

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, 13 October 2020 at 02:00 PM

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



TABLE OF CONTENTS

OPEN MEETING	3
KAURNA ACKNOWLEDGEMENT	3
ELECTED MEMBERS DECLARATION (if any)	3
CONFIRMATION OF MINUTES	3
Confirmation of the minutes for the Finance and Audit	3
Committee Meeting held on 13 October 2020	
BUSINESS ARISING	11
Business Arising Statement	11
CONFIDENTIAL ITEMS - Nil	16
REPORTS FOR NOTING	16
Elected Member Report	16
Investment Performance 2019/20	17
Debtors Report	23
Internal Audit Program - Implementation of Recommendations	29
Service Review Program and Recommendations - Progress Update	41
Irrigation Construction Overview 2019/20	49
REPORTS FOR DISCUSSION	50
Independence of Council's Auditor	50
Annual Financial Statements for the year ended 30 June 2020	55
Meeting with the External Auditors in Confidence (without management present)	214
Finance and Audit Committee Annual Report to Council 2019/20	215
Corporate Risk Quarterly Report	222
Meeting with the Internal Auditors in Confidence (without management present)	226
Internal Audit Program 2020/21	227
WORKSHOP / PRESENTATION ITEMS - Nil	233
OTHER BUSINESS	233
MEETING CLOSURE	233

OPEN MEETING

KAURNA ACKNOWLEDGEMENT

We acknowledge the Kaurna 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 13 October 2020

Originating Officer Governance Officer - Angela Porter

Corporate Manager Manager Corporate Governance - Kate McKenzie

Report Reference: FAC201013R01

RECOMMENDATION:

That the minutes arising from the Finance and Audit Committee Meeting held on 18 August 2020 be taken as read and confirmed.

ATTACHMENTS:

#	Attachment	Type
1	FAC200818 - Final Minutes	PDF File



FAC200818 - FINANCE AND AUDIT COMMITTEE MEETING

Tuesday, 18 August 2020 at 04:00 PM

Council Administration Centre, 245 Sturt Road, Sturt



PRESENT:

Mrs Emma Hinchey (Chair), Ms Natalie Johnston, Mr David Papa, Councillor Tim Gard (via electronic means) and Councillor Ian Crossland (from 4.06pm)

In Attendance

Adrian Skull	Chief Executive Officer
Tony Lines	General Manager City Services
Ilia Houridis	General Manager City Development
Sorana Dinmore	General Manager Corporate Services
Kate McKenzie	Manager Corporate Governance
Ray Barnwell	Manager Finance
Liz Byrne	Manager Community Connections
Jaimie Thwaites	Unit Manager Governance and Council Support
Sherie Walczak	Unit Manager Risk
Eric Beere	KPMG
Heather Martens	KPMG

OPEN MEETING

The Chair opened the meeting at 04:02pm

KAURNA ACKNOWLEDGEMENT

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

COMMITTEE MEMBERS DECLARATION (if any)

The Chair asked if any Member wished to disclose an interest in relation to any item being considered at the meeting.

Nil declarations were made.

CONFIRMATION OF MINUTES

Confirmation of the minutes for the Special Finance and Audit Committee Meeting held on 10 July 2020

Report Reference: FAC200818R01

Moved Ms Johnston, Seconded Councillor Gard

That the minutes arising from the Special Finance and Audit Committee Meeting held on 10 July 2020 be taken as read and confirmed.

Carried Unanimously

BUSINESS ARISING**Business Arising Statement****Report Reference:** FAC200818R02

The Finance and Audit Committee noted the report.

CONFIDENTIAL ITEMS - Nil**REPORTS FOR NOTING****Elected Member Report****Report Reference:** FAC200818R03**Moved Councillor Gard, Seconded Ms Johnston**

That the Finance and Audit Committee:

1. Pursuant to Section 90(2) and (3)(h) and (g) of the Local Government Act 1999, the Finance and Audit Committee orders that all persons present, with the exception of the following persons: Adrian Skull, Tony Lines, Ilia Houridis, Sorana Dinmore, Kate McKenzie and Jaimie Thwaites, be excluded from the meeting as the Council receives and considers information relating to the Confidential - Rescission Motion - Disclosure Incident, upon the basis that the Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to legal advice and a matter currently under a confidential order.

Carried Unanimously

4.04pm the meeting went into confidence

4.06pm Councillor Crossland entered the meeting

Councillor Gard discussed the background to the Disclosure Incident - Rescission Motion (Confidential) (Report reference: GC200526M02) mentioned in the report.

4.12pm the meeting came out of confidence

The Committee noted that the Marino Hall redevelopment is listed in the Strategic Plan 2019-2023 to investigate options. The Committee noted that the report was received by Council after the 2020/21 Annual Business Plan and Budget was adopted. Council is seeking matching funding for the project and provisions will be made in the next iteration of Council's Long-Term Financial Plan.

Internal Audit Program - Implementation of Recommendations**Report Reference:** FAC200818R04

The Committee noted the report and indicated good progress had been made. The Committee made the followings points:

- Maintaining the watching brief in relation to the NDIS is appropriate.
- Actions 2.1 and 2.2 in relation to Payroll have been completed however the procedures are reported as in draft. Items should not be completed until finalised.
- Items not on track are past the original due dates and many of these are overdue as they are related to the digital transformation project.
- Good work on the implementation of recommendations from the 'Customer Experience' audit and some of the 'Cyber Security' audit.

Irrigation Construction Report

Report Reference: FAC200818R05

The Committee noted the report and the following items were raised in relation to the report:

- It was unclear exactly what was Marion's contribution and direct benefits to council.
- There is no time limit on the overarching cross council collaborative agreement.
- There is a Memorandum of Understanding in place for the collaborative arrangements, each initiative also has a separate agreement.
- Agreements need to include remediation in event something goes wrong.
- Initiatives need to be monitored to ensure the Australian Competition and Consumer Commission obligations / requirements are not breached.

ACTION: The Year 1 performance data be provided to the Committee (including what is the City of Marion's contribution and actual results).

ACTION: Provide the Committee with confirmation that something is in place to ensure compliance with the Australian Competition and Consumer Commission

Service Review Program and Recommendations - Progress Update

Report Reference: FAC200818R06

The Committee noted the report and highlighted the following points:

- The service review recommendations to be included in the future reports, not just the number. This will provide more context to the comments in Appendix 2 of the report.
- In relation to the Utilities Optimisation Review the over-payments and billing inaccuracies need to be monitored and recorded for reporting purposes.

REPORTS FOR DISCUSSION**Insurance and Claims Management 2019/20 Annual Report****Report Reference:** FAC200818R07

The Committee noted the report and provided the following feedback in relation to the Insurance and Claims Management 2019/20 Annual Report:

- Term “Claims Value” is difficult to understand, change to a more accurate term (e.g. “Amount Claimed” or “Formulated Claim”).
- Although there is an increase in Motor Vehicle Incidents and Claims, not all instances occurred on the road (where a vehicle is used for a function it falls into this category too).
- An increase in reporting has increased the claims.
- In the current report format it is difficult to see the detail, the information in the dot point descriptions should also be demonstrated in the graphs.
- All of the data being reported needs to have context. The purpose of some of the data in the report is unclear.
- References to Work Health and Safety should be made, and any areas needing action be clearly identified.
- The Member based insurance scheme provides broad, discretionary insurance cover, tailored to Local Government.
- A market review on the insurance scheme was performed in 2017 and is due again after 5 years.
- A scheme lead review is carried out annually.
- Although Public Liability and Professional Indemnity are provided under the same insurance through the Mutual Liability Scheme, they should be separated as they are different classes of insurance. This would make it easier to discuss mitigation strategies.
- The Committee does not need to be provided as much detail as would be provided to the Executive Leadership Team.
- Overall the results are positive.

Corporate Risk Quarterly Report**Report Reference:** FAC200818R08

The Committee praised the report and progress made to date.

It was recommended that the Risk Working Group should be monitoring all risks outside of the risk appetite at every meeting. Council should consider if they wish to monitor all risks outside of the risk tolerance and the level of detail to be provided.

