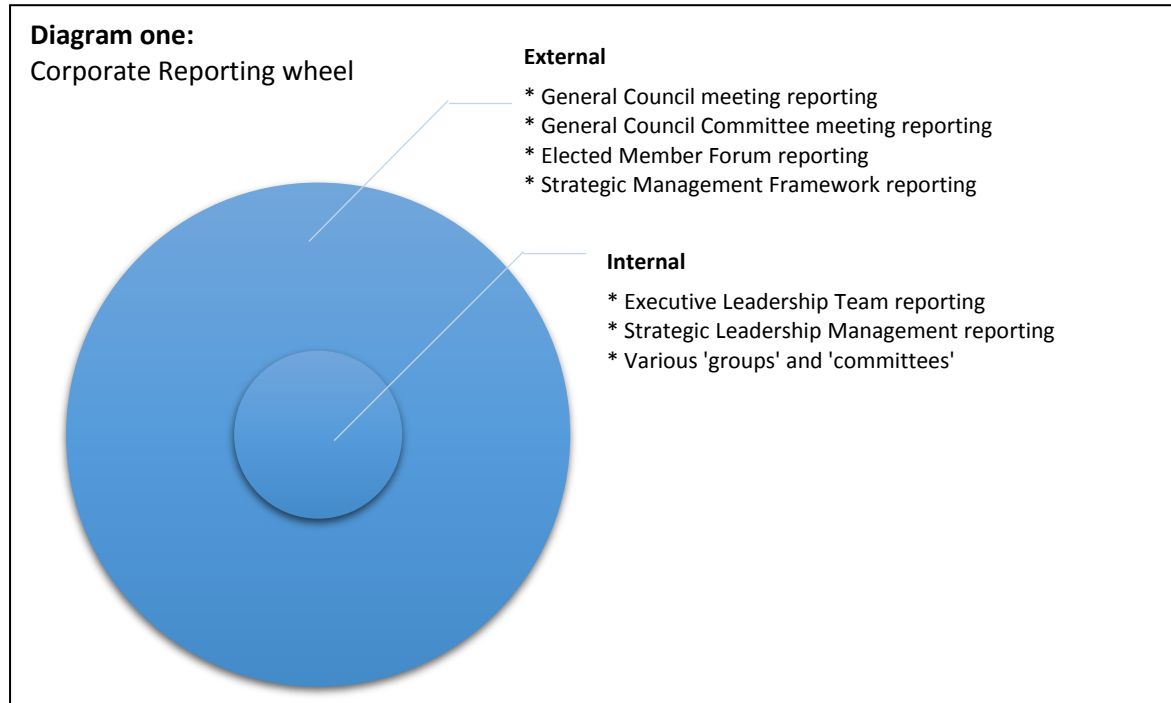


³ Refer to the City of Marion Policy Framework

⁴ Adapted from Samuel A DiPiazza Jr, Robert G Eccles 'Building Public Trust: The future of Corporate Reporting', John Wiley & Sons, Sep 18 2002, p 11

City of Marion approach to reporting

There are essentially two elements to Corporate Reporting whereby reports can either have an external or internal focus (see diagram one).



External

Reports that have an outward and often public focus include;

- General Council Meeting Reports
- Elected Member Forum Reports
- Committees of Council Reports
- Strategic Management Framework reporting which includes;
 - Annual Business Plan
 - Long Term Financial Plan
 - Three year Business Plan
 - Three year Work Area Plans
 - 10 Year Strategic Plan
 - Community Vision – Towards 2040

Internal

Reports that have an internal focus upon operational matters include (but not limited to);

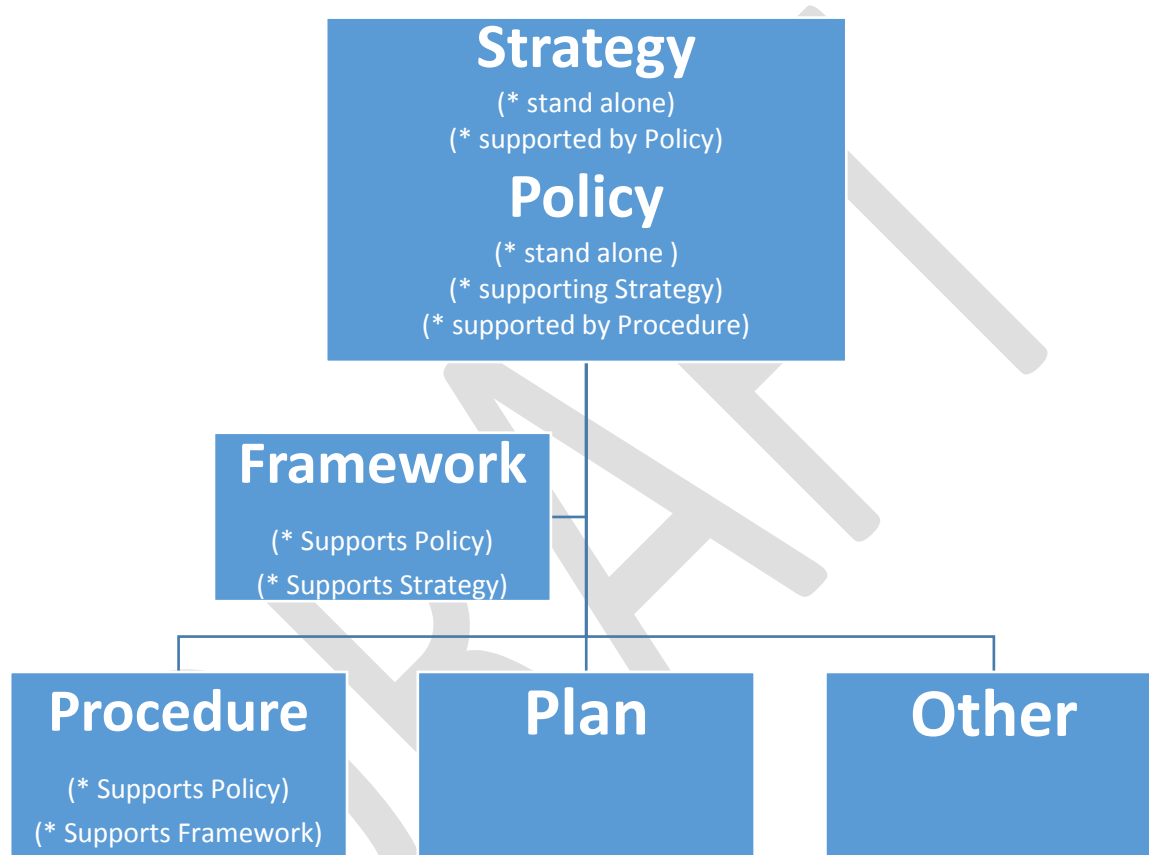
- Executive Leadership Team Meetings
- Strategic Leadership Management Meetings (Strategic Leadership Team)
- Various operational 'groups' and 'committees' including;
 - Project Control Group
 - Risk/WHS Working Group
 - Delivery Assurance Working Group
 - Divisional Delivery Assurance Working Group
 - Asset Management
 - ICT Steering Committee
 - Emergency Management Groups

Confidentiality

Where appropriate, the City of Marion will comply with any legislation regarding privacy or confidentiality when undertaking corporate reporting with particular reference to the *Local Government Act 1999* (SA).

Document hierarchy

The following provides further detail regarding various documents that are produced across the organisation, visually representing their alignment across the organisation and how they inter-relate.



Strategy

A strategy determines the vision of the organisation to be achieved. Strategy usually stands alone, but can be supported by one or more Policies - giving equal status to both policy and strategy as fundamental organisational documents.

Policy

A policy usually stands alone as a fundamental organisational document. A policy does not require an overarching strategy (for example City of Marion legislative policies). A policy can however, support strategy in the organisation to achieve its strategic vision/strategy.

Framework

A framework provides high-level structure to support or guide both policy and strategic documents.

Procedure

A procedure usually provides logical steps in either a methodical or a chronological order to assist with achieving or implementing a framework or policy. These steps usually have expected timeframes. A procedure for the City of Marion can also be known or referred to as a “Standard Operating Procedure”, “Work Process”, or “Work Flow”.

Plan

A plan is usually a scheme of action or arrangement for a project. A plan can support or inform a procedure or work-flow or process.

Other; guide, guidelines.

There are a myriad of other documents produced by various teams across the Council. These documents offer support or direct a course of action in accordance with the overarching documents of strategy, frameworks or policy.

Roles and responsibilities

It is crucial that the day-to-day reporting (including identification, collection, monitoring and reporting) be retained as the responsibility of the individual business unit. The following provides a high-level explanation of roles and responsibilities;

Council

Council has an awareness role in relation to corporate reporting generally. With regard to this framework however, its effectiveness will be monitored via the Finance and Audit Committee (FAC) with any decisions regarding the CoM's Reporting tolerance, objectives or performance to remain within Council's ambit. Reports to the Finance and Audit Committee will include the timely reporting of the Reporting management system and significant emerging Reporting risks.

Finance and Audit Committee (FAC)

As part of its advisory and assurance role to Council, the FAC is responsible for reviewing and monitoring the CR framework. The Committee provides guidance, support and advice to Council upon reports it receives. This includes advice whether the reporting framework and associated documentation is effective and aligned to Council's risk/reporting tolerance level.

Chief Executive Officer (CEO)

With overall accountability for the corporate reporting program, the CEO provides leadership and ensures appropriate resourcing and delegations are in place for an effective reporting program. The CEO is responsible for ensuring timely reporting to the FAC Committee and Council to support a culture of 'no surprises'.

General Managers (GM's and ELT)

GM's individually and collectively (with the CEO as the Executive Leadership Team) oversee strategic reporting systems and have high-level oversight of operational (work area) reporting strategies across their relative portfolios. All GM's are responsible to lead and encourage reporting behaviour to foster an organisational culture of integrity and reporting. All GM's must ensure participation of units within their portfolio in reporting activities.

Strategic Leadership Managers/Team (SLM/T)

SLM/T have detailed oversight of operational (work area) reporting strategies across their relative portfolios. As individual operational reporting owners, managers oversee operational reporting and implement processes across the span of their responsibility. SLM/T Managers may delegate reporting activities to Unit Managers.⁵

Leadership Team (LT)

Contribute; implement and lead corporate reporting processes where directed by the relevant SLM/T, or GM. Management (including SLM/T and ELT) are responsible for;

- Cooperating with and supporting the QGC and reporting function and encouraging employees to do the same.
- Personally complying and being seen to be compliant with legislation, regulations and other corporate policies, processes and procedures.
- Identifying and communicating reporting risks in their operations.
- Escalating non-reporting matters as soon as they arise and implementing corrective action promptly and efficiently.
- Actively monitor business unit reporting.

Staff

Contribute, implement and adhere to corporate reporting obligations and processes where directed by the relevant SLM/T, GM or LT. Staff will also be required to;

- Participate in training in accordance with direction.
- Use available reporting resources as established.
- Report reporting concerns, failures and issues as soon as they arise.