Risk Management Strategic Plan**Report Reference:** FAC200818R09

The Committee noted the report on the Risk Management Strategic Plan and provided the following feedback:

- It was a good, succinct report.
- The timing for Strategies 1.2 and 1.3 could be swapped
- Strategies 3.1 and 3.2 are tied to the success of everything so the timing should perhaps be brought forward.
- It was noted that the timing for the strategies was tied a lot to the implementation of a system.

Health Safety and Environment (HSE) - Annual Performance Report 2020**Report Reference:** FAC200818R10

The Committee praised the effort of the teams to achieve the improved results.

The Committee noted the report and highlighted the following points:

- Personal wellbeing is important for any organisation.
- A paragraph on the main reasons for improvements would provide some historical qualitative data to look back on.

Service Review - Report - Neighbourhood and Community Centres**Report Reference:** FAC200818R11

The Committee noted the report and provided the following feedback in relation to the Neighbourhood and Community Centres Service Review:

- The plan looks very ambitious so it is important not to over promise and under deliver.
- It would have been good to see a graph comparing Marion's Neighbourhood Centres compared to other councils.
- The possibility of combining Neighbourhood Centres and Libraries should be done at the design stage not after. This should be considered as part of the Marino Hall design and consultation. It was highlighted that the Cove Community Club is also being re-developed.
- There is inequity of services between the centres and could more be done to address this?
- Third party management does not seem to have been covered.
- It was advised that data collection at the Neighbourhood and Community Centres is changing and some university students have been assisting with a community needs analysis.
- The trial of extended opening hours was successful, even though cut short by a couple of weeks due to COVID. Has consideration been given to extending this further?
- Be careful of just improving what we already have and missing opportunities to revolutionise the concept.
- The Youth Consultative Committee will be engaged in relation to increasing the use of the centres by youth.
- The strategy for Neighbourhood Centres has been identified as a topic for discussion at an Elected Member Forum in September.

Internal Audit Program 2020/21 - Scope Documents, COVID-19 Business Continuity

Response, Stores Management, Assurance Mapping**Report Reference:** FAC200818R12

5.43pm Mr Eric Beere (KPMG) and Ms Heather Martens (KPMG) joined the meeting

Mr Beere and Ms Martens gave an overview of the scope documents included in the report. The Committee noted the report and the following points were raised:

COVID-19 Business Continuity Response

- The audit is a timely review
- It will review Council's response and compare it to other Council's response.
- It is not just a compliance check and will include opportunities for improvement.
- It should look at the disadvantage and value of people working from home.
- How well are people returning to work needs to be included.
- What has been the mental health effects?
- The recovery plan is in scope.
- It was noted that Ms Janet Burdon (KPMG) is both an IT and BCP specialist.

Stores Management (Collaborative)

- Opportunities for shared procurement will be identified
- Evidence of separation of duties and the like will be sought.

Assurance Mapping

- The audit will start the first steps to assurance mapping
- Mapping of key controls and remove duplication.
- The controls for high risks outside of the risk appetite need to be identified and rated
- The internal audit will deliver an Assurance Map.

WORKSHOP / PRESENTATION ITEMS - Nil**OTHER BUSINESS - Nil**

MEETING CLOSURE - Meeting Declared Closed at 05:55pm

CONFIRMED THIS 13TH DAY OF OCTOBER 2020

.....
CHAIRPERSON

BUSINESS ARISING

Business Arising Statement

Originating Officer	Manager Corporate Governance - Kate McKenzie
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager City Services - Tony Lines
Report Reference	FAC201013R02

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. Notes the report.

Attachment

#	Attachment	Type
1	Business arising statement - 8 October 2020	PDF File

CITY OF MARION
BUSINESS ARISING FROM FINANCE AND AUDIT COMMITTEE MEETINGS
AS AT 8 October 2020



	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
1.	26 May 2020	Draft Annual Business Plan 2020-21 and LTFP Update Action: The Committee requested to see estimates of Council's cash position in future interactions of the LTFP and worst-case scenario across the life of the LTFP.	Manager Finance	Dec 2020	Will be incorporated into future iterations of Council's Long Term Financial Plans presented to the Finance and Audit Committee	
2.	10 July 2020	Internal Audit Action: The Committee suggested that the upcoming joint Elected Member and Committee Forum in August would provide a good opportunity for joint discussion of the metrics that matter and for the Committee to work with Council to provide independent review of the metrics to be measured.	Manager Corporate Governance	August 2020	Completed	
3.	18 August 2020	Irrigation Construction Report Action: The Year 1 performance data be provided to the Committee (including what is the City of Marion's contribution and actual results). Action: Provide the Committee with confirmation that something is in place to ensure compliance with the Australian Competition and Consumer Commission	General Manager, City Services	October 2020	Completed – report in agenda	
4.	13 October 2020	Fraud and Corruption Presentation of Fraud and Corruption Policy and Framework	Unit Manager Risk	October 2020	These documents have been reviewed and updated. They have been sent to an external proofreader for review. Waiting to receive feedback and hence the documents will be presented in December instead.	December

* Completed items to be removed are shaded

SCHEDULE OF MEETINGS 2020			
Day	Date	Time	Venue
Tuesday	25 February 2020	2 pm – 5pm	Administration Centre
Tuesday	19 May 2020	2 pm – 5pm	Via Zoom
Friday	10 July 2020	<i>Special Meeting</i> 9.30 – 12.30	Administration Centre
Tuesday	18 August 2020	4.00 – 6.00 pm Followed by 7.00 – 9.00 pm (Joint workshop with Council)	Administration Centre
Tuesday	13 October 2020	2 pm – 5pm	Administration Centre
Tuesday	8 December 2020	2 pm – 5pm	Administration Centre

INDICATIVE AUDIT COMMITTEE WORK PROGRAM - 2019**TUESDAY, 25 February 2020**

Topic	Action
Elected Member Report	Communication Report
Draft Annual Business Plan and Budget 2020/21 and Draft Long Term Financial Plan	Review and Feedback
Overdue Rates Debtors	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Section 48 Prudential Report – Soccer in the South	Recommendation to Council
Q2 Risk Reporting	Review and Feedback

TUESDAY, 19 May 2020

Topic	Action
Elected Member Report	Communication Report
Draft Annual Business Plan and Budget 2020/21 (after public consultation) & Draft Long Term Financial Plan	Review and Feedback
External Audit Engagement Letter for the year ending June 2020	Review and Feedback
Internal Audit Program – Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Annual Report on Business Continuity	Review and Feedback
Annual Corporate Risk Profile & Q3 Risk Reporting	Review and Feedback

Review Internal Audit Plan for 2020/21	Review and Feedback
Asset Management Plans	Review and Feedback

Friday, 10 July 2020 (Special Meeting)

Topic	Action
Internal Audit Reports <ul style="list-style-type: none"> - Metrics that matter (KPI's) - ITT Governance 	Review and Feedback
Service Review Report - Neighbourhood Centres	Review and Feedback
Meeting with Internal auditors in camera/	Seeking feedback from Auditors
Asset Management Plans	Review and Feedback

TUESDAY, 18 August 2020 (Joint Workshop with Council)

Topic	Action
Elected Member Report	Communication Report
Annual Review of HSE Program	Review and Feedback
Annual Insurance and Claims	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Q4 Risk Reporting	Review and Feedback
Service Review Program – Scopes, Reviews and Monitoring	Review and Feedback
Joint Workshop with Council (6.30pm onwards)	TBA

TUESDAY, 13 October 2020

Topic	Action
Elected Member Report	Communication Report
FAC Annual Report to Council 2019/20	Review and Recommendation to Council
Independence of Council's Auditor for the year end 30 June 2020	Review and Recommendation to Council
Audited Annual Financial Statements for the year end 30 June 2020	Review and Recommendation to Council
Investment Performance 2019/20	Noting
Debtors Report	Noting

Meeting with external auditors in camera	Seeking feedback from Auditors
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Asset Valuations	Review and Feedback
Q1 Risk Reporting	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback

Tuesday, 8 December 2020

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 2021	Review and Feedback
Ombudsman SA Annual Report 2019/20	Review and Feedback
Framework and Key Assumptions for preparation of 2021/22 ABP and LTTP	Review and Feedback
Fraud and Corruption Annual Review	Review and Feedback

CONFIDENTIAL ITEMS - Nil

REPORTS FOR NOTING

Elected Member Report

Originating Officer	Manager Corporate Governance - Kate McKenzie
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager City Services - Tony Lines
Report Reference	FAC201013R03

REPORT OBJECTIVE

Section 3.5 of the Finance and Audit Committee Terms of Reference states "*where the Council makes a decision relevant to the Finance and Audit Committees Terms of Reference, the Elected Member Representative will report the decision to the Audit Committee at the next Committee meeting and provide relevant context*".