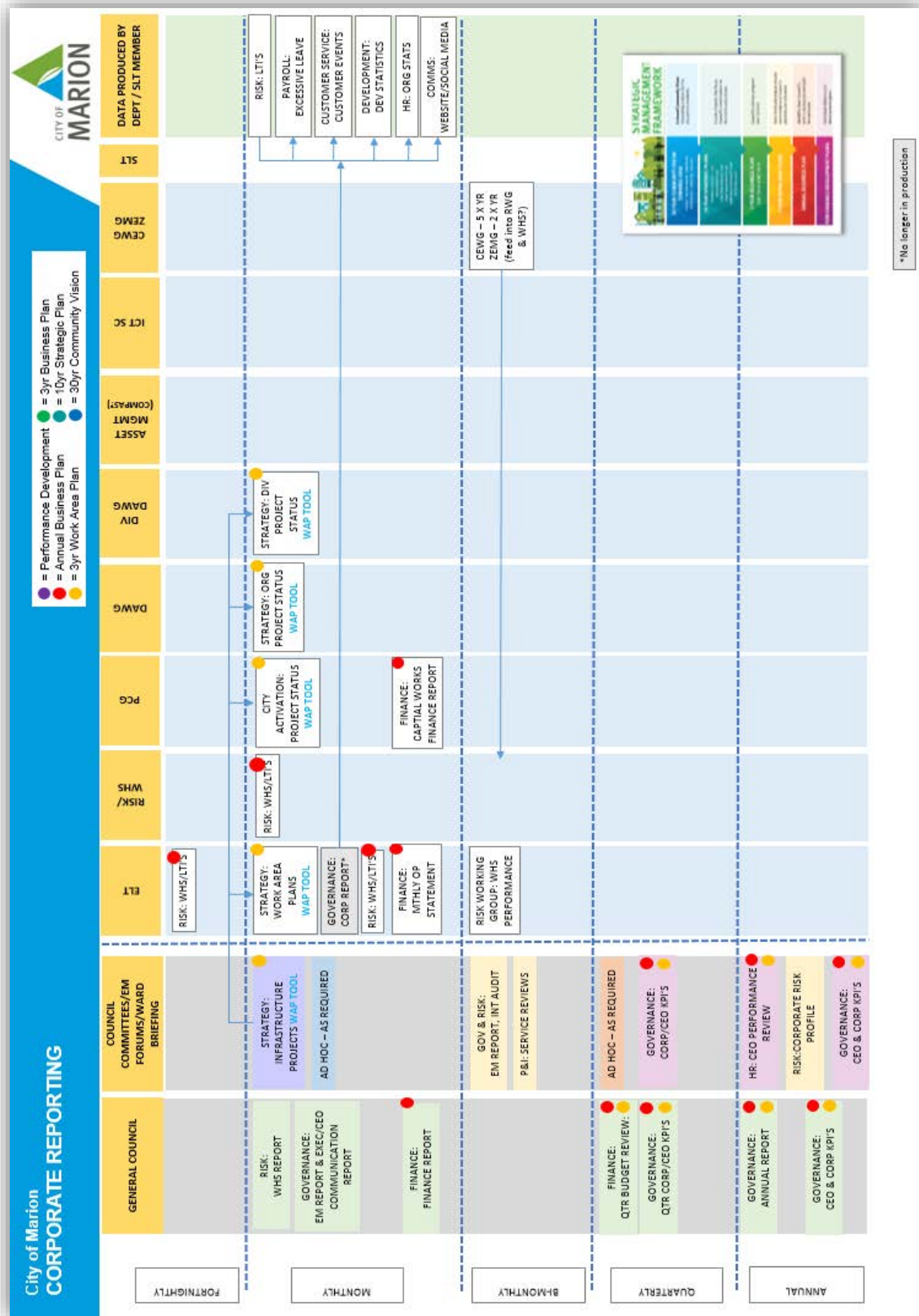
Corporate Reporting resources

The CoM has experienced staff within the Governance portfolio to facilitate a corporate reporting project. In particular, the Quality Governance Coordinator (QGC) is responsible for managing this project working across the organisation and liaising with business units. All reporting on this project will be initiated and managed by the QGC.

-O-

⁵ Refer Leadership Team

Appendix 1: Diagram of current corporate reporting practices



Version created: May 2018

Version endorsed by Finance & Audit Committee: 15 August 2018 (FAC150818R0X)

Version endorsed by Council:

DRAFT

Finance and Audit Committee Annual Report to Council 2017/18

Originating Officer	Manager Corporate Governance - Kate McKenzie
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager Corporate Services - Vincent Mifsud
Report Reference	FAC181002R06

REPORT OBJECTIVE

To seek feedback from Finance and Audit Committee (FAC) Members on the attached draft "Report to the City of Marion on the operations of the Finance and Audit Committee for 2017/18" in accordance with the Committee's Terms of Reference, prior to being presented to General Council on 9 October 2018.

EXECUTIVE SUMMARY

The FAC Terms of Reference provides that the 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.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Endorses the Annual Report to Council for 2017/18 provided at Appendix 1 to this report, subject to amendments as required, prior to being presented to the General Council meeting on 9 October 2018.**

Attachment

#	Attachment	Type
1	Appendix 1 - FAC Annual Report 2017-18	PDF File

APPENDIX 1

REPORT TO THE CITY OF MARION COUNCIL

ON THE OPERATIONS OF THE FINANCE AND AUDIT COMMITTEE FOR 2017/18

INTRODUCTION

This report provides an overview of the City of Marion Finance and Audit Committee (The Committee) operations for 2017/18 financial year.

Clause 4.21 of the Finance and 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:

- A summary of the Committee's assessment of the City of Marion's Risk & Control Framework;
- A summary of the work the Committee performed during the year including a focus on;
 - Risk and internal control,
 - Financial reporting and prudential requirements,
 - Service reviews and internal audit.
- Meeting statistics;
- Future work scheduled for 2018/19.

This report is intended to invite comment and discussion from Council.

THE FINANCE AND AUDIT 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.

Work progressed in the last financial year to further imbed the organisations risk management framework and risk management process across the organisation. The Executive Management Team have had an enhanced focus on reviewing and monitoring the organisation's risks to ensure they are managed appropriately and mitigation strategies are implemented accordingly.

During the 2017/18 year, quarterly risk reporting was introduced to Council to provide enhanced oversight of the corporate risk profile. At the end of the financial year, the residual high risk reduced from 14 to 10.

The Committee recognises that the City of Marion has a mature and planned internal and external audit program. They are both outsourced creating an increased level of independency. A number corporate risks identified have been reviewed via internal audit with findings to further mitigate the risks.

It is evident that the Council's governance, prudential obligations and risk management culture continues to improve and reduce risk to acceptable levels. The Council is making decisions based on risk and reward in the best interest of the community.

SUMMARY OF WORK PERFORMED DURING THE FINANCIAL YEAR (2017-18)

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

External Audit 2016/17 (considered in October 2017)

- Deloitte Touch Tohmatsu confirmed their independence in accordance with the Local Government Financial Regulations.

- The 2016/17 external audit was completed in accordance with the Australian Auditing Standards. No contraventions of the *Local Government Act 1999* were identified, and an unmodified 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 for the year ended 30 June 2017.
 - Council would receive an unmodified audit opinion for the 2016/17 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.
- The Audited Financial Statements 2016/17 provided:
 - An operating surplus of \$11.673m, which was \$4.02m greater than the surplus forecast in the original adopted 2016/17 budget.
 - Total operating income for 2016/17 was \$88.173m compared to \$82.628m in 2015/16. The increase of \$5.545m (6.7%) predominantly results from an increase in Rates of \$2.6m (from an adopted rate increase of 2.5% + growth of 1.4%) and an increase in Grants, Subsidies and Contributions of \$2.8m (42.6%).
 - Total operating expense for 2016/17 was \$76.500m compared to \$72.745m in 2015/16. The increase of \$3.755m (5.2%) predominantly relates to an increase in depreciation (\$3.236m) resulting from a change in revaluation methodology from the 30 June 2016 asset valuation.
 - Employee costs increased \$438k (1.4%) in 2016/17 from 2015/16 with increases from Enterprise Agreements offset by final realized savings achieved from the organisational restructure that occurred in the middle of the 2015/16 financial year resulting in a reduction in management positions.
- The 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 a willingness from management to provide timely information, and act quickly on any recommendations made. The only issue raised was on occasions it had been difficult to obtain information/data required due to the inability of systems to capture it and/or interrogate it.
- The Committee recommended to Council the adoption of the Audited Financial Statements for 2016/17 and noted the excellent results and financial outcomes.

Financial Reporting and Prudential Requirements

- The Committee considered and provided feedback on the framework and key assumptions of the *Annual Business Plan and Budget 2018/19*. Following this, the Committee reviewed the draft *Annual Business Plan and Long Term Financial Plan* noting that this report had improved year on year. The Committee noted the number of unfunded initiatives.
- The Committee recommended that Council keep rates low (around CPI) and cautioned them around the desire to spend. The Committee noted that Council was well prepared for the introduction of the potential for rate capping for the sector. It was noted that rate modelling was based on 1.8% and 2.2%
- The Committee also reviewed the Debtors Report and investment Reports noting the performance in these areas were satisfactory.
- The Committee reviewed a section 48 Prudential Report on the BMX Project and provided various advice. Please note that this report was considered in confidence due to the commercial information within the report.

Service Reviews

- The Committee reviewed and provided comment regarding the progress of the Service Review Program noting that the data and quality of the service review program has improved as the program has matured. The following services were reviewed with various opportunities for improvement identified:
 - Roads
 - Asset Systems
 - Maintenance of Council Facilities
 - Open Space Transformation – Phase 1
 - Customer Service
 - Community Safety Inspectorate
- The Committee considered the Service Review Plan for 2018/19 and recommended to Council that a reduced number of reviews be completed (9 instead of 12) to provide some additional resources to assist with the implementation of recommendations across the organisation. The Committee continue to monitor the progress of implementation of recommendations.

Internal Audit

- The City of Marion's Internal Audit 2015-2019 program progressed steadily. The Committee considered the final year of the program and ensured the Audits were aligned to Councils high risks.
- Various internal audit reports were presented to the Committee during the financial year including Policy Framework, Corporate Reporting, Volunteer Management, NDIS and Contractor Management. Each of these audits had various findings and the Committee continues to monitor closely the implementation of recommendations.
- In addition to the above, scopes were also considered for the Planning Assessment and Fines and Enforcement Internal Audits however these final reports were not considered until August 2018.

Internal Controls and Risk Management

- Internal controls are reviewed annually as part of the external audit process.
- The Committee focused on a number of risk programs during the 2016/17 financial year including the development and implementation of:
 - Work, Health and Safety,
 - Insurance Market Review
 - Community Emergency Management Plan
 - Business Continuity Plan.
- The Committee considered the corporate risk profile at its meeting in October 2017. This report identified 110 risks with 14 risks being rated as high, 83 as medium and 13 as low (after consideration of controls). The 14 high risks come from the following categories:

1. Property and Infrastructure	5. Contractor Management
2. WHS Management	6. Business Continuity and Community Safety
3. Governance and Risk	7. Major Projects
4. ICT/Cyber Security	8. Environment Management

- In comparison to industry counterparts, the City of Marion's risks are aligned to the sector's top rated risks. It is noted that two of the sector's top risks, Financial Sustainability/Stability and Human Resources Management, are rated as medium or low by the City of Marion (hence not listed above). This provides assurance to Council that the risk management program is working well to mitigate risks and reduce the risk exposure against the sector's highest rated risks.

Other

Other reports considered by the Committee in 2017/18 included;

- Draft ICT Digital Transformation Plan
- Claims and Insurance Report
- FAC Annual Report to Council 2016/17
- Asset Valuation Process and Outcomes for 2016/17
- Draft Building Asset Management Plan
- Appropriate Levels of Debt
- Update on Edwardstown Redevelopment
- Mitchell Park Sports and Community Centre - Funding
- Ombudsman's Annual Report 2017/18
- Unsolicited Proposals Policy
- The Committees work program and meeting schedule for 2018
- A joint workshop with Council was held in August 2017 that focused on the principles and methodology for the Service Review Program (stage two).

DETAILS OF MEETINGS

During 2017/18, five meetings were convened;

- 15 August 2017 (joint Council and FAC Forum)
- 10 October 2017
- 12 December 2017
- 27 February 2018
- 29 May 2018

Committee Member attendance at meetings overview		
Member	Eligible to attend	Attended
Mr Greg Connor (Chairperson)	5	5
Ms Kathryn Presser (Concluded term in Nov 17)	3	3
Ms Emma Hinchey	5	4
Ms Natalie Johnston (Commenced Feb 18)	2	2
Councillor Raelene Telfer	5	5
Councillor Nick Kerry	5	2

The Committee went into confidence on nine (9) occasions to consider the following reports;

- Meeting with Internal Auditors in Confidence (FAC150817R8.4)
- Meeting with External Auditors in Confidence (FAC101017R8.13)
- Section 48 Prudential Report – BMX Confidential (FAC101017R8.14)

- Cove Road, Marino (FAC101018R8.15)
- Service Review – Report – Open Space Transformation Phase 1 (FAC121217F01)
- BMX Project (FAC121217F02)
- Insurance Market Testing (FAC270218RF01)
- Employee Agreement Negotiations (Discussion)
- Service Review – Report – Community Safety Inspectorate (FAC290518F01)

FUTURE WORK PROGRAM PROPOSAL

Major items for the Committee to review and provide comment / feedback for 2018/19 include progress on:

- Internal Audit Tender (due to commence January 2019)
- Prudential Management Policy Review
- Risk Management Framework Review and implementation

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 and annual business plan; and
- c) Liaising with the Council's auditor.

The body of work undertaken by the Committee is maturing 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.

I record my thanks for the support and diligence of those involved in the Committee being my fellow Finance and Audit Committee Members and the Council's Elected Members. The Committee acknowledged Ms Kathryn Presser for her service on the Committee and welcomed Ms Natalie Johnston in February 2018. 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 Finance and Audit Committee

Meeting with the External Auditors in Confidence (without management present)

Originating Officer	Governance Officer - Victoria Moritz
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager Corporate Services - Vincent Mifsud
Report Reference	FAC181002R07

REPORT OBJECTIVE

The Finance and Audit Committee Terms of Reference recognises that the Committee will meet with both the external auditor and internal auditor without management at least once per year (clause 4.10). This provides the 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 Committee will provide a summary of the discussion to the Manager Corporate Governance to be published in the minutes.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Pursuant to Section 90(2) and (3)(g) of the *Local Government Act 1999*, orders that all persons present, be excluded from the meeting, with the exception of Penny Wood from Deloitte Touche Tomatsu, as the Finance and Audit Committee meets with Council's External Auditors, on the basis that the Finance and 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. Include the following comments within the minutes:**

-

Insurance and Claims Management 2017-18 Annual Report

Originating Officer	Unit Manager Risk - Sherie Walczak
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager Corporate Services - Vincent Mifsud
Report Reference	GC181002R08

REPORT OBJECTIVE

The objective of this report is to provide the Finance and Audit Committee (FAC) with an overview of the insurance renewal program and statistics on the insurance related incidents and claims reported to the City of Marion (CoM) for the period 1 July 2017 to 30 June 2018.

EXECUTIVE SUMMARY

The following outlines the insurance incidents and claims reported in 2017/18 to Local Government Risk Services (LGRS) which encompasses the Local Government Association Mutual Liability Scheme (LGAMLS) and the Local Government Association Asset Mutual Fund (LGAAMF) through which the CoM is provided with a comprehensive range of insurance products including,

- Public and professional liability insurance,
- Motor Vehicle Assets,
- Property Assets, and
- Event Cancellation cover.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Receives and notes this report.**
- 2. Provides comment on the adequacy of the mitigating actions in response to the incident data for the period 2017/2018.**

DISCUSSION

Statistical Analysis

During 2017/18, a total of 319 incidents were reported across the four portfolios of insurance, resulting in 102 claims.

Of those incidents reported, 60 related to motor vehicle assets resulting in 31 claims, 46 related to property assets resulting in 25 claims, 213 related to public liability incidents resulting in 45 claims and there was 1 Community event cancelled causing an incident report which then resulted in a claim. Further details on these incidents and claims are outlined in **Appendix 1**.

Conclusion

The CoM continues to take a proactive response to incidents and claims. Attention is given to key risk areas including ongoing review and implementation of risk management systems, asset management plans, workplace emergency management plans and business continuity plans.

The Risk Management Unit continues to record all reported incidents and claims received and work in

collaboration with the relative work areas to ensure that these incidents are investigated, corrective and/or preventative actions are implemented and any issues are managed, monitored and resolved effectively to mitigate the risk to the public and property.

Risks are reviewed and monitored regularly via relevant risk registers which identify appropriate risk controls and treatments.

Insurance and claims reports are reviewed quarterly by the Executive Leadership Team and the risk registers are reviewed quarterly by the Senior Leadership Team with all high rated risks reported to the Risk Working Group and to Council.

Attachment

#	Attachment	Type
1	FAC021018 Insurance and Claims Management 2017_18 Annual Report	PDF File

APPENDIX 1 – Insurance and Claims Management 2017-18 Annual Report

Motor Vehicle Assets:

During 2017/18, a total of 31 claims resulted from motor vehicle incidents. After further claims handling, 3 were managed by CoM, with the remaining 28 claims being submitted to the LGAAMF.

Related information is presented in Table 1 with additional comments listed below:

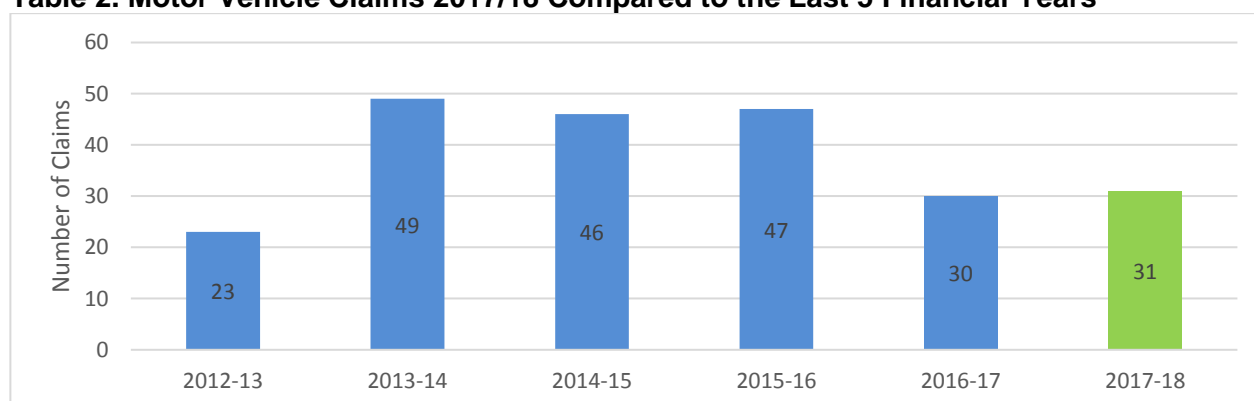
Table 1. Motor Vehicle - Incident and Claim Statistics Over the Last 2 Financial Years

Motor Vehicles	2016/17				2017/18			
Insurance Category 'at fault'	Incidents	Claims	Claims Value (\$)	Actual Claims Value* (\$)	Incidents	Claims	Claims Value (\$)	Actual Claims Value* (\$)*
CoM	84	21	25,220	11,104	49	24	21,416	9,825
Third Party	18	9	17,825	2,474	11	7	7,575	1,060
TOTAL	102	30	\$43,045	\$13,578	60	31	\$28,991	\$10,885

**Actual value incurred ie: excess or deductible*

- The actual value of claims forwarded during 2017/18 totalled \$10,885, a reduction of 75% (\$32,160) compared to the actual value of \$43,045 for 2016/17.
- Incident reporting figures are lower for 2017/18 with only 60 reports. This is largely reflective of a change in our motor vehicle incident reporting process. Only data relating to major motor vehicle incidents is now captured by the insurance process, due to their likelihood of resulting in an insurance claim. The more minor incidents are now captured and investigated via the SkyTrust WHS Management System.
- In recognition of the high proportion of our motor vehicle claims being caused by CoM staff and as part of an ongoing support program for CoM drivers, related training continues to be delivered, covering skills in the identification and assessment of risks as well as the understanding and progression of safe operating procedures.
- The fleet renewal program incorporates safety considerations via a pre-purchase risk assessment, highlighting the appropriateness of the vehicle to the task being performed. This will often include provision of additional safety features such as GPS, reversing sensors and cameras.
- Regular corporate messaging reinforces the safety focus via emails, newsletters, toolbox talks and regular General Staff Meetings.
- During 2017/18, quarterly reporting to the Executive Leadership Team was introduced in order to provide high level reporting on; comparative data, incident mitigation, claim trends and on-going insurance risk exposure. The Motor Vehicle claim volume data for the last 5 years is shown below.

Table 2. Motor Vehicle Claims 2017/18 Compared to the Last 5 Financial Years



Property Assets:

During 2017/18, a total of 46 incidents were reported in relation to CoM property, resulting in 25 claims.

Related information is presented in Table 3 with additional comments listed below:

Table 3. Property Asset - Incident and Claim Statistics Over the Last 2 Financial Years

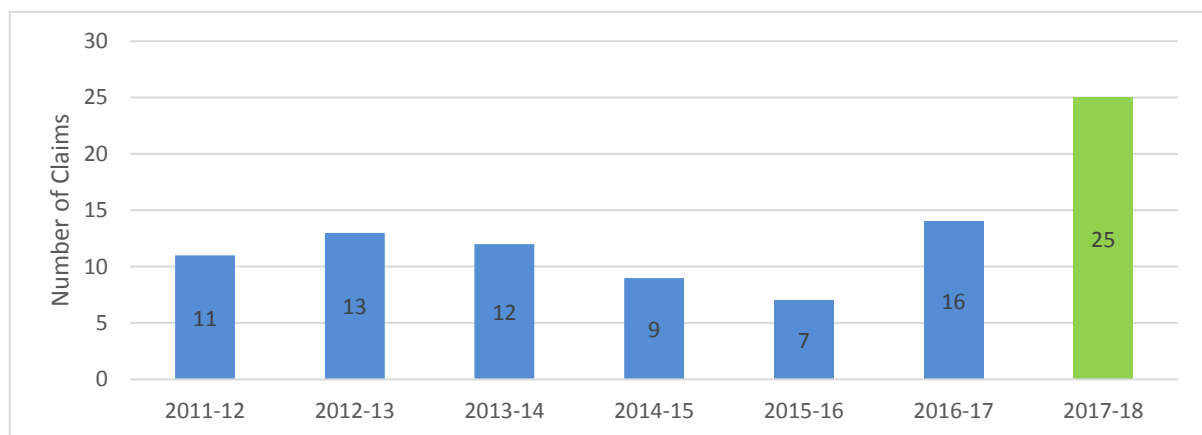
Property Asset	2016/17				2017/18			
Insurance Category	Incidents	Claims	Claims Value (\$)	Actual Claim Value* (\$)	Incidents	Claims	Claims Value (\$)	Actual Claims Value* (\$)
Accidental Damage	6	2	850	850	4	2	5,071	1,500
Arson	2	2	2,045	-	4	2	2,730	2,000
Break-in	5	-	500	500	2	1	1,841	1,000
Environmental	17	6	9,715	3,100	4	3	32,542	3,000
Fire	1	-	-	-	-	-	-	-
Machinery Breakdown	2	-	-	-	-	-	-	-
Motor Vehicle Impact	12	5	\$41,997	1,500	11	7	41,783	6,080
Theft	1	-	-	-	6	4	14,247	5,597
Vandalism	8	1	\$7,172	980	12	4	15,565	5,000
Water Damage	4	-	824	200	3	2	7,400	1,000
TOTAL	58	16	\$63,103	\$7,130	46	25	\$121,179	\$25,177

**Actual value incurred ie: excess or deductible*

- The value of property asset claims for 2017/18 totalled \$121,179, however, following insurance processing, the actual claim value incurred by CoM ie: excess sums and/or deductibles, totalled \$25,177
- The actual claim value for 2017/18 of \$25,177 represents over 3.5 times the actual claim value of \$7,130 for the previous year, which is due to a higher number of incidents resulting in claims (25 claims rather than 16 during 2016/17).
- Most markedly, claims have increased in the following categories; theft (+4), vandalism (+3), motor vehicle impact (+2), water damage (+2) and break in (+1), with a reduction noted in Environmental (-3).
- Theft – these claims relate largely to copper piping, with significant claims at the Marion Golf Park (to a value of \$7,749). Remedial work following these claims has seen non-copper piping solutions installed in order to avoid the possibility of further thefts.
- Vandalism – these claims are mostly minor in value, however, are indicative of a growing issue. Each case is reviewed by the Land & Property Team, with efforts being made to implement counter vandalism measures when and wherever appropriate.

- Motor vehicle impact – these claims are trending in line with previous years and continue to represent a category with a larger number of incidents due to the frequency of use and number of vehicles insured.
- Environmental incidents and claims - have decreased significantly in comparison to 2016/17 due to the milder winter season. Harsh weather, however, was the cause of the most significant claim for this period arising as a result of an extreme weather event at Cove Sports Club, with water damage affecting ceilings, walls, flooring and carpeting - with a total claim cost totalling \$29,511.
- Incident and claim data is regularly reviewed by key stakeholders at an operational level, primarily the Risk Management and the City Property Units, in conjunction with Civil Services, Open Space Operations and Operational Support in order to resolve insurance claims as promptly as possible.
- Further collaboration with the LGAAMF assists CoM in identifying opportunities for improved asset management, maintenance and security with a view to minimising potential losses. This includes senior management reporting including comparison to previous years' claims data as outlined in Table 4 below;

Table 4. Property Asset Claims 2017/18 Compared to the Previous 5 Financial Years



Public Liability and Professional Indemnity:

During 2017/18, a total of 213 incidents were reported in relation to CoM public liability and professional indemnity, resulting in 45 claims.