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Notes this report.**

GENERAL ANALYSIS

Since the last FAC meeting, Council has met twice (2) for General Council Meetings . At these two meetings, Council made the following decisions that relate to the Finance and Audit Committee Terms of Reference in chronological order.

25 August 2020 - General Council Meeting

Draft City of Marion Asset Management Plans for Community Consultation
Report Reference: GC200825R15

Council reviewed and endorsed the Buildings and Structures Asset, Open Space Asset and Coastal Walkway Asset Management Plans for public consultation.

Corporate Risk Quarterly Report
Report Reference: GC200825R17
The Council noted the quarterly risk report.

22 September 2020 - General Council Meeting

Draft City of Marion Asset Management Plans for Community Consultation
Report Reference: GC200822R10

Council reviewed and endorsed the Arts, Culture and Heritage Asset Management Plan for public consultation.

Investment Performance 2019/20

Originating Officer	Treasury Accountant - John Stewart
Corporate Manager	Manager Finance - Ray Barnwell
General Manager	General Manager Corporate Services - Sorana Dinmore
Report Reference	FAC201013R04

REPORT OBJECTIVE

Section 140 of the *Local Government Act 1999* requires Council to review the performance of its investments on an annual basis. This report reviewed by the Finance and Audit Committee will be presented to Council for adoption at its General Council Meeting on 27 October 2020.

A summary of the 2019/20 Investment Performance is provided at Appendix 1 for the Committee's information, showing that Council recorded a favourable result against the benchmark indicator. A favourable result has been experienced each Financial Year since 2007/08.

RECOMMENDATION

That the Finance and Audit Committee:

- Notes the Investment Performance Report 2019/20.**

Legal / Legislative / Policy: In compliance with Section 140 Local Government Act

DISCUSSION

Decision making regarding investments are carried out under the guidance and parameters 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 30-365 days with an average maturity of 110 days and an average return of 1.93%. The average 'at call' rate of return was 0.83%. 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 2019/20 most surplus funds were invested with the LGFA, who in the majority of market testing, offered the most competitive interest rates. On 4 occasions Term Deposits were placed with BankSA.</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 2019/20 financial year were invested with either the LGFA or BankSA 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 \$946,103 of interest on its investments in 2019/20 at an average rate of return of 1.80%, a favourable outcome compared to the benchmark indicator (average Reserve Bank cash rate) of 0.66%.

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 110 days. For the 2019/20 financial year, the 90 Day BBSW was 0.71%. Council's annual rate of return of 1.80% is also favourable compared to the BBSW indicator, the fifth 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 \$946,103 was a 4.90% favourable variance against a final revised budget forecast of \$901,900.

Finance and Audit Committee Advice

Administration welcomes any Finance and Audit Committee feedback prior to forwarding to Council the Investment Performance Result for 2019/20.

Conclusion

The investment performance for 2019/20 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.

Attachment

#	Attachment	Type
1	FAC201013R - Investment Performance 2019-20 Appendix 1	MS Word File

Appendix 1

Investment Performance 2019/20**Interest on Investments**

Interest on investments for 2019/20 was \$946,103. Recent interest on investment history reveals the following:

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Total Interest (including LGFA Bonus)	\$888k	\$696k	\$929k	\$1,111k	\$1,214k	\$946k
LGFA Bonus	\$86k	\$109k	\$90k	\$132k	\$168k	\$174k

The decrease of interest on investments in 2019/20 can be mainly attributed to the average return rate decreasing from 2.52% in 2018-19 to 1.80% in 2019/20. The average amount invested per day, increased from \$48.2m in 2018/19 to \$52.5m in 2019/20. Funds were therefore able to be kept on deposit for longer periods in 2019/20, prior to being required to meet payment obligations for creditors, payroll and progress payments for major capital projects. The decrease in interest revenue would have been significantly greater had this not been the case. With the planned drawdown of cash reserves to fund several major projects commencing 2020/21, it is expected that interest on investment earnings will be significantly reduced compared to prior year earnings.

The breakdown by Institution of the above total interest of \$946k for 2019/20 was as follows;

Term Deposits

LGFA	\$923k	Annual Average Rate of Return 1.85% which includes the annual LGFA bonus distribution. Best rate was 2.73% over 180 Days (includes LGFA bonus) – last experienced February 2019 (Interest paid on maturity in 2019/20 financial year).
Other Institutions (BankSA)	\$20k	Annual Average Rate of Return 1.68%. Best rate was 2.0% over 90 days in September 2019.
Sub-Total	\$943k	
<u>Operating Account</u>		
BankSA	\$3k	Annual Average Rate of Return 0.25%
Total	\$946k	

Competitive quotes were sourced during the financial year and most investments were placed with the LGFA who consistently provided the best competitive rates. Term Deposits were also placed with BankSA on four occasions.

Peak Value of Investments

Investments peaked in September 2019 at \$57,990,999. The peak value of investments history reveals the following:

2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
\$34.9m	\$30.1m	\$47.1m	\$52.6m	\$53.3m	\$58.0m
Sep 2014	Mar 2016	Jun 2017	Mar 2018	Dec 2018	Sep 2019

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 experienced four downward movements in 2019/20 as follows;

3 July 2019	From 1.25% to 1.00% (-0.25% Movement)
2 October 2019	From 1.00% to 0.75% (-0.25% Movement)
4 March 2020	From 0.75% to 0.50% (-0.25% Movement)
20 March 2020	From 0.50% to 0.25% (-0.25% Movement)

The annual rate of return on investment for the City of Marion in 2019/20 was 1.80% compared to the annual average bench mark rate of 0.66%, 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.

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Annual Rate of Return	3.08%	2.77%	2.51%	2.37%	2.52%	1.80%
Average Reserve Bank Cash Rate	2.36%	1.96%	1.52%	1.50%	1.49%	0.66%
Benchmark Variation	+0.72%	+0.81%	+0.99%	+0.87%	+1.03%	+1.14%

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 2019/20 result is the thirteenth consecutive year of a favourable outcome against this benchmark. In addition, the 2019/20 annual rate of return of 1.80% also marks the fifth consecutive year that Council's investments outperformed the BBSW indicator.

Council's General Bank Account earned an average rate of 0.25% in 2019/20, 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.

Debtors Report

Originating Officer	Assistant Financial Accountant - Melissa Virgin
Corporate Manager	Manager Finance - Ray Barnwell
General Manager	General Manager Corporate Services - Sorana Dinmore
Report Reference	FAC201013R05

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 Rates Debtors and Sundry 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. Rates Debtors
2. Sundry Debtors

DISCUSSION

Rates Debtors

Rates Debtors and Sundry Debtors (shown as 'Debtors – General') are included under "Trade and Other Receivables" in the Financial Statements in Note 5(b), with Rates Postponed for State Seniors being separately identified.

Rates Debtors have moved from a balance of \$2,762k (3.6% of total annual rates) at 30 June 2019 to \$2,420k (3.1% of total annual rates) (**Attachment 2**). The decrease relates primarily to properties that have progressed to debt collection and probable legal process including Section 184 of the *Local Government Act 1999* (S184). The cumulative effect of rates and associated fines and interest will increase the debt each year. To mitigate this, Council actively encourages ratepayers to commence payment plans to address arrears and bring accounts back into line.

The rates postponed amount has marginally increased from \$186k to \$193k in 2019/20. 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 has reduced from \$635k (61% of all arrears) to \$586k (59%) in 2019/20. The *Local Government Act 1999* provides under S184 that a council may sell any land where the rates have been in arrears for three years or more.

While S184 of the Act is noted in Council's adopted Rating Policy under section (9) '**Sale of land for Non-Payment of Rates**', this option was not pursued until April 2019 when Council endorsed Finance, under delegated authority of the General Manager Corporate Services, to initiate the sale of land for non-payment of rates. Part of this included developing an assessment criteria. The purpose being to assess individual circumstances for possible exemption to initiating S184 action should it be warranted.

Since May 2019 Council has commenced S184 action on 24 properties and to date, has recovered rates arrears from 22 properties totalling \$263,400. Most arrears have been recovered on receipt of a pre-section 184 letter from Council's lawyer advising of Council's intention to initiate proceedings. The remaining 2 accounts are on track for payment in full within the next month resulting in further rates recovery of \$29,200.

Of the 22 properties that have been settled, two escalated to sale:

- The first property sold above reserve, clearing arrears, fines and penalties of \$50,700. The recipients of the remaining funds from the sale were happy with the outcome of the auction.
- The second property is occupied by the daughter of the deceased owner. On the day of the auction, she attended the City of Marion Administration Centre and paid the rates arrears, being \$14,800, seventeen minutes prior to the auction starting.

During September 2020, Council assessed a further 17 properties with total arrears of \$166,100. None met the criteria allowing for exemption, therefore all were issued with pre S184 letters. So far, this has resulted in rates recovered from 2 properties for \$15,400. A further 11 have been in contact with Council's lawyer, with most opting to speak to a financial counsellor to assess options for payment including mortgagee payout and superannuation release. The premise is to get ratepayers back onto regular payments once the debt is cleared.

There are a further 24 properties to be reviewed with total arrears of \$138,600. All will be evaluated using the Assessment Criteria. S184 action will be initiated on those where an exemption cannot be established.

Sundry Debtors

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 2020 is \$2,377k.

Council's Sundry Debtors made up a total of \$1,358k (**Attachment 1**) with \$90k (6.7%) in the 90+ Days category. The overdue amounts in the 90+ Days category have increased from the prior year total of \$60k .

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

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 rating policy has been updated to reflect the current environment due to Covid-19:

"Ratepayers experiencing financial difficulties and are unable to meet standard payment arrangements due to COVID-19 can contact Council to discuss alternative payment options. Council will review the provisions in early 2020/21."

With the policy in mind, ratepayers are assessed on a case by case basis, and if deemed appropriate, are granted extensions to pay with no late penalties. This has resulted in several hundred applications since April 2020 with most now back to regular payments. Currently there are approximately 100 ratepayers that have been granted a further extension with no late penalties to December 2020.

Notwithstanding the above, it is worth noting that Council has to date not experienced any significant negative impact on the collection of rates, in fact, the number of ratepayers paying their rates in full in the first month has increased from 3% of ratepayers in 2019 to 6% in 2020.

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	Debtors Outstanding Report_ June 2020	PDF File
2	Rates Outstanding Report 2019-20	PDF File

Sundry Debtors Report - Ageing report as at 30 June 2020

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	29,119.12	28,041.89	.00	.00	.00	1,077.23	1%	Made up of 1 out of 9 debtors.
Neighbourhood Centres Total	2,855.00	.00	1,000.00	.00	.00	1,855.00	2%	Made up of 1 out of 2 debtors. This debtor is on a payment plan through the debt collector, this is currently on hold due to hardship.
Regulatory Services Land Clearing Total	2,890.94	.00	.00	.00	.00	2,890.94	3%	Made up of 4 debtors, with one account totalling \$1,725.35.
City Property Facilities Total	88,041.09	1,939.43	115.11	15,894.29	24,868.35	45,223.91	50%	Made up of 5 out of 12 debtors. One account totalling \$33,807.33 relates to Edwardstown Memorial Sports & Community Club, this account is currently being worked through, another account totalling \$2,693.33 is on a payment plan, payments of \$641.31 have subsequently been received. Two other accounts totalling \$5,758.79 have subsequently been settled.
Civil Services Private Works Total	31,749.00	10,961.00	4,800.00	2,225.00	600.00	13,163.00	15%	Made up of 10 out of 25 debtors in this category, with two of these totalling \$1,399.00 relating to works not commenced, awaiting payment, one of the remaining accounts totals \$3,190.00. Six accounts totalling \$7,684.00 are on payment plans. Payments of \$1,554.00 have subsequently been received in received.
Swim Centre Debtors Total	6,993.30	.00	2,773.50	1,010.50	2,545.00	664.30	1%	Made up of 3 out of 9 debtors with none individually significant. All three accounts have subsequently been settled.
Grants & Subsidies Total	891,000.00	808,500.00	82,500.00	.00	.00	.00	0%	
Environmental Health Inspections Total	14,732.30	4,491.90	934.60	.00	1,457.80	7,848.00	9%	Made up of 46 out of 87 debtors, with none individually significant. Five accounts totalling \$956.50 have subsequently been settled.
Regulatory Services Other Total	27,392.00	3,993.00	3,635.50	.00	1,996.50	17,767.00	20%	Made up of 75 out of 116 debtors in this category, with none individually significant. Four accounts totalling \$581.50 have subsequently been settled.
Local Government Total	250,483.82	250,483.82	.00	.00	.00	.00	0%	
Economic Development Total	13,268.48	13,268.48	.00	.00	.00	.00	0%	
Total	1,358,525.05	1,121,679.52	95,758.71	19,129.79	31,467.65	90,489.38		
Total Aging Profile		83%	7%	1%	2%	7%		

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 2020

ANALYSIS OF OUTSTANDING RATES AS AT 30 JUNE 2020

	<u>Note</u>	<u>2020</u>	<u>% of Total Annual Rates</u>	<u>2019</u>	<u>% of Total Annual Rates</u>
CURRENT	1	-\$ 864,775	-1.1%	-\$ 751,129	-1.0%
OVERDUE	2	\$ 1,983,997	2.5%	\$ 2,169,957	2.8%
ARREARS	3	\$ 996,068	1.3%	\$ 1,042,449	1.4%
INTEREST	4	\$ 66,720	0.1%	\$ 92,682	0.1%
POSTPONED	5	\$ 193,034	0.2%	\$ 186,058	0.2%
LEGALS	6	\$ 45,257	0.1%	\$ 22,355	0.0%
		<u>\$ 2,420,301</u>	<u>3.1%</u>	<u>\$ 2,762,372</u>	<u>3.6%</u>
TOTAL ANNUAL RATES FOR YEAR		<u><u>\$ 79,264,817</u></u>		<u><u>\$ 77,172,549</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.

Internal Audit Program - Implementation of Recommendations

Originating Officer	Governance Officer - Angela Porter
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager City Services - Tony Lines
Report Reference	FAC201013R06

REPORT OBJECTIVE

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

EXECUTIVE SUMMARY

The FAC was provided with a status report at its meeting on 18 August 2020 regarding the City of Marion's Internal Audit Program. The ITT Governance, Metrics that Matter and Collaborative Leasing audits were approved in July 2020 and detailed progress data for these audits has now been provided.

A number of items are pending development of the ITT Governance Framework which is now 40% complete.

Key components of the framework are as follows:

- Solution delivery (95% complete)
- Service delivery (25%)
- Security: Update of previous CQR security document to include Cloud based systems (60%)
- Procurement (15%)
- Strategy/Planning/Budgeting (20%)
- Privileged access rights (90%)

The implementation of recommendations from these reports continue to be monitored by the FAC. A short summary of the status of recommendations for each audit is provided in **Attachment 1**. The relevant outstanding recommendations and agreed actions for items that have been commented on are included in the summary to give context to the comments made against each project.