Related information is presented in Table 5 with additional comments listed on the next page:

**Table 5: Public Liability and Professional Indemnity
- Incident and Claims Statistics Over the Last 2 Financial Years**

	2016/17				2017/18			
Insurance Category	Incidents	Claims	Claims Value (\$)	Actual Claim Value* (\$)	Incidents	Claims	Claims Value (\$)	Actual Claim Value* (\$)
Community Facilities	54	2	-	-	25	2	12,250	4,000
Community Land	33	3	8,947	3,750	7	-	-	-
Contract Management	20	-	-	-	18	1	-	-
Event Management	24	7	27,776	500	11	2	50,000	3,750
Footpaths	85	5	42,350	1,420	55	9	1,975	1,615
Kerb & Water Table	27	6	5,280	-	21	11	11,187	5,308
Non-Employment Relationships	6	2	-	-	1	-	-	--
Playgrounds	2	1	1,725	-	2	-	-	-
Professional Indemnity	9	3	1,261,606	(ongoing)	2	2	69,300	(ongoing)
Reserves	4	1	590	590	5	1	-	-
Road Management	19	3	1,173	-	13	7	300	-
Road (other)	11	-	-	-	4	1	-	-
Tree Management	65	8	12,197	4,122	49	9	2,382	100
TOTAL	359	41	\$1,361,644	\$10,382	213	45	\$147,393	\$14,773

*Actual value incurred ie: excess or deductible

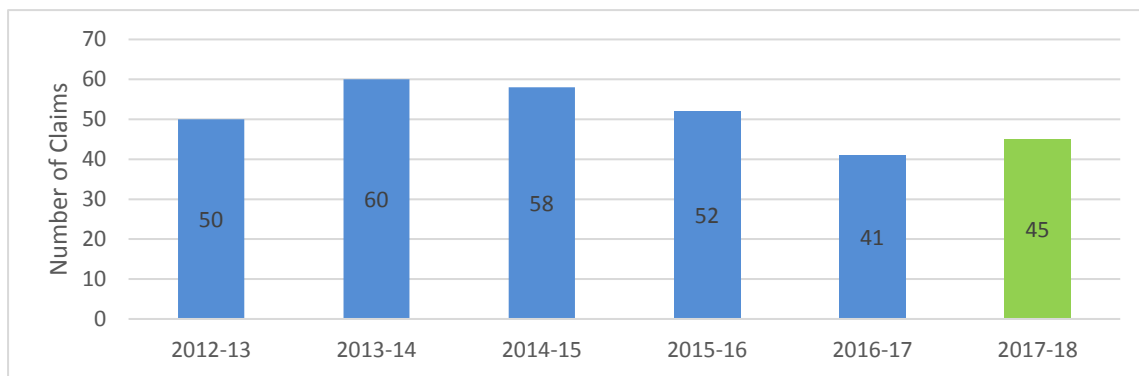
- The value of public liability and professional indemnity insurance claims for 2017/18 totalled \$147,393, however following insurance processing, the actual value incurred by CoM ie excess sums and/or deductibles, totalled \$14,773.
- Professional indemnity insurance saw a number of incidents recorded during 2016/17, with 3 claims being lodged and a further 2 claims lodged during 2017/18. Claims of this nature are complex and involve significant financial sums and as a result are noted in the above table as 'ongoing'. Whilst claims values have been logged, the final outcomes and actual claim values are as yet unknown and will therefore be included in future reporting cycles.
- During 2017/18, the overall number of recorded incidents has reduced by 146, (41%), however the resultant number of claims has remained approximately the same, 45 claims overall as opposed to 41 last year. This is largely due to facility-related incidents now being reported via the SkyTrust WHS Management System as workplace related incidents rather than insurance incidents.

- Two categories represent approximately half of our public liability incidents:
 - Footpaths (26%) - primarily trip/fall incidents that occur on footpaths
 - Tree Management (23%) - primarily incidents of property damage from falling tree branches.

Both of these categories are managed by highly trained and pro-active work teams with the number of incidents having fallen over the last 12 months. Footpath and tree related incidents are, however, sensitive to weather conditions throughout the year and the recent milder winter weather would have been a major contributing factor.

- Reporting of significant incidents and/or claims is undertaken fortnightly via the Senior Leadership Team in order to provide high level information that may impact on CoM public or political exposure. An overview of the volume of such claims is outlined in Table 6 with a comparison to previous years.

Table 6. Public Liability and Professional Indemnity Claims 2017/18 compared to the previous 5 financial years



Additional Policy Coverage: - Event Cancellation

- During 2017/18, CoM took out an event cancellation policy coverage to provide for a new Council endorsed community event, the 'Concert at the Cove'. The cover was provided due to the potential weather at this time of year and as this was scheduled for 25 March 2018, a busy time in the community calendar resulting in no viable options for convenient rescheduling.
- Adverse weather conditions caused the event to be cancelled, in accordance with the event cancellation procedure, due to raised safety issues, not only for the infrastructure on site, but more importantly for the people attending the event.
- As a result, negotiations took place with suppliers to mitigate their costs to those that were reasonable. These costs were then collated, totalling \$60,000 and further reviewed to reduce to \$55,043, a claim was submitted, accepted and settled in full.

Service Review Program and Recommendations - Progress Update

Originating Officer	Performance & Innovation Leader - Cass Gannon
Corporate Manager	Manager Innovation and Strategy - Fiona Harvey
General Manager	General Manager City Development - Abby Dickson
Report Reference	FAC181002R09

REPORT OBJECTIVE

To provide the Finance and Audit Committee with a progress update on:

- The overall status of the Service Review program for the 2018/19 financial year
- The implementation of the Service Review Program recommendations as at 13 September 2018

EXECUTIVE SUMMARY

Service Review Program

At the 26 June 2018 meeting of General Council, Council adopted the Service Review Program 2018/19 plan to deliver the review of nine services (three less than the City of Marion 2016-2019 Business Plan target). The Service Review Program 2018/19 is progressing as planned and tracking on the progress of all reviews can be viewed in Appendix 1.

Implementation of recommendations

Commencing in 2016, the Service Review Program has reviewed 24 services including Hard Waste and the Living Kurna Cultural Centre, both of which were undertaken prior to the start of the formal Service Review Program. The progress of implementation of recommendations from the Service Review Program is outlined in Appendix 2.

RECOMMENDATION

That the Finance and Audit Committee:

1. Note and provide comment on the following:

- a) This report
- b) Appendix 1 - Service Review Program 2018/19 - Progress Update
- c) Appendix 2 - Service Review Recommendations - Progress Update.

GENERAL ANALYSIS

Service Review Program

The Service Review Program for the 2018/19 financial year is progressing as planned. The reduction in the number of service reviews for the year has allowed for a redirection of the resources from the Performance and Innovation Team to support the implementation of 21 existing open actions from previously completed service reviews (includes an additional action from the recently completed Records Management service review).

Implementation of recommendations

Since the last report to the Committee (21/08/2018) and as of 13 September, highlights of the progress of Service Review Program recommendations included:

- The Council Reporting and Elected Member Support Service Review has been completed
- Dogs and Cats Online (DACO) has been rolled out
- The tender has been awarded for the redesign of the Administration Building Foyer
- Marion Celebrates is scheduled for February 2019 with planning well under way

Liveable:

Contributes to the CoM Business Plan 2016-19 'liveable' goal to provide access to housing choice and services for a growing and diverse population

Innovation:

Contributes to CoM Business Plan 2016-19 'innovative' goal to have a community that harnesses creativity, research and collaboration to pursue innovative ideas

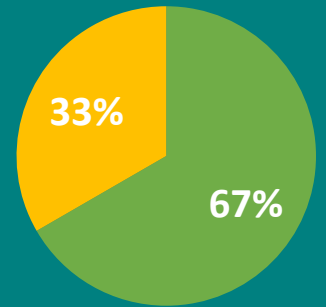
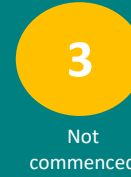
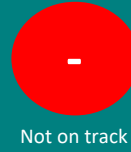
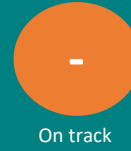
Attachment

#	Attachment	Type
1	FAC181002 - Service Review Program and Recommendations - Progress Update - Appendix 1	PDF File
2	FAC 181002 - Service Review Program and Recommendations - Progress Update - Appendix 2	PDF File



**Service Review
Program 2018/19
Progress Update
(FAC181002)**

Appendix 1



How are we progressing
per service review?



= Scope



= Service Review
progress



= Service Review Report



= Completed



= On Track



= Not on Track



= Not
commenced

**Open Space Transformation
Phase 2**

Services Involved (5)

Irrigation
Playgrounds/furniture and other
Biodiversity and Remnant Vegetation
Tree Planting and Watering
Walkways



FAC171212



FAC180821

Records Management



FAC180227



FAC180821

Information and Communication Technology

Services Involved (3)

Projects and Business Support
Infrastructure
Helpdesk Services



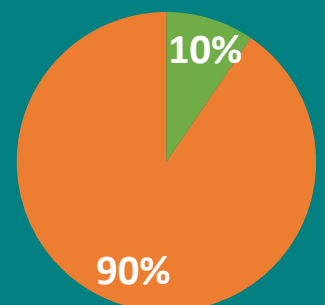
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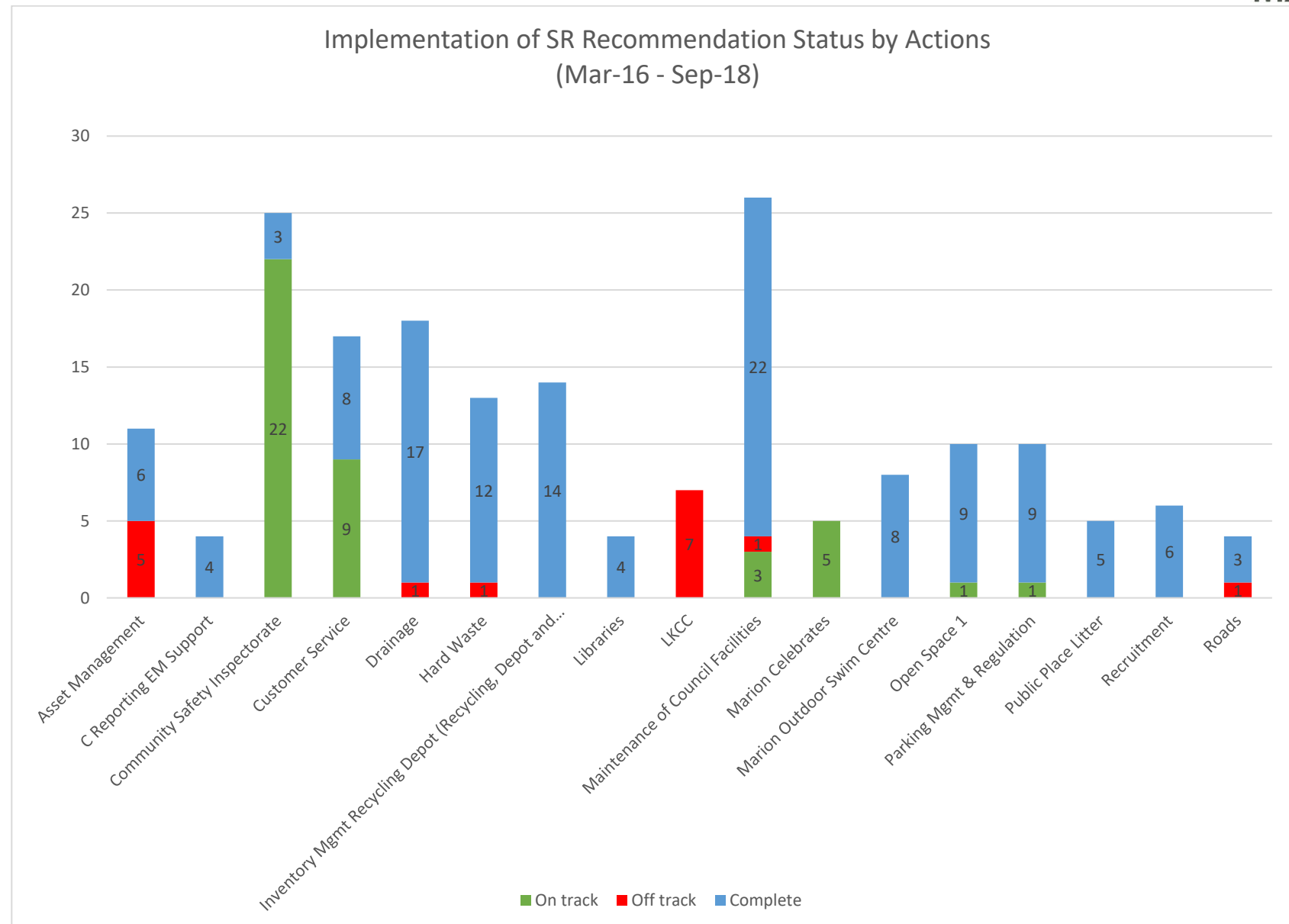


Scheduled to start
January '19



How are the Performance and Innovation
Team progressing with supporting the
implementation of identified open actions?