RECOMMENDATION

That the Finance and Audit Committee:

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

Attachment

#	Attachment	Type
1	FAC2001013 - Internal Audit - Implementation of Recommendations - Appendix 1	PDF File

Overall Summary

Project	Findings	On Track	Overdue	Completed	Not Commenced	General Comments
Capital Works Program 2015/16				Complete (August '19)		
Corporate Performance Reporting 2016/17				Complete (December '19)		
Accounts Receivable 2016/17				Complete (February '19)		
ICT Cyber Security Maturity (2016/17)				Complete (April '20)		
Policy Review (2016/17)				Complete (August '18)		
Property Portfolio Management (2016/17)				Complete (November '19)		
Volunteer Management (2017/18)				Complete (August '18)		
NDIS (2017/18)	1	1				Maintain watching brief
Contractor Management (2017/18)				Complete (April '20)		
Regulatory Fines and Enforcements (2017/18)				Complete (July '19)		
Development Assessment (Planning) (2017/18)				Complete (June '19)		
Procure to Pay (2018/19)	9		2	7		There are 2 outstanding recommendations. These are Performance Improvement Opportunities and will be captured through the Finance Transformation Project which commenced April 2020. Separate reporting will be brought to the committee on the Digital Transformation Projects.
Customer Experience				Complete (June '20)		
Cyber Security 2019	6	1	1	4		1 outstanding item is on track with 1 item overdue. Some items will be subsumed into the Digital Transformation Projects which will be reported separately.
Tendering 2019				Complete (March '20)		
BCP and Emergency Management				Complete (June '20)		
Payroll 2020/21	6	5		1		4 items commenced in April 2020 and 1 has been completed in its entirety. Procurement process is underway for a Payroll/HRIS system – submissions are currently being reviewed. 2 items are Performance Improvement Opportunities which will be considered as part of the Digital Transformation Project.
ITT Governance	11	6	1	2	2	2 items have not yet commenced with 1 item pending recruitment of a Cross Council Chief Data Officer. 1 item is off track with an extension requested until Dec 2020.
Metrics that Matter	3	2			1	2 performance improvement opportunities have commenced and are on track. 1 item has not commenced and is pending recruitment of a Cross Council Chief Data Officer.
Collaborative Leasing	12	8			4	8 items have commenced or commenced in part with 1 part completed. 4 items have not yet commenced with ownership of some parts transferred to Unit Manager Land and Property who commenced mid September.

Procure to pay

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION START DATE	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QRTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
It is recommended that the CoM perform a business process review to investigate the transition to an online procure to pay system which would help to reduce the need for manual invoice approval processing. This process should include benchmarking of the procure-to-pay cycle times and the average cost of processing per invoice against other Government agencies.	0	The CoM will investigate on-line invoice approval options that exist with Civica to reduce the level of manual processing that currently exists. The CoM will also investigate the software options available and implementation costs for automatic invoice validation.		31/12/2019	Not Commenced	0%	We have now embarked on a finance transformation journey which is looking at our systems and processes in detail. This work commenced in April 2020 and includes process efficiencies and system automation. These items will be considered as part of the project.	Not on Track	0%	The RFP developed for CoM's Financial Transformation includes a number of requirements that cover off on these opportunities including electronic workflow and invoice matching automation.
It is further noted that a number of other Councils in South Australia have transitioned the invoice validation process to a third-party vendor. These services include the use of machine learning technologies to match purchase orders to invoice payments and contract, and automating invoice approvals within a defined set of business rules. It is recommended that this option is also considered as part of the business process review.	0	as above		31/12/2019	Not Commenced	0%	A key function of the new finance system will be the automation of invoice validation through AI and machine learning.	Not on Track	0%	The RFP developed for CoM's Financial Transformation includes a number of requirements that cover off on these opportunities including electronic workflow and invoice matching automation.

Cyber Security 2019

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION START DATE	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PEV QUARTER AP %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
The following should be considered as recommendations for increasing maturity in the Information Risk Management domain, particularly when implementing, operationalising, and embedding the Cyber Security Assurance Framework and Cyber Security Operating Manual: 1. Clearly define and communicate the requirements for sharing of information both internally and externally. Consideration should be also given to implementing controls for removable and portable media control as part of a data loss prevention strategy, such as storage, handling, whitelisting allowed USB devices, encryption and destruction.	3.1	Implement Data Governance Framework to classify CoM's information and define appropriate resources to manage this function to communicate requirement for information sharing.		31/03/2020 Revised Due Date 30/06/2021	On Track	50%	Some related progress is the adoption of a Privacy Policy across CoM which relates to the safeguarding of information. Additionally increased cybersecurity measures around accessing our data have been introduced, for example 2 factor authentication. The shift to cloud based systems is another layer. The timeframe for this item is aligned to item 9.1 within the ITT Governance internal audit.	On Track	55%	Cross council budget allocation has been given by CCS and PAE and recruitment will commence in October 2020 for a CDO.
1. Ensure that defined recovery objectives have been communicate and validated with IT to ensure that these are achievable.	4.1	1. Review validity of departmental recovery objectives and in conjunction with Risk Department run BCP workshops where recovery objectives are unrealistic or unachievable.		30/06/2020	Not on Track	80%	Departmental validation date revised due to COVID19 impact and benefits from ITT Digital Transformation utilising Cloud services will significantly change the availability of all services.	Not on Track	85%	Set up meeting with ITT to review action and date-line. SW. Many systems have been moved to the cloud and departmental system BCP has changed/improved. The response to Covid19 has meant improved system availability through work from home options and the Digital Transformation Program is continuing a shift of systems from on-prem to cloud. It is recommended that a comprehensive business impact analysis review be undertaken in the first quarter of 2021/22 to review the first stage of system improvement achieved during 2020/21 and provide direction for future needs.

Payroll 2020/21

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION START DATE	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
Investigate system opportunities with specific focus on increased functionality, reporting, elimination of manual processes, and systems integration.	1.1	The findings and relevant recommendations identified across this review, and specifically from Finding 1, will be addressed through the CoM’s Digital Transformation Program. It is further noted that a number of separate projects are also currently in progress.		30-Jun-21	On Track	10%	Request for Proposal for new Payroll/HRIS has been drafted. Procurement process is underway.	On Track	20%	Payroll/HRIS RFP is still in progress
Work to ensure that all internal audit recommendations are actioned and implemented as soon as practicable to ensure identified risks are mitigated, and issues are resolved. This should apply for all findings listed in this report, and previous internal audit findings that are not completely addressed.	3.1	Since the 2016 Payroll internal audit, CoM has increased the frequency of reconciliations, particularly around accruals, from annually/quarterly to monthly to improve its financial reporting against budget and enable better variance analysis. Through the Digital Transformation process, CoM will be aiming for these accruals to be built into the new system, removing the need for manual calculations to be performed. Before this is implemented we will focus on improving the timeliness of reconciliations. Capability around one source for record keeping relating to employee recruitment and retention will also be included as a key requirement for the new system.		30-Jun-21	On Track	20%	Request for Proposal for new Payroll/HRIS has been closed and submissions are currently being reviewed.	On Track	20%	Payroll/HRIS RFP is still in progress
Investigate system opportunities that would allow for capture and reporting of staff overtime, and enable more effective reporting mechanisms including live dashboards. As first priority, work to implement overtime reporting to ensure overtime can be appropriately monitored and managed (CCS and CoM).	PIO1	City of Marion currently has limited payroll/HR reporting available in a PowerBI dashboard. We are looking to further extend these capabilities. CoM will also ensure that these recommendations are incorporated into the requirements as part of its Digital Transformation project.		30-Jun-21	On Track	20%	Request for Proposal for new Payroll/HRIS has been closed and submissions are currently being reviewed.	On Track	20%	Payroll/HRIS RFP is still in progress
The CCS and the CoM consider conducting more regular reviews over payroll activities and processes. This may be in the form of audits or spot checks of key controls for high rated risks.	PIO2	Payroll financial controls (both system and manual) are assessed for effectiveness on an annual basis, with independent review performed by Council’s external auditors. These controls are applied throughout the year and where issues/weaknesses are identified these are actioned to reduce the likelihood and/or consequence of any risks. We will be aiming to automate as many of these controls in a new payroll/HR system.		30-Jun-21	On Track	10%	Request for Proposal for new Payroll/HRIS has been closed and submissions are currently being reviewed.	On Track	20%	Payroll/HRIS RFP is still in progress
Ensure that reconciliation activities are undertaken in a timely manner (i.e. within one to two weeks) at the defined intervals.	4.1	Since the 2016 Payroll internal audit, CoM has increased the frequency of reconciliations, particularly around accruals, from annually / quarterly to monthly to improve its financial reporting against budget and enable better variance analysis. Through the Digital Transformation process, the CoM will be aiming for these accruals to be built into the new system, removing the need for manual calculations to be performed. Before this is implemented we will focus on improving the timeliness of reconciliations. Capability around one source for record keeping relating to employee recruitment and retention will also be included as a key requirement for the new system.		30-Jun-21	On Track	10%	Request for Proposal for new Payroll/HRIS has been closed and submissions are currently being reviewed.	On Track	50%	Monthly reconciliations for accruals are currently occurring. Payroll/HRIS RFP is still in progress