Service Reviews - Recommendations - Progress Update

(Status as at 13/09/2018 based on tracking against original completion dates)

Key
● Complete ● Watch Closely
● On Track ● Off Track

Division	Department	Service Review	Date Reported to FAC	Original Completion Date	Recomm.	Total # of Actions	On Track Actions	Off Track Actions	Actions Complete	% of Actions Complete	Comments
City Development	City Activation	Living Kurna Cultural Centre	May-16	Dec-17, Dec-21	7	7		7		0%	The Banbabanbalya Agreement has been developed and was considered at a Kurna Yerta Aboriginal Corporation (KYAC) meeting on 16 June 2018. KYACs lawyer then advised a likely change in the direction of the Agreement, and so the matter was deferred (rather than endorsed) at the General Council Meeting on 26 June 2018. Awaiting advice from the lawyer acting on behalf of KYAC regarding the next steps. This Service Review had six of seven actions due in 2017 and is off track.
	Development and Regulatory Services	Parking Management and Regulation	May-17	Dec-18	1	10	1		9	90%	Discussions held regarding establishing a dashboard for monitoring actions and data.
	Innovation and Strategy	Asset Management	Aug-17	Jun-18	4	11		5	6	55%	Asset Responsibility framework reviewed and new matrix of roles and responsibilities endorsed. Asset data hierarchy developed and will be presented for endorsement by Asset Steering Committee in September 2018. Expect 100% completion of this action at this time. City of Marion has seconded a specialist team member from City of Charles Sturt for a 12 month period to coordinate the data cleanse/Single Point of Truth project. Given complexity and volume of data to be cleansed this is now expected to be completed by September 2019. Key asset processes being mapped in line with new Responsibility matrix. These processes and data cleanse elements are critical pre-cursors to implementation of new Asset ICT system.
	City Property	Maintenance of Council Facilities	Oct-17	Nov-18	8	26	2	1	23	88%	Acting Unit Manager has undertaken review of Community Maintenance Officer trial and found it not to be viable. Currently progressing setting up a panel of handy people.
	Development and Regulatory Services	Community Safety Inspectorate	May-18	Jul-19	7	25	22		3	12%	DACO implemented, reviewed after hours service provider's contract and the process of impounding vehicles.
Division Total					27	79	25	13	41	52%	

Service Reviews - Recommendations - Progress Update

(Status as at 13/09/2018 based on tracking against original completion dates)

Key
 ● Complete ● Watch Closely
 ● On Track ● Off Track

Division	Department	Service Review	Date Reported to FAC	Original Completion Date	Recomm.	Total # of Actions	On Track Actions	Off Track Actions	Actions Complete	% of Actions Complete	Comments
City Services	Engineering and Field Services	Hard Waste	Mar-16	Mar-17	13	13		1	12	92%	The Expression of Interest is in draft form to be released shortly. Once released there will be a 6 week response window to gather submissions. Assessment of submissions will subsequently be applied and informed to ELT.
	Community and Cultural Services	Marion Celebrates	May-17	Feb-19	1	5	5			0%	Marion Celebrates will be a highlight event as part of the first ever Marion Fringe Hub at MCC with the date confirmed for 23 Feb 2019. Booking confirmed at MCC, closure of Warracowie Way for a street party and SA Aquatic Centre plaza for market stalls.
	Engineering and Field Services	Drainage	May-17	Jun-18	7	18		1	17	94%	The first report will be delivered in October.
	Engineering and Field Services	Roads	Aug-17	Jun-18	4	4		1	3	75%	Commenced analysis. Initial assessment is that there is a small works sample. Report will be provided to ELT by end September 2018.
	Engineering and Field Services	Open Space Phase 1	Dec-17	Jun-22	2	10	1		9	90%	Phase 1 programs have been loaded into RAMM and are being implemented by staff. Further productivity improvements were identified in the Landscape Maintenance Team and their programs are currently being merged from two rounds down to one. The Reserve Mowing program is being further improved through route optimisation to ensure the rounds are set up in the most effective order. Proactive Tree Pruning has had a significant improvement with the output in the last year going from just under 2500 trees pruned up to 7500 trees pruned.
	Customer Experience	Customer Service	Feb-18	Mar-20	17	17	9		8	47%	Process Map completed for online booking system. Resource allocated to manage simplification. Tender Has been awarded for foyer design. Design Phase to commence September. Customer Service Team Metrics defined and implemented. Top 10 Knowledge Base enquiries have been defined and available. Next step is to measure usage. Afterhours call service provider only used to cover monthly team meetings.
Division Total					44	67	15	3	49	73%	

Service Reviews - Recommendations - Progress Update

(Status as at 13/09/2018 based on tracking against original completion dates)

Key
 ● Complete ● Watch Closely
 ● On Track ● Off Track

Division	Department	Service Review	Date Reported to FAC	Original Completion Date	Recomm.	Total # of Actions	On Track Actions	Off Track Actions	Actions Complete	% of Actions Complete	Comments
Corporate Services	Corporate Governance	Council Reporting and Elected Member Support	Dec-16	Aug-17	4	4			4	100%	The report template was revised and implemented with the Agendas and Minutes software. Agendas have been produced in the new software since July 2018. The updated report writers guide was communicated with the software training and is available in Sharepoint with all the "How to" guides for the software. The Service Review has been completed.
Division Total					4	4			4	100%	

Completed Service Reviews

(March 2016 – September 2018)

- Inventory Management Recycling Depot (Recycling, Depot and Stores)
- Libraries
- Marion Outdoor Swim Centre
- Public Place Litter
- Recruitment

Results of the Bi-Annual Performance and Effectiveness Review of the Finance and Audit Committee

Originating Officer	Manager Corporate Governance - Kate McKenzie
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager Corporate Services - Vincent Mifsud
Report Reference	FAC181002R10

REPORT OBJECTIVE

To review the results of the Bi-Annual Performance and Effectiveness Review of the Finance and Audit Committee (FAC) with the intent to set an improvement plan and/or include items within the work program over the next two years.

EXECUTIVE SUMMARY

Regular review of a governing body's performance (including Committees) provides the time to reflect on how effective the group is operating. Understanding performance directly relates to improving the operations and outcomes of the Committee that will also improve the overall performance of the Council.

The FAC Terms of Reference states that the FAC will review its performance on a bi-annual basis to ensure the continual improvement of its performance. The Committee has now completed its review, with the results suggesting that the FAC is performing well overall.

RECOMMENDATION

That the Finance and Audit Committee review the result of the Performance and Effectiveness Review for 2018 and agree to any improvements to be implemented over the next two years.

GENERAL ANALYSIS

The FAC last reviewed its performance in 2016. The same survey has been used which includes 52 statements across the following areas:

- Committee Structure and Membership,
- Committee Meetings,
- Leadership and Integrity,
- Relationship and Reporting,
- Roles and Responsibilities.

The Survey was distributed to all FAC Members, Council Members and key senior staff in July 2018. A total of 9 people completed the survey which included 2 FAC Members, 2 Elected Members, 4 staff and 1 person who did not define their role. Individuals were asked to rate the questions based on the scale of strongly agree, agree, disagree and strongly disagree.

The results are similar to the 2016 results and overall the survey was positive, with the majority of the questions responded to with either a 'strongly agree' or 'agree'. Full details of the responses and comments are provided in Appendix 1.

Potential focus areas for improvement and the Committee's work program for 2019/2020 may include:

- Agenda size,
- Reducing the size of reports and ensuring information is not repeated,
- Council's risk appetite.

Attachment

#	Attachment	Type
1	Bi Annual FAC Performance and Effectivness Review 2018 - Appendix 1	PDF File

APPENDIX 1

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
1 Committee Structure and Membership					
1.1 The structure of the Committee is appropriate to manage workload and obligations.	4	5	0	0	<ul style="list-style-type: none"> The structure of the Committee is well balanced, chaired by an experienced independent member with two supporting independents and council representation of two elected member completing the team. There is often a very heavy workload on the agenda. It's sometimes hard to give every item the attention it deserves.
1.2 The balance of independent v's Council members is appropriate	3	5	1	0	<ul style="list-style-type: none"> Great balance of experience and various skills sets completed by Council's view point represented by two elected members. The lack of consistent attendance from Council members leave Raelene often as a sole representative which is unfortunate. Perhaps another council member would improve the balance.
1.3 The Committee's terms of reference clearly outline roles and responsibilities	4	5	0	0	<ul style="list-style-type: none"> No comments.
1.4 Committee members have the right skills, experience and knowledge	4	5	0	0	<ul style="list-style-type: none"> We are fortunate to have a balance of excellent skills and experience, with Committee members changes this terms some fresh viewpoints and knowledge has also been introduced.
1.5 Committee members are appropriately inducted	1	8	0	0	<ul style="list-style-type: none"> Would think so from management's perspective but ultimately only committee members are best to placed to answer this question. Some more focus on the background of recent issues addressed by and to the committee would probably help.
1.6 Committee members are recruited based on required skills, experience and knowledge	4	5	0	0	<ul style="list-style-type: none"> Independent members display the required depth of knowledge and experience with the elected members well able to do their job and represented the elected body viewpoint.
1.7 All Committee members understand their legal duties on behalf of the Council	2	7	0	0	<ul style="list-style-type: none"> Experienced Committee members certainly appear to understand their legal duties. It's hard to assume for others
1.8 The Committee does not rely on any one Committee Member to provide appropriate advice and experience	6	3	0	0	<ul style="list-style-type: none"> The committee itself has a broad range of experience and skillset and interact really well and offer a number of viewpoints during discussions.

APPENDIX 1

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
1.9 The remuneration of the Committee is appropriate based on role, responsibility, skills/experience, time commitment and retention	2	6	1	0	<ul style="list-style-type: none"> The remuneration fairly reflects the quality of skills and experiences the committee provide in addition to the time commitment given.
2 Committee Meetings					
2.1 The Committee has a comprehensive work plan that covers the requirements of the Committee's Terms of Reference	6	3	0	0	<ul style="list-style-type: none"> Agreed on an annual basis and reviewed throughout the year.
2.2 The Committee meeting are appropriately scheduled (i.e. frequency, timing, duration, etc.	4	5	0	0	<ul style="list-style-type: none"> With the workload on the agenda, the duration of the meetings often feels very tight.
2.3 Agendas and reports are distributed in a timely manner	3	5	1	0	<ul style="list-style-type: none"> No comments.
2.4 The size of the agenda is manageable within the meeting	0	8	0	1	<ul style="list-style-type: none"> Whilst some agendas are very full the Committee manage the meetings well and have sufficient time allocated to comprehensively cover all items. Plenty to cover in 3 hours. Can we voluminous. As per other comments, the agenda is not always manageable.
2.5 Committee reports are well written and can be easily understood	3	5	1	0	<ul style="list-style-type: none"> The quality of reports is always something we aim to improve taken on board the feedback received from Committee members. Reports are often too long with repeated and unnecessary information.

APPENDIX 1

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
2.6 The business of the Committee is accurately captured in the minutes	6	2	1	0	<ul style="list-style-type: none"> The minutes are informative and appropriately capture and accurately report on the outcome of Committee discussions.
2.7 The discussion within the Committee meetings are relevant and useful for decision making	8	1	0	0	<ul style="list-style-type: none"> The Committee discussion can be robust and the Committee never fail to ask pertinent questions of management. Excellent discussion.
2.8 Management does not unduly influence the recommendations of the Committee	6	2	1	0	<ul style="list-style-type: none"> The quality of advice provided by the Committee is highly valued and certainly not unduly influenced by management. Whilst the Committee appreciates and certainly listens to management's viewpoint they certainly offer their own independent view point in discussion.
2.9 The Committee uses confidential orders appropriately and conducts sessions without management present from time to time	8	0	1	0	<ul style="list-style-type: none"> No comments.
2.10 The Committee has a useful process to following up actions from previous meetings	5	3	0	1	<ul style="list-style-type: none"> The Committee review outstanding actions at each meeting.

APPENDIX 1

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
3 Leadership and Integrity					
3.1 All Committee members express their professional view within the meeting	5	4	0	0	<ul style="list-style-type: none"> The Committee meetings are well chaired by Greg who consistently seeks the valued input from all members when chairing. One new member, but that person will find their voice.
3.2 All Committee members appropriately disclose any conflicts of interests	6	3	0	0	<ul style="list-style-type: none"> No comments.
3.3 Committee members act in accordance with the City of Marion values being Respect, Integrity, Achievement and Innovation	5	4	0	0	<ul style="list-style-type: none"> No comments.
3.4 The Committee works effectively as a team	4	4	1	0	<ul style="list-style-type: none"> The committee is well led and really work well together, sharing ideas and respecting each other viewpoint. A new team (relatively) due to departure of one member.
3.5 The Committee presiding member has an effective and constructive working relationships with Council and management	8	1	0	0	<ul style="list-style-type: none"> Cannot speak highly enough of the Committee presiding member who works well with the elected body, seeking to understand their viewpoint and develop a good working relationship. Greg is outstanding.
3.6 The Committee presiding member builds healthy room dynamics	8	1	0	0	<ul style="list-style-type: none"> Fortunate to have such a high calibre presiding member who facilitates very constructive and flowing meetings. Collaborative and respectful.
3.7 The Committee presiding member ensures that the Committees workload is managed appropriately	5	4	0	0	<ul style="list-style-type: none"> No comments.