ITT Governance

RECOMMENDATION		AGREED MANAGEMENT ACTION	ACTION START DATE	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
Investigate opportunities to consolidate all the principles into an overarching ITT governance framework.	1.1	In reviewing the allocation of work and responsibilities across the ITT team, the development of an ITT Governance Framework will be prioritised and delivered over the first quarter of FY2021. To note, the Cross Council Service Review identified this as a priority and a Solution Development Framework was created in response.		31/10/2020	On Track	5%	Started to investigate COBIT5 principles to form the basis for the IT governance framework	On Track	40%	Review of current frameworks, policies and procedures
Define how Corporate Governance ITT Principles and ITAS Principles will be applied.	1.2	ITT and ITAS principles will be aligned and incorporated into the new governance framework.		31/10/2020	Not Commenced		Action to be captured by the IT governance framework development work.	On Track	40%	Review of current frameworks, policies and procedures
Work to embed principles in ITT policies and procedures, change management practices, workforce planning, business engagement protocols and data stewardship practices.	1.3	The new governance framework will be based on COBIT5 principles that assures coverage of all relevant topics such as resource planning, change management and business engagement protocols		31/10/2020	Not Commenced		Action to be captured by the IT governance framework development work.	On Track	30%	Review of current frameworks, policies and procedures
For ITT practices and ITAS related works, embed regular (i.e. quarterly) reviews and reporting, to ensure principles are being adhered to and achieved through ongoing ITT operations and initiatives.	1.4	The ITT Governance framework regulates all relevant reviews, reporting, committee meetings.		31/10/2020	Not Commenced		Action to be captured by the IT governance framework development work.	On Track	40%	Review of current frameworks, policies and procedures
Develop, agree and implement an ITT policy and documentation framework, to provide an appropriate level of governance and guidance to the IT team and help drive consistency amongst work practices and behaviours.	2.1	The ITT Governance Framework will include the required IT policies. This work is expected to be completed prior to the Finance and Audit Committees' December 2020 meeting (8 December 2020).		8/12/2020	Not Commenced		Action to be captured by the IT governance framework development work.	On Track	40%	The Governance framework and its procedures will be the foundation of these policies.
Consideration should be given to inclusion of policy or standard statements in relation to the following aspects of technology: <ul style="list-style-type: none">• Cloud Computing• Privileged Access management• Change Management• Software Asset Management• BYOD• Remote Access• Management of Third Party ITT Service Providers• Service Desk• IT induction, ITT literacy and training.	2.2	The new governance framework will be based on COBIT5 principles that assures coverage of all relevant topics		8/12/2020	Not Commenced		Action to be captured by the IT governance framework development work.	On Track	60%	Review of current frameworks, policies and procedures
Develop and implement a Privileged Access Policy or Standard that outlines: <ul style="list-style-type: none">• What types of access is considered privileged• Required approvals for privileged access• Whether privileged users should have a standard account and a privileged account• The extent of regular reviews over privileged access• How system and service accounts that require privileged access are managed• How accountability is assigned or monitored for the use of generically named privileged accounts• What segregation of duties is required across the ITT team.	3.1	The current security review program has 3 key deliverables: <ul style="list-style-type: none">• Definition of privileged access• All infrastructure (Cloud & on premise) related privileged access rights are reviewed and reconfigured according to best practices.• Business application related privileged access rights are reviewed and reconsidered		31/10/2020	On Track	25%	Current security uplift project addresses the privileged access rights regarding the Microsoft Cloud. ITT continues the project with the On-premise business apps.	On Track	90%	Completed for the Microsoft Tenancy based on Microsoft best practice. Next step: to roll out on-prem.

Develop and implement Privileged Access Guidelines / Procedures that outline how to conduct various activities stipulated in the policy or standard so staff can perform privileged access duties consistently.	3.2	CoM already contacted KPMG to seek best practices guidelines to devise the Policy		31/10/2020	On Track	25%	CoM contacted KPMG to seek best practices guidelines to develop the Policy	On Track	60%	Completed for the Microsoft Tenancy based on Microsoft best practice.
Develop and implement individual benefits realisation plans for both the ITAS and the Digital Transformation Program. The plans should outline the following: <ul style="list-style-type: none"> The benefits identification process How benefits will be assigned and managed on an ongoing basis How benefits will be measured and reported The feedback process to resolve identified gaps and issues to help ensure benefits will still be realised at their intended level(s). 	4.1	The ITAS is the basis for the Digital Transformation Program (DTP). All the recommended actions in the ITAS are included in the DTP, therefore, only a DTP benefits realisation plan is required and this will be completed through a joint effort between CX and ITT with input from the People and Culture Change manager.		31/10/2020	On Track	30%	We are currently completing the program management framework for the DTP, which includes meeting the outcomes of this action.	On Track	40%	Part of digital transformation program
Continue working to complete the recording and registration of all technology assets into the FreshWorks system. This includes assigning locations and users against each technology asset where applicable.	5.1	There is a scheduled work to complete the registration of IT assets in FreshWorks. It holds information on asset location, configuration, licences and users.		31/10/2020	On Track	50%	There is an ongoing work to complete the registration of IT assets in FreshWorks. All PC devices are enrolled with some missing info on asset location and user.	On Track	80%	Active devices (PCs, laptops) are registered in FreshWorks. Next step: to clarify exceptions: 1 person with multiple devices, multiple devices are allocated 1 person. Need to also register all Monitors in FreshWorks.
Consider which technology assets need to be included in the register and managed under IT Asset Management governance processes (e.g. software licences, software subscriptions, SaaS, desktops, laptops, mobile devices, servers, IaaS, PaaS, etc.). Develop and implement a framework and processes for ongoing management of IT assets.	5.2	Following the ITT restructure a dedicated resource will be charged with the responsibility for the FreshWorks Asset management. In addition, CoM will introduce and embed an IT asset management policy to ensure compliance.		31/10/2020	Not Commenced		While some assets have been captured in FreshWorks, a considerable gap remains and this will need to be addressed over the coming months and in correlation with the Governance Framework development to ensure updating occurs.	On Track	10%	Policy needs to be developed to manage IT assets
Implement a requirement for ITT involvement in all technology related procurements across the organisation. Specific involvement should include: <ul style="list-style-type: none"> Input and advice to help ensure alignment Review of the proposed procurement process and proposed vendor(s) Input and/or review of proposed KPIs and SLAs for the contractual agreement 	6.1	The Procurement team implemented the Tender Initiation Form for all market processes. As part of this implementation, Strategic Procurement now have the ability to pro-actively manage ITT team involvement. A dedicated procurement resource has been included in the ITT team, reporting to the Strategic Procurement Lead and will take over vendor management.		30/09/2020	On Track	80%	Tender initiation forms for all procurement activities have been introduced. Dedicated procurement resource assists IT since March 2020.	Completed	100%	Tender Initiation Form is used for all purchasing activities.
Ensure all applications are included in the ITT service catalogue, and key details are recorded for each application or service, e.g. vendor, vendor contact details, etc. are all assigned to a vendor.	7.1	ITT Vendors have been classified as high level/critical as part of the IT Collaboration activity, utilising the Gartner Segmentation Tool. • Procurement are now starting to assist with Vendor Management, although it should be noted that Contractor Management as defined by the approved procedures is the responsibility of the contract owner, in this case ITT.		30/09/2020	Not Commenced		IT application catalogue will be developed as part of the IT Governance Framework.	Not Commenced	0%	Awaiting IT Governance Framework Completion