APPENDIX 1

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
3.8 The Committee presiding member keeps the meeting focused and does not get side tracked	8	1	0	0	<ul style="list-style-type: none"> This is something that the chair does really well. Whilst allowing a free flowing discussion, manages to maintain the focus of the meeting really well. One of Greg's strengths.
3.9 The Committee is adding value to the work of the City of Marion	8	1	0	0	<ul style="list-style-type: none"> Invaluable, and the sharing of knowledge and business acumen is second to none.
4 Relationships and Reporting					
4.1 All Committee members understand how their role operates and the Committees reporting obligations to Council	5	4	0	0	<ul style="list-style-type: none"> It would appear so.
4.2 The Council actively seeks the views of the Committee on matters relating to its terms of reference	3	6	0	0	<ul style="list-style-type: none"> The elected members on the committee provide a valuable connection to Council and the Committee, however there may be further opportunities for Council to actively seek the views of the Committee. That's hard to judge.
4.3 The Committee's operations does not diminish the ultimate responsibility of the Council	6	2	1	0	<ul style="list-style-type: none"> That's hard to judge.
4.4 The Committee has a constructive relationship with the Council	1	7	1	0	<ul style="list-style-type: none"> It is a fair relationship. Less so than with Management as the opportunities for engagement are much lower.
4.5 The Committee has a constructive relationship with Management	9	0	0	0	<ul style="list-style-type: none"> Management appreciated the frank advice provided by the committee and work well with the Committee to achieve better outcomes for our community.
4.6 The Committee has appropriate access to information and staff	6	3	0	0	<ul style="list-style-type: none"> No comments.

APPENDIX 1

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
4.7 Management keep the Committee informed of relevant information and risks between meetings	5	3	1	0	<ul style="list-style-type: none"> We sometime hear of issues on the radio before being formally informed.
4.8 The minutes, decisions and actions of the Committee are reported to Council in a timely and accurate manner	6	2	1	0	<ul style="list-style-type: none"> Unsure.
5 Roles and Responsibilities Please note one respondent did not complete section 5 – hence only 8 responses					
5.1 The Committee has a clear understanding of the Council's risk tolerance	2	6	0	0	<ul style="list-style-type: none"> Clarity could be better regarding the risk appetite.
5.2 The Committee ensures that the organisation has appropriate internal controls, frameworks, systems and processes established for the management of risks	3	5	0	0	<ul style="list-style-type: none"> The management of risk is a focal point of the Committee. Committee review and makes recommendations – ensuring is a management role?
5.3 The Committee reviews and understands the organisations risk profile	4	4	0	0	<ul style="list-style-type: none"> No comments.
5.4 The Committee is confident that senior executives understand their responsibilities for managing risks	3	5	0	0	<ul style="list-style-type: none"> No comments.
5.5 The Committee is confident that the Council has appropriate internal controls established to manage risks	2	6	0	0	<ul style="list-style-type: none"> No comments.

APPENDIX 1

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
5.6 The Committee receives comprehensive reporting that assesses the effectiveness of internal controls	3	4	1	0	<ul style="list-style-type: none"> Our external auditors comprehensively report to the Committee on the effectiveness of our internal control environment in addition to independent reviews carried out by our internal auditors KPMG.
5.7 The Committee has oversight of compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements	3	5	0	0	<ul style="list-style-type: none"> No comments.
5.8 The Committee has oversight and recommends to Council the engagement of the City of Marion's Internal Audit contract	4	4	0	0	<ul style="list-style-type: none"> The Committee has oversight and will make recommendations but the engagement is ultimately Council's decision.
5.9 The Internal Audit function is appropriately resourced and managed	3	5	0	0	<ul style="list-style-type: none"> No comments.
5.10 The Internal Audit Work plan is endorsed by the Committee and has the right balance of risk, compliance and financial matters to be reviewed	4	4	0	0	<ul style="list-style-type: none"> The Internal Audit Workplan is reviewed and endorsed by the Committee. Heavy on departmental service reviews.
5.11 The Committee has robust discussion and agrees to the basis upon how financial reporting will be prepared	5	3	0	0	<ul style="list-style-type: none"> The Committee provide guidance and feedback where required to continually improve the quality of reporting.
5.12 The Committee undertakes an in-depth review of the financial reporting disclosures for the City of Marion	4	3	1	0	<ul style="list-style-type: none"> The Committee comprehensively reviews and assesses all aspects of financial reporting.

APPENDIX 1

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Comments
5.13 The Committee receives comprehensive financial information and analysis that is used to support and assist Council with its prudential management and fiduciary responsibilities	4	3	1	0	<ul style="list-style-type: none"> The Committee is provided with comprehensive financial information and analysis to enable the Committee provide guidance and feedback to assist Council with its prudential and fiduciary responsibilities.
5.14 The conditions of the External Auditors engagements are consistent with all relevant statutory requirements and accepted best practice principles	5	2	1	0	<ul style="list-style-type: none"> The conditions are review by the Committee and consistency in line with all relevant statutory requirements and best practice principles.
5.15 The Committee has oversight and recommends to Council the engagement of the City of Marion's External Audit contract	5	3	0	0	<ul style="list-style-type: none"> The Committee has oversight and will make recommendations but the engagement is ultimately Council's decision.
5.16 The External Audit function is appropriately resourced and managed	4	4	0	0	<ul style="list-style-type: none"> Adequate resources are made available for external audit.
5.17 The External Audit Work Plan is comprehensive and aligned to the requirements of the financial obligations of the Council	4	4	0	0	<ul style="list-style-type: none"> The Committee comprehensively reviews the external audit plan on an annual basis with the external auditors.
5.18 The Committee has oversight of the service review program and is confident it will deliver efficiencies to the organisation	4	3	1	0	<ul style="list-style-type: none"> No comments.
5.19 The Committee receives service reviews reporting and critically analyses the data provided	4	3	1	0	<ul style="list-style-type: none"> No comments.

Internal Audit Program 2018/19 scoping documents

Originating Officer	Governance Officer - Victoria Moritz
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager Corporate Services - Vincent Mifsud
Report Reference	FAC181002R11

REPORT OBJECTIVE

To provide the Finance and Audit Committee (FAC) with two (2) internal audit scoping documents for the 2018/19 program.

EXECUTIVE SUMMARY

With the 2017/18 Internal Audit Plan now complete, the 2018/19 program will commence, with the following projects and status identified for the FAC;

- Procure to Pay – Scope completed May 2018 (FAC290518R7.3), commencing 9 Oct 2018.
- Customer Experience - scope included as **Appendix 1**
- Tendering - based on the organisational risk profile. Will follow from the 'Procure to Pay' review - scope included as **Appendix 2**
- Business Continuity and Workplace Emergency Management. Scope to be presented in December 2018.
- IT Cyber Security - scope to be prepared

The following scopes have been prepared and attached for review by the FAC:

Customer Experience (Appendix 1)

This audit will evaluate the City of Marion's Customer Experience, including complaints. The audit will focus on assessing the risks and controls associated with the management of customer strategies, planning, operations and the handling of complaints. The assessment will look at the overall organisational structure in relation to Customer Experience and the process for managing customer service requests and complaints. The Audit will commence shortly and it is proposed that the final report be presented to the FAC in December 2018.

Tendering (Appendix 2)

The tendering audit will focus on compliance with policies, as well as the overall assessment of the efficiency and effectiveness of the tendering process. The audit will evaluate the City of Marion tendering process from start to finish including the process for managing tenders, identifying what expenditure is formally tendered and compliance with the exemption process. The Audit will commence early in 2019 and it is proposed that the final report be presented to the FAC in May 2019.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Notes this report**
- 2. Provides feedback regarding the attached reports;**
 - **Customer Experience (Appendix 1)**
 - **Tendering Scope (Appendix 2)**

Attachment

#	Attachment	Type
1	Appendix 1 - Internal Audit Scope - Customer Experience	PDF File
2	Appendix 2 - Internal Audit Scope - Tendering	PDF File



KPMG ENTERPRISE

City of Marion

Internal audit project scope:

Customer experience
(including complaints)

26 September 2018

Internal Audit Program 2018/19: Customer experience (including complaints)

In accordance with the 2018/19 Internal Audit Plan for the City of Marion (CoM), an internal audit project focussing on the CoM's customer experience (including complaints) is to be performed. The objective, scope and approach are outlined below.

Objective

The objective of this internal audit project is to assess the risks and controls associated with the CoM's management of customer strategies, planning and operations including handling of customer complaints. The internal audit will consider customer experience practices across the following areas of the CoM:

- Customer Experience
- Engineering & Field Services
- Corporate Governance - Risk (Claims and Insurance) and Governance
- City Property
- Development & Regulatory Services*

**Development & Regulatory Services will include desktop review procedures, as a result of the FY18 Regulatory – Fines and Enforcements and Planning Assessment audits conducted for these areas.*

Scope of services

The scope of this internal audit is to assess the CoM's customer experience, including:

- Documented policies, procedures and systems in place intended to provide governance over customer experience and complaints handling across the organisation
- Overall organisation structure, resources, roles and responsibilities in relation to customer experience

- Process for managing customer service requests and complaints in accordance with Council's Service Level Agreements (including returned phone calls)
- Customer experience and complaints monitoring and reporting
- Benchmarking against ISO 10002 Customer Satisfaction and Complaints Handling

Approach

The approach for the customer experience internal audit project will include:

- Consideration of existing policies, procedures, processes and other relevant documentation relating to customer experience
- Interviews with key staff to obtain an understanding of customer experience processes and systems
- Performing walkthroughs and sample testing, where appropriate, to validate our understanding and check the design and operating effectiveness of controls associated with customer experience processes
- Exit meeting with the internal audit project sponsor and key stakeholders to discuss initial findings and recommendations
- Drafting and finalisation of an internal audit report outlining internal audit findings, recommendations and any performance improvement opportunities.

Stakeholders

The following CoM stakeholders will be consulted as part of the internal audit project regarding customer experience:

Personnel	Position title
Karen Cocks	Manager, Customer Experience
Mathew Allen	Manager, Engineering & Field Services
Ray Barnwell	Manager, Finance
Kate McKenzie	Manager, Corporate Governance
Jason Cattonar	Manager, Development & Regulatory Services
Raelene Govett	Unit Manager Customer Service
Stephanie Patterson	Customer Systems Partner
Kylie Jaggard	Team Leader Rating Services
Amanda Culpin	Claims & Insurance Officer

Resources and Budget

The team members and proposed budget for the CoM customer experience internal audit project are listed in the following table:

Name	Position	Hourly rate (excl. GST)	Est. hours	Sub-total (excl. GST)
Justin Jamieson	Partner	\$350	5	\$1,750
James Rivett	Manager	\$239	42	\$10,038
Anneliese Pedler	Sen. Consultant	\$155	80	\$12,400
Total (excl. GST)				\$24,188

Timing

The proposed timing for the customer experience internal audit project is for the project to commence in late October 2018 with a draft report completed for consideration by 30 November 2018, for delivery to the CoM Finance and Audit Committee scheduled for December 2018.

Approvals

We are in agreement with the scope document for the internal audit project focussing on CoM's customer experience processes.

CoM Internal Audit Project Sponsor: KPMG Internal Audit Partner:

Name:

Name: Justin Jamieson

Signed:

Signed:

Date:

Date:

Disclaimers

Inherent limitations

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

No warranty of completeness, accuracy or reliability can be given in relation to the statements and representations made by, and the information and documentation provided by, City of Marion's Management and personnel. We shall seek to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update the report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with City of Marion. The internal audit findings expressed in the report will be formed on the above basis.

Third party reliance

This scope is solely for the purpose set out above and City of Marion information, and is not to be used for any other purpose or distributed to any other party without KPMG's prior written consent. The internal audit report is to be prepared at the request of the City of Marion Strategic Risk and Internal Audit Group or its delegate in connection with our engagement to perform internal audit services as detailed in the engagement contract. Other than our responsibility to City of Marion, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to City of Marion's external auditor, on the internal audit report. Any reliance placed is that party's sole responsibility.



KPMG ENTERPRISE

City of Marion

Internal audit project scope:

Tendering

26 September 2018

Internal Audit Program 2018/19: Tendering

A replacement project to be performed as part of the 2018/19 Internal Audit Plan for the City of Marion (CoM) is an internal audit project focussing on the CoM's tendering. The objective, scope and approach are outlined below.

Objective

The objective of this internal audit project is to assess the risks and controls associated with the CoM's tendering processes. The internal audit project will focus on compliance with CoM's policies, as well as an assessment of the overall efficiency and effectiveness of the tendering process.

Scope of services

The scope of this internal audit is to assess the CoM's tendering processes, from initial point of contact with the Contracts team up until the stage of awarding contracts, including:

- Documented policies, procedures and systems in place intended to provide governance over tendering performed with the assistance of the CoM Contracts team
- Overall organisation structure, resources, roles and responsibilities in relation to tendering
- Processes for managing tenders and assessment of CoM's mechanisms to maximise and evaluate value for money achieved in the tendering process, including how procurements are offered to the market
- Identifying what expenditure is formally tendered, and compliance with tender exemption processes (including an assessment of the reasonableness of the tender exemptions reviewed).