Determine the level of vendor performance activities required relative to specific contract values or level of criticality. For example, for contract value of more than \$100,000, SLAs shall be monitored and reported on each quarter in addition to bi-annual vendor performance meetings. A dedicated procurement specialist should lead ongoing vendor management and performance meetings.	7.2	<ul style="list-style-type: none"> Failure to have SLAs/KPIs are legacy issues, with majority of contracts in place for a substantial period – as these are renegotiated appropriate changes will be made to contracts. In April 2020 a dedicated ITT Contract was implemented, with specific focus on data security, ownership and associated measures. 		30/09/2020	On Track	80%	Tender initiation forms for all procurement activities have been introduced. Dedicated procurement resource assists IT since March 2020.	On Track	90%	All tenders now released incorporate KPIs/SLAs. The IT procurement resource undertakes this review and activity as part of the tender documentation.
Based on these determinations, develop and implement formal vendor performance management procedures that aligns to broader organisational procurement and contract management policies.	7.3			30/09/2020	On Track	50%	<p>In March 2020 a dedicated IT procurement resource was on-boarded within the Procurement Team, who is now focused on the IT category.</p> <p>The suppliers have all be categorised to enable the applicable management processes to be applied.</p>	Not on Track	66%	<p>The IT procurement resource is undertaking a review of the category spend to determine the best approach to managing current vendors.</p> <p>Request extended deadline to 31/12/20 to enable full procedure update.</p>
Update and finalise the Data / Information Governance Framework and receive approval from the Finance and Audit Committee.	9.1	CoM is working with its partner councils PAE and CCS on developing a joint framework across the three, following the recruitment of a joint CDO. Following this, the associated policies and procedures will also be developed.		30/06/2021	Not Commenced		Cross Council Data Analytics Lead / Chief Data Officer position not yet appointed, expected October 2020 onwards. Once this resource commences, this will be one of the issues to be addressed.	Not Commenced	0%	Cross Council Chief Data Officer position not yet appointed, expected October 2020 onwards. Once this resource commences, this will be one of the issues to be addressed.
Implement the Framework and develop any further policies and procedures required to embed and operationalise data management processes within the organisation.	9.2			30/06/2021	Not Commenced		Cross Council Data Analytics Lead / Chief Data Officer position not yet appointed, expected October 2020 onwards. Once this resource commences, this will be one of the issues to be addressed.	Not Commenced	0%	Cross Council Chief Data Officer position not yet appointed, expected October 2020 onwards. Once this resource commences, this will be one of the issues to be addressed.
Develop and implement a process for translating best practice standards and legislative updates/changes into policies and procedures.	PIO1.1	CoM agrees with the recommendations and plans to introduce the recommended compliance register		31/12/2020	Not Commenced			Not Commenced	0%	
Develop and implement a compliance register that lists any specific requirements the organisation must comply with. This may also include self-elected compliance items, such as the ISO27001 standard to help ensure the organisation is aligned to the standard.	PIO1.2	Once the ITT organisation restructure is complete, dedicated function is created for governance/security/compliance. The compliance register will be part of the CoM governance framework.		31/12/2020	Not Commenced			Not Commenced	0%	
Develop and implement a remote access and security policy, including cloud considerations (Refer to Finding 2).	PIO2.1	CoM agrees with the recommendations. All three recommendations are currently being addressed through the current program of work.		31/12/2020	On Track		Will be part of the ITT governance framework	On Track	15%	Part of IT Governance Framework
Investigate opportunities to update training and induction processes with more information regarding security practices and requirements.	PIO2.2	CoM agrees with the recommendation and security awareness is made part of the Digital Literacy project		31/12/2020	On Track		There is an ongoing security training and security awareness is made part of the Digital Literacy project	On Track	25%	Induction scripts have been updated to reflect cybersecurity requirements and remote working capabilities
Work to ensure that technology infrastructure is capable of supporting remote working and cloud connectivity. It is acknowledged this has been an ongoing process during the COVID-19 period.	PIO2.3	There is an ongoing project to improve the customer experience on both office and remote working arrangement. With the reinforcement of the VMView Virtual desktop environment, CoM users can securely		31/12/2020	On Track	80%	There is an ongoing project to improve the customer experience in both office and remote working arrangement. With the reinforcement of the VMView Virtual desktop environment, CoM	On Track	90%	Upgrade to Windows 10 took place.

		access the same environment from Home or from the Office					users can securely access the same environment from Home or from the Office			
--	--	----------------------------------------------------------	--	--	--	--	-----------------------------------------------------------------------------	--	--	--

Metrics that Matter

RECOMMENDATION		AGREED MANAGEMENT ACTION	ACTION START DATE	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
It is recommended that the CoM ensures that as the use of Power BI for KPI reporting increases, so the complete implementation of the Data Governance and Management Framework should be undertaken in parallel. This should include: <ul style="list-style-type: none">• Ensuring it is up to date and formally approved• Key roles are formally assigned, and• The necessary policies and procedures are developed and operationalised in order to embed the framework across the organisation. This will be fundamental to helping build and maintain confidence in the data and the resultant reporting.	1.1	Aligned to the Internal Audit finding 9 in the ITT Governance Review, CoM is working with its partner councils PAE and CCS on developing a joint framework across the three, following the recruitment of a joint Chief Data Officer. Following this, the associated policies and procedures will be finalised.		31/06/2021	Not Commenced		Cross Council Data Analytics Lead / Chief Data Officer position not yet appointed, expected October 2020 onwards. Once this resource commences, this will be one of the issues to be addressed. This item is aligned to item 9.1 of the ITT Governance internal audit and item 3.1 of the Cyber Security 2019 internal audit and is pending appointment of a Chief Data Officer.	Not Commenced		Cross council position has had a PD developed and all three CEOs have approved the recruitment, proposed to commence October 2020.
Future projects should ensure that change management and training issues are fully considered as early as possible in the project so that successful implementation of a solution can be better ensured. A formal process of benefits realisation delivery and tracking will help ensure that lessons are learnt from the rollout process and that meeting the original justification and objectives of the project can be appropriately assessed. The CoM should ensure that these requirements are part of the new Solution Delivery Framework.	PIO1.1	Agree – this will be incorporated into process.		31/06/2021	Not Commenced		The Metrics that matter project was put on hold, but the recommendation can refer to any projects at CoM. The Digital Transformation Program will embrace proper governance that assures that the key components such as stakeholder engagement, benefit realisation will be integral parts. Early involvement of the CoM level Change Function will enable the Council to align organisation-wide changes.	On Track		CoM has a dedicated change manager who oversees all projects with potential change impacts and is involved in our Digital Transformation Program.
Future projects should ensure full identification, documentation and management of risks to the project. These should be monitored and reported to the Steering Group on a regular basis such that potential problems are identified and managed early. Typically risks, as they arise, flow into ‘issues’ where active management and action tracking ensures their resolution in a timely manner. The CoM should ensure that these requirements are part of the new Solution Delivery Framework.	PIO2.1	Agree – this action will be included within the Risk Management 3 Year Strategic Plan (currently under development) and work in partnership with the ITT Manager and the new Change Manager to embed better risk management practices with the CoM Project Management Framework.		31/06/2021	Not Commenced		Cross Council Data Analytics Lead / Chief Data Officer position not yet appointed, expected October 2020 onwards. Once this resource commences, this will be one of the issues to be addressed. This item has been included in the 3 year Strategic Risk Management Plan.	On Track	5%	Meeting occurred with key stakeholders to progress. This is being incorporated as part of the project management framework and software.