Scope exclusions: The internal audit project scope will exclude any tenders that occur without the assistance of the CoM Contracts team.

Approach

The approach for the tendering internal audit project will include:

- Consideration of existing policies, procedures, processes and other relevant documentation relating to tendering
- Interviews with key staff within the Contracts team as well as tender sponsors to obtain an understanding of tendering processes and systems
- Performing walkthroughs and sample testing, where appropriate, to validate our understanding and check the design and operating effectiveness of controls associated with tendering processes
- Sample testing of purchase orders to contract documentation, where applicable
- Exit meeting with the internal audit project sponsor and key stakeholders to discuss initial findings and recommendations
- Drafting and finalisation of an internal audit report outlining internal audit findings, recommendations and any performance improvement opportunities.

Stakeholders

The following CoM stakeholders will be consulted as part of the internal audit project regarding tendering:

Personnel	Position title
Colin Heath	Unit Manager, Contracts
Ray Barnwell	Manager, Finance
Dave Harman	Financial Accountant
Mathew Allen	Manager, Engineering & Field Services
Greg Salmon	Manager, City Activation

Resources and Budget

The team members and proposed budget for the CoM tendering internal audit project are listed in the following table:

Name	Position	Hourly rate (excl. GST)	Est. hours	Sub-total (excl. GST)
Justin Jamieson	Partner	\$350	4.5	\$1,575
James Rivett	Manager	\$239	34	\$8,126
Anneliese Pedler	Sen. Consultant	\$155	56	\$8,680
Total (excl. GST)				\$18,381

Timing

The proposed timing for the tendering internal audit project is for the project to commence in late January 2019 with a draft report completed for consideration by the end of February 2019, for delivery to the May 2019 CoM Finance and Audit Committee.

Approvals

We are in agreement with the scope document for the internal audit project focussing on CoM's Tendering processes.

CoM Internal Audit Project Sponsor: KPMG Internal Audit Partner:

Name:

Name: Justin Jamieson

Signed:

Signed:

Date:

Date:

Disclaimers

Inherent limitations

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

No warranty of completeness, accuracy or reliability can be given in relation to the statements and representations made by, and the information and documentation provided by, City of Marion's Management and personnel. We shall seek to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update the report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with City of Marion. The internal audit findings expressed in the report will be formed on the above basis.

Third party reliance

This scope is solely for the purpose set out above and City of Marion information, and is not to be used for any other purpose or distributed to any other party without KPMG's prior written consent. The internal audit report is to be prepared at the request of the City of Marion Strategic Risk and Internal Audit Group or its delegate in connection with our engagement to perform internal audit services as detailed in the engagement contract. Other than our responsibility to City of Marion, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to City of Marion's external auditor, on the internal audit report. Any reliance placed is that party's sole responsibility.

REPORTS FOR NOTING

Internal Audit Program - Implementation of Recommendations

Originating Officer	Governance Officer - Victoria Moritz
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager Corporate Services - Vincent Mifsud
Report Reference	FAC181002R12

REPORT OBJECTIVE

To provide the Finance and Audit Committee (FAC) with an update of the status of recommendations from the 2017/18 Internal Audit program.

EXECUTIVE SUMMARY

The FAC was provided with a status report at its previous meeting on 21 Aug 2018 regarding the City of Marion's Internal Audit Program. It was reported that all five audits for the 2017/18 financial year had commenced in various stages;

- Volunteer management – completed February 2018 (FAC270218R7.2)
- Contractor management – completed May 2018 (FAC290518R7.3)
- NDIS - completed May 2018 (FAC290518R7.3)
- Regulatory – Fines and Enforcement - completed August 2018 (FAC180821R03)
- Planning Assessment - completed August 2018 (FAC180821R03)

The recommendations from these reports continue to be monitored by the FAC. A short summary of the status of recommendations for each audit is provided at Appendix 1.

There are two overdue recommendations, which are progressing and are considered low risk. All recommendations have commenced with the exception of two relating to Contractor Management. These actions have been scheduled to commence and be completed prior to the due date.

RECOMMENDATION

That the Finance and Audit Committee;

- 1. Notes the status of the Internal Audit Program (Appendix 1)**

Attachment

#	Attachment	Type
1	Internal Audit Program Implementation of Recommendations	PDF File

Internal Audit Program Implementation of Recommendations

2015/16 Program

Project	Findings	On Track	Overdue	Completed	Not Commenced	Comments
Capital Works Program (2015/16)	8	1		7		<p>A remaining recommendation (pictured below: Rec 5, low risk) had an initial due date of September 2016 but was extended to June 2018 to allow more time for implementation given its complexity and integration/implementation across the organisation.</p> <p>This action has been progressing through the Asset Management Program and Project Management system. Phase 1 of the project was completed by due date of 30 June, however we are now in phase 2 which has a new completion date of April 2019. This system manages projects across the entire organisation including Council's capital works program.</p> <p>Funding for the implementation of a Project Management System for a live phase is in the 2018/19 Annual Business Plan. As a result, the new system is planned to be implemented in this financial year. This means the recommendation will not be fully realised until 30 June 2019.</p> <div> <p>It is recommended that Marion implements a simple, standardised project management framework which describes key phases that a project must go through. For example purposes only:</p> <ul style="list-style-type: none"> • Project initiation (asset management plan/ad-hoc) • Project evaluation (concept, feasibility/business case) • Program development (budgeting, prioritisation, programming) • Program/project delivery (procurement, design, construct) • Project completion and handover <p>The project management framework should be designed to accommodate the proposed two-year capital works program, with two key phases including an initial phase where projects are initiated, evaluated and estimated in year one, and procured/built in year two (for example).</p> <p>This recommendation may include leveraging the existing City of Marion S-Guide project management framework, and tailoring and/or implementing across the City of Marion to achieve better consistency and approach to project management.</p> <p>Improved consistency in project management should provide the City of Marion with sustained benefits including reduction and minimisation in carry overs.</p> </div>

2016/17 Program

Project	Findings	On Track	Overdue	Completed	Not Commenced	Comments
Corporate Performance Reporting (2016/17)	4	2		2		Corporate Reporting Policy and Framework have been drafted and circulated to management for comment. The Policy and Framework are attached in this agenda for review.
Accounts Receivable (2016/17)	4		1	3		Revised Sundry Debtors policy has been drafted incorporating different levels of delegation. This will go to ELT for approval and be in operation before 31/12/18. This is low risk and the final recommendation for this review.
ICT – Cyber Security Maturity (2016/17)	6	1	1	4		Majority of the audit has been completed. Two recommendations are outstanding. The policies and procedures are complete with ELT endorsing these on 12 September 2018. The other part of this recommendation relates to documentation and contract wording and an extension has been sought until 31 December 2018. This is a low risk recommendation. The other recommendation is also low risk and relates to documentation recovery strategies. A revised due date has been set in consultation between Risk and ICT as May 2019.
Property Portfolio Management (2016/17)	7	4		3		Implementation of recommendations has been extended to January 2019. One recommendation is moderate and the others are low risk. The recommendations are well progressed.

2017/18 Program

Project	Findings	On Track	Overdue	Completed	Not Commenced	Comments
Volunteer Management (2017/18)	9	1		8		One outstanding recommendation – relating to volunteer code of conduct documentation which is being progressed with the staff Code of Conduct. This item is well progressed. The volunteer program marketing plan was completed 7 September 2018.
NDIS (2017/18)	1	1				Report has been discussed with Elected Members at an Elected Member Forum. Members indicated that staff are to continue their ‘watching brief’ and that any future direction was the responsibility for the new Council.
Contractor Mgmt (2017/18)	5	3			2	Recommendations are in progress. There are two recommendations not yet commenced. One is in relation to the Contract Management procedure which will be reviewed and amended and is considered low risk. The other is also low risk and is in relation to the assessment of the preferred contractor register. This will be commenced in 2019. The introduction of tender panels of preferred suppliers for services will be introduced where appropriate and in consultation with internal customers. This part of the recommendation is considered complete.

Regulatory Fines and Enforcements (2017/18)	2	1		1	There is one recommendation outstanding. This item has progressed with a meeting with Performance and Innovation who will be developing the reports and metrics. This recommendation is on track.
Development Assessment (Planning) (2017/18)	24	16		8	8 Recommendations have been completed and there are 16 recommendations outstanding. These have all been commenced and are on track. The Instrument of delegations under the Development Act and Development Regulations was updated and endorsed by Council on 11th September 2018. Development Services staff were each provided a copy of the new instrument of delegations, together with the Development Delegations Policy on 13th September 2018. At that time, training was provided to the staff that highlighted the importance of the delegations and the need for them to become intimately familiar with what the instrument/policy means to their exercising of delegations in their role. A further training session will be scheduled with legal provider.

Debtors Report

Originating Officer	Junior Accountant - Melissa Virgin
Corporate Manager	Manager Finance - Ray Barnwell
General Manager	General Manager Corporate Services - Vincent Mifsud
Report Reference	FAC181002R13

REPORT OBJECTIVE

The purpose of this report is to provide the Finance and Audit Committee (FAC) with an annual update in relation to the outstanding balances in Sundry Debtors and Rates Debtors in line with the year-end accounts.

RECOMMENDATION

That the Finance and Audit committee:

1. **Note this report.**

GENERAL ANALYSIS

Council Debtors

Council has two main types of debtor categories that it manages:-

1. Sundry Debtors
2. Rates Debtors

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.

The total for '*Debtors – General*' also includes fines (parking, animal and statutory) along with amounts receivable from Council's insurers (Workers Compensation and Income Protection reimbursements) in addition to amounts receivable from sundry debtors. The total combined amount reflected in the Financial Statements as at 30 June 2018 is \$1,501k.

Council's Sundry Debtors made up a total of \$858,888 (**Attachment 1**) with \$40,401 (4.7%) in the 90+ Days category. The overdue amounts in the 90+ Days category have decreased from the prior year total of \$83,029 (8%).

Of the total \$40,401 in 90+ Days outstanding, \$10,795 has been subsequently settled. After working through our follow-up actions, we are now reviewing a number of aged debts with our debt collection agency.

During the year, no outstanding debts were authorised by Council to be written off.

Rates Debtors

Rates Debtors have moved from a balance of \$2,210,204 (3.0% of total annual rates) at 30 June 2017 to \$2,512,105 (3.4% of total annual rates) (**Attachment 2**). The increase relates primarily to properties that have progressed to debt collection and probable legal process. The cumulative effect of the rates and associated fines and interest increase the debt each year. To mitigate this, Council actively encourages ratepayers to commence payment plans.

The postponed amount has increased to from \$145,312 to \$159,056 in 2017/18. This amount refers to the accumulation of rates levied and the prescribed interest component for those who have applied, and are eligible for the senior postponement scheme.

The amount of arrears greater than three years is \$603,000 (67% of all arrears). The Local Government Act provides that a council may sell any land where the rates have been in arrears for three years or more. Currently Council does not enforce this.

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
- Reminder letters are sent to debtors once outstanding debt reach 60+ days
- Follow up phone calls, letters 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
- Payment plans are put in place if appropriate to enable collection of outstanding debt
- If no payment is made a letter is issued to the debtor requesting payment within 48 hours to avoid recovery action being taken
- If no payment is received an assessment is made to send to council's debt collector where financially viable to do so
- Where the charge relates to a good or service incurred on the land (ie directly related to the property), amounts can be transferred to the landowner's Rates account

Rates Debtors

The following key steps are taken in regards to debt collection:

- Overdue Notice issued approximately one week after the last day to pay.
- If debt is not paid it will be assessed for referral to the Debt Collection Agency based on criteria including > \$500 and 2 instalments overdue, or no arrangement in place.
- Council will refer the debt to the Debt Collection Agency who then proceed with letters of demand requesting payment or a payment arrangement.
- If no payment or arrangement is made, Council will instruct the Debt Collection Agency to commence legal proceedings for recovery of the debt.

Note - payment plans can be put in place at any time.

Council's rating policy provides support and assistance to eligible ratepayers through a number of different options including:

- Payment plans
- Extensions to pay
- Remit fines and interest
- Postponement of rates for seniors
- Postponement of rates for hardship

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 legislation allows Council to be given high priority to recover any outstanding debts, including accumulated interest, from the proceeds on the disposal of a property.

Attachment

#	Attachment	Type
1	Sundry Debtors Report - 30 June 2018	PDF File
2	Rates Outstanding Report - 30 June 2018	PDF File

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	19,715.28	11,195.00	8,365.28	.00	.00	155.00	0%	Made up of 1 out of 4 debtors.
Neighbourhood Centres Total	19,591.50	14,090.00	1,125.00	490.00	1,020.00	2,866.50	7%	Made up of 3 out of 21 debtors, with one account totalling \$2035.00. A payment of \$800.00 has subsequently been made.
Regulatory Services Land Clearing Total	4,961.72	.00	.00	.00	.00	4,961.72	12%	Made up of 8 debtors, with one account totalling \$1,725.35. Two accounts totalling \$1111.04 have subsequently been settled.
City Property Facilities Total	72,700.57	47,925.64	14,554.32	4,934.23	2,162.23	3,124.15	8%	Made up of 3 out of 33 debtors. One account totalling \$850.00 is with the debt collector due to payment plan not being met, a new payment plan has been agreed to. One account totalling \$1,716.15 has subsequently been settled with a payment of \$700 made on another.
Civil Services Private Works Total	31,499.00	13,125.00	.00	890.00	4,850.00	12,634.00	31%	Made up of 10 out of 20 debtors in this category, with one of these totalling \$2,095.00 relating to works not commenced, awaiting payment. Three accounts totalling \$3,325.00 are on a payment plans, of which \$1,275.00 has subsequently been settled. Three other accounts totalling \$3,090.00 have also been settled.
Swim Centre Debtors Total	4,480.91	3,654.41	140.00	494.90	.00	191.60	0%	Made up of 1 out of 5 debtors.
Grants & Subsidies Total	636,877.35	537,877.35	99,000.00	.00	.00	.00	0%	
Environmental Health Inspections Total	14,563.70	3,630.50	1,946.50	708.00	590.00	7,688.70	19%	Made up of 54 out of 102 debtors in this category, with none individually significant. Seven accounts totalling \$964.20 have subsequently been settled.
Regulatory Services Other Total	7,839.00	670.00	.00	.00	536.00	6,633.00	16%	Made up of 73 out of 89 debtors in this category, with none individually significant. Twelve accounts totalling \$1,139.00 have subsequently been settled.
Development Services Total	1,375.00	96.00	.00	.00	.00	1,279.00	3%	Made up of 4 out of 5 debtors, with none individually significant.
Living Kaurna Cultural Centre Total	11,544.80	8,965.15	807.00	805.65	100.00	867.00	2%	Made up of 4 out of 21 debtors, with none individually significant.
Local Government Total	16,262.76	12,247.50	3,904.12	111.14	.00	.00	0%	
Economic Development Total	12,161.00	1,622.50	10,538.50	.00	.00	.00	0%	
Marion Cultural Centre Total	5,315.03	5,265.03	50.00	.00	.00	.00	0%	
Total	858,887.62	660,364.08	140,430.72	8,433.92	9,258.23	40,400.67		
Total Aging Profile		77%	16%	1%	1%	5%		

Category	Description
Employees	Anything that relates to CoM employees.
General	Anything that does not fit into one of the below categories.
Neighbourhood Centres	For hire of rooms in Neighbourhood Centres, etc. - usually charged out at an hourly rate. Also includes cultural workshops and tours.
Regulatory Services Land Clearing	When council has had to clear land due to non-compliance of owner.
Sporting Clubs & Other Leases	Rent, electricity, water, maintenance, etc. charged out to lessees.
Civil Services Private Works	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 Inspections	Food inspection fees.
Regulatory Services Other	Vehicle impoundment fees and other regulatory services.
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.
Development Services	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.
Environmental Health Testing	Environmental testing fees.
Local Government	Transactions with other Local Government corporations.
Communications	Anything related to communications.
Economic Development	Events, etc. relating to economic development within the City of Marion.
Marion Cultural Centre	Hiring of the Marion Cultural Centre.

*any category that does not have any outstanding invoices will not be displayed.

Rates Report - Collection of Rates to 30 June 2018

ANALYSIS OF OUTSTANDING RATES AS AT 30 JUNE 2018

	<u>Note</u>	<u>2018</u>	<u>% of Total Annual Rates</u>	<u>2017</u>	<u>% of Total Annual Rates</u>
CURRENT	1	-\$ 637,172	-0.9%	-\$ 647,504	-0.9%
OVERDUE	2	\$ 1,980,489	2.6%	\$ 1,821,610	2.5%
ARREARS	3	\$ 901,053	1.2%	\$ 788,387	1.1%
INTEREST	4	\$ 80,834	0.1%	\$ 79,585	0.1%
POSTPONED	5	\$ 159,056	0.2%	\$ 145,312	0.2%
LEGALS	6	\$ 27,845	0.0%	\$ 22,814	0.0%
		<u>\$ 2,512,105</u>	<u>3.4%</u>	<u>\$ 2,210,204</u>	<u>3.0%</u>
TOTAL ANNUAL RATES FOR YEAR		<u><u>\$ 74,841,878</u></u>		<u><u>\$ 72,519,891</u></u>	

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: Interest

Interest represent the fines and interest applied to overdue rates and rates in arrears.

Note 5: 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 6: 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.

Investment Performance 2017/18

Originating Officer	Treasury Accountant - John Stewart
Corporate Manager	Manager Finance - Ray Barnwell
General Manager	General Manager Corporate Services - Vincent Mifsud
Report Reference	FAC181002R14

REPORT OBJECTIVE

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 Finance and Audit Committee and will be presented to Council for adoption at its General Council Meeting on 9 October 2018.

A summary of the 2017/18 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 11th consecutive year.

RECOMMENDATION

That the Finance and Audit Committee:

- Notes the Investment Performance Report 2017/18.**

Legal / Legislative / Policy: In compliance with Section 140 Local Government Act.

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:

Policy Requirement	Review
Council funds available for investment will be lodged 'at call' or having regard to differences in interest rates for fixed term investments of varying maturity dates, may be invested for a fixed term.	Investments in Fixed Term Deposits were made between a range of 30-300 days with an average maturity of 98 days and an average return of 2.50%. The average 'at call' rate of return was 1.70%. No Fixed Term Deposits were required to be 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.	<p>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. Utilising the services of the LGFA provides an efficient means of investing surplus funds and a source of highly competitive interest rates. All deposits made with the LGFA are also guaranteed by the Treasurer of South Australia.</p> <p>To ensure Council continues to receive competitive rates for investments, quotations are regularly obtained from authorised institutions on investments of \$1,000,000 or more where the period of investment exceeds 30 days. During 2017/18 all surplus funds were invested with the LGFA, who, on all occasions offered the most competitive interest rates.</p>
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 invested during the 2017/18 financial year 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 Benchmarks

Reserve Bank Cash Rate

Council earned \$1,111,470 of interest on its investments in 2017/18 at an average rate of return of 2.37%, a favourable outcome compared to the benchmark indicator (average Reserve Bank cash rate) of 1.50%.

Bank Bill Swap Rate (BBSW)

The Finance and Audit Committee commented, when reviewing the 2014/15 Investment Report, that it would also be useful to benchmark against commercial rates being offered.

The BBSW is the rate at which banks will lend to each other. It is a short term swap rate, and reflects a compilation and average of market rates supplied by domestic banks regarding specific maturities of bank bills. The BBSW is published daily and therefore an annual average index can be readily calculated for comparative purposes.

The most common index applied is the 90 Day BBSW which also closely aligns with Council's average maturity of 98 days. For the 2017/18 financial year, the 90 Day BBSW was 1.82%. Council's annual rate of return of 2.37% is also favourable compared to the BBSW indicator, the third consecutive year that this has been achieved.

Interest on Investments Budget Performance

The performance of Interest on Investments is also monitored and managed against the Budgeted forecast. The actual value of investment interest of \$1,111,470 was a slightly favourable variance against a final revised budget forecast of \$1,108,150.

Attachment

#	Attachment	Type
1	FAC021018R - Investment Performance 2017-18 Appendix 1	PDF File

Finance Audit Committee Advice

Administration welcomes any Finance and Audit Committee feedback prior to forwarding to Council the Investment Performance Result for 2017/18.

Conclusion

The investment performance for 2017/18 was satisfactory when compared to relevant benchmark indicators. Investments were placed exercising due care and diligence and in strict accordance with Council's Treasury Management Policy.

Appendix 1**Investment Performance 2017/18****Interest on Investments**

Interest on investments for 2017/18 was \$1,111,470. Recent interest on investment history reveals the following:

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Total Interest (including LGFA Bonus)	\$1,144k	\$793k	\$888k	\$696k	\$929k	\$1,111k
LGFA Bonus	\$63k	\$87k	\$86k	\$109k	\$90k	\$132k

The increase of interest on investments in 2017/18 can be mainly attributed to the increase in the average amount invested per day, increasing from \$37.1m in 2016/17 to \$46.8m in 2017/18. This would indicate that funds were able to be kept on deposit for longer periods in 2017/18, prior to being required to meet payment obligations for creditors, payroll and progress payments for major capital projects.

The breakdown by Institution of the above total interest of \$1,111k for 2017/18 was as follows;

Term Deposits

LGFA \$1,103k Annual Average Rate of Return 2.43% which includes the annual LGFA bonus distribution. Best rate was 2.75% over 120 Days (includes LGFA bonus) – last experienced May 2017 (spanning Financial Years).

Other Institutions \$Nil

Sub-Total \$1,103k

Operating Account

BankSA \$8k Annual Average Rate of Return 0.64%

Total **\$1,111k**

Competitive quotes were sourced during the financial year and all investments were placed with the LGFA who provided the best competitive rates in all instances.

Peak Value of Investments

Investments peaked in March 2018 at \$52,587,207. The peak value of investments history reveals the following:

2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
\$33.4m	\$30.9m	\$34.9m	\$30.1m	\$47.1m	\$52.6m
Dec 2012	Jun 2014	Sep 2014	Mar 2016	Jun 2017	Mar 2018

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.

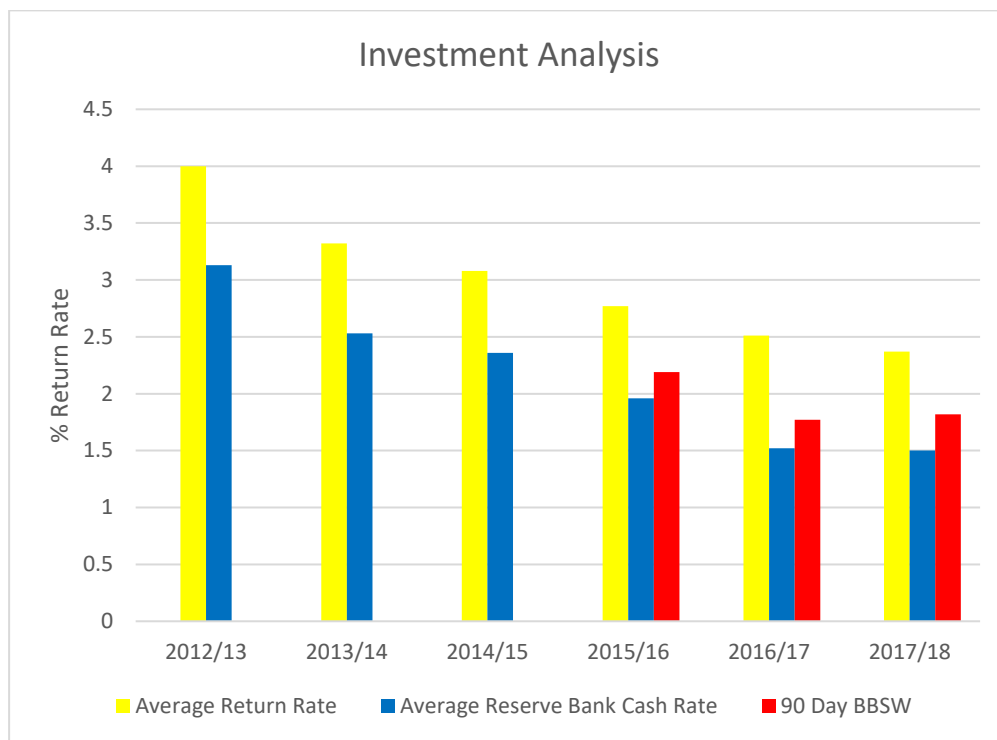
Annual Rate of Return on Investments

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 cash rate remained at 1.50% for the whole financial year.

The annual rate of return on investment for the City of Marion in 2017/18 was 2.37% compared to the annual average bench mark rate of 1.50%, providing reassurance 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.

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Annual Rate of Return	4.00%	3.32%	3.08%	2.77%	2.51%	2.37%
Average Reserve Bank Cash Rate	3.13%	2.53%	2.36%	1.96%	1.52%	1.50%
Benchmark Variation	+0.87%	+0.79%	+0.72%	+0.81%	+0.99%	+0.87%



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 positive variation in each financial year against the average Reserve Bank Cash Rate. The 2017/18 result is the eleventh consecutive year of a favourable outcome against this benchmark. In addition, the 2017/18 annual rate of return of 2.37% also marks the third consecutive year that Council's investments outperformed the BBSW indicator.

Council's General Bank Account earned an average rate of 0.64% in 2017/18, 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.

WORKSHOP / PRESENTATION ITEMS

OTHER BUSINESS

MEETING CLOSURE