Collaborative Leasing

RECOMMENDATION		AGREED MANAGEMENT ACTION	ACTION START DATE	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
Internal Audit recommends the CoM should investigate system opportunities to implement a property management system to support management of the lease and licensing process.	1.1	The CoM will undertake an assessment around the requirements of a property management system to support the management of leases and licensing process and will incorporate the requirements into the organisational wide Digital Transformation Project.		31/12/2020	On Track		Nil	On Track	50%	A number of meetings have taken place with relevant staff to understand and document the business requirements for the Property Management System. Documentation is currently being finalised and will be incorporated as part of the broader Digital Transformation business requirements.
In the interim, Internal Audit recommends that the CoM should perform a review of the MPMT Excel spreadsheet to ensure key lease and licence obligations are up-to-date for all properties.	1.2	In the interim the CoM will perform a review of the MPMT excel spreadsheet to ensure key leases and licence obligations are up to date.		31/10/2020	On Track		Nil	On Track	50%	The Land & Property team have reviewed and updated the MPMT excel spreadsheet to ensure the information we currently hold is update to date. Next steps will be to identify information that we currently do not hold and to request this information from our lease holders.
Investigate system opportunities to implement a property management system to support the management of building inspections (see Joint Finding 1 for further information).	2.1	As noted in finding 1, the CoM will include as a requirement to include a system to support the management of building inspections.		31/12/2020	On Track		Nil	On Track	50%	The business requirements for the Property Management System includes the need to support the management of building inspections.
The Property team should ensure that work flowing and integration of inspection activities are considered as part of the functional specification of the digital transformation program.	2.2	As noted in finding 1, the CoM will include as a requirement to include a system to support the management of building inspections.		31/12/2020	Not Commenced		Nil	On Track	50%	The business requirements for the Property Management System have included the need for workflow and integration of inspection activities are considered as part of the functional specification of digital transformation program.
Perform a risk based assessment of the amount of building inspections required for each property based on an assigned risk rating to each property.	2.3	The CoM will establish a risk rating matrix to inform the regularity of the building inspections for the leased sites.		31/10/2020	Not Commenced		Nil	Not Commenced	0%	Unit Manager Land & Property commenced middle of September and will lead this action item.
In the interim, Internal Audit recommends that the CoM should perform an overarching review to ensure that required insurances are in place across all leases and licenses. A summary report of this review should be provided to relevant CoM staff.	3.1	The CoM to perform a review of the leasing and licensing portfolio to ensure that required insurances are in place and also implement process to provide regular updates in a form of a report to the Manager City Property.		31/10/2020	On Track		Nil	On Track	75%	The Land & Property team have carried out an audit of the insurance required to be taken out and have followed up with relevant tenants for the appropriate information. Currently working on an overall dashboard for a number of reporting requirements to CoM staff.

As part of the Digital Transformation Program, it is also recommended that the review over the monitoring of insurance as part of the broader contracts module is considered in relation to leases and licenses. This would include providing automated system functionality such as notifications for tenant insurance that will expire within two months.	3.2	As noted in finding 1, the CoM will include as a system requirement that is able to monitor the insurances and provide automated system functionality for notifications around tenants insurance that are due to expire within a certain period of time.		31/12/2020	On Track		Nil	On Track	50%	The business requirements for the Property Management System includes the need for an automated system functionality for notifications around tenants insurance.
Internal Audit recommends both Councils investigate introducing a standard method for assessing required levels of public liability insurance on a case by case basis for each lease or licence. This would allow leases or licences with a higher public liability risk to pay a higher premium, and leases and licences with a lower public liability risk to pay a lower premium.	J3.1				Not Commenced		Nil	Not Commenced	0%	Unit Manager Land & Property commenced middle of September and will lead this action item.
Investigate system opportunities to implement a property management system to support the monitoring and tracking of lease and licence agreement expiry (see Joint Finding 1 for further information).	4.1	As noted in finding 1, the CoM will include as a system requirement that is able to monitor and track lease and license agreement expiries. System reporting will also be investigated as part of the requirements for a new system.		31/12/2020	On Track		Nil	On Track	50%	The business requirements for the Property Management System includes the requirement to monitor and track agreement expiries.
Review current processes for executing and extending lease and licence agreements to identify opportunities to streamline the process such as whether the letter of offer is required. The CoM should also consider the implementation of exception reporting to Management of all leases and licences holding over with key expiry dates highlighted to monitor and track the timeliness of lease or licence negotiation.	4.2	The CoM to undertake a review of the current process for executing and extending lease and license agreements to identify opportunities to stream line the process, to include the review of the Letter of Offer.		31/10/2020	On Track		Nil	On Track	50%	The Land & Property team have workshopped and reviewed the current process and are looking to streamline with a strong focus around customer experience. Next steps will be to seek further support and advice from the Customer experience team.
Having alerts set to begin negotiating new lease agreements 6 to 12 months prior to expiry. This will allow adequate time to discuss new terms with tenants and review whether the agreement will be extended.	J4.1	As noted in finding 1, the CoM will include as a system requirement that is able to monitor and track lease and license agreement expiries. System reporting will also be investigated as part of the requirements for a new system.		31/12/2020	Not Commenced		Nil	On Track	50%	The business requirements for the Property Management System includes an alert setting option of leases prior to the expiry.
Upcoming lease or licence expiry reports to be provided to relevant Management staff, with ongoing monitoring and discussions held regarding the status of lease and licence renewals and the number of leases and licences holding over.	J4.2	As noted in finding 1, the CoM will include as a system requirement that is able to monitor and track lease and license agreement expiries. System reporting will also be investigated as part of the requirements for a new system.		31/12/2020	On Track		Nil	On Track	50%	The business requirements for the Property Management System includes the reporting function.
Have staff conduct an annual review of lease and licence documentation to ensure all documents are retained.	J5.1	The CoM will schedule in annual review of lease and license documentation to ensure that they are current and relevant.		31/12/2020	Not Commenced		Nil	Not Commenced		Unit Manager Land & Property commenced middle of September and will lead this action item.
Reinforce the documentation and record keeping requirements with all relevant staff.	J5.2	City Property team to collaborate with the records team to stream line and ensure that documentation and record keeping requirements are being adhered to.		31/12/2020	Not Commenced		Nil	Not Commenced		Unit Manager Land & Property commenced middle of September and will lead this action item.
Customer event reporting is provided to the Unit Manager Sport & Community Facility Development, Unit Manager Land & Property and the Manager City Property.	6.1	The CoM to ensure that appropriate customer event reporting is provided regularly to the appropriate Unit Manager and Manager and ensuring that the distribution list are reviewed and updated on annual basis or as needs basis.		31/10/2020	On Track		Nil	Completed	100%	The customer event reporting has been updated so that the reporting function is going to the appropriate unit manager/manager.

The distribution list for customer event reporting should be reviewed and updated on a regular basis.	6.2	The CoM to ensure that appropriate customer event reporting is provided regularly to the appropriate Unit Manager and Manager and ensuring that the distribution list are reviewed and updated on annual basis or as needs basis.		31/10/2020	On Track		Nil	On Track	50%	Currently working with the customer events team to ensure that the distribution list is up to date to reflect current roles.
Consider establishing response times to tenant maintenance requests, these should give reference to: • Customer expectations; and • Where it is not possible to meet customer expectations, understand why this is not possible and have clear communication in place to bridge the gap with customer expectations.	6.3	The CoM will consider establishing response times and establishing KPIs to monitor the performance of these requests.		31/10/2020	Not Commenced		Nil	Not Commenced	0%	Unit Manager Land & Property commenced middle of September and will lead this action item.
Internal Audit recommends for both Councils to establish departmental KPIs as appropriate that are relevant to the status of customer maintenance requests, and ensure these are monitored and regularly reported on.	J6.1	The CoM will consider establishing response times and establishing KPIs to monitor the performance of these requests.		31/10/2020	Not Commenced		Nil	Not Commenced	0%	Unit Manager Land & Property commenced middle of September and will lead this action item.
Investigate all leasing agreements in place which are currently being charged under a specified value. Where it is identified that the annual rental income has not been updated for a number of years, consider opportunities to re-align the rental fee to market conditions. Where appropriate, the 93% market subsidiary would be applied.	M1.1	The CoM to investigate the agreements in place to ensure that the rental fee aligns with Council's current policy and the subsidy of up to 93% is applied appropriately.		31/12/2020	On Track		Nil	On Track	60%	The Land & Property team have investigated the agreements in place. A number of agreements are leases entered into prior to the new lease and license policy endorsement. New leases entered into post policy are in accordance with the policy with the exception of a number of leases where the tenants have requested a longer tenure or reduced rentals. These are subject to Council's decision and community consultation.
Review the current process for monitoring and determining the level of rent subsidy to ensure that tenants are adequately meeting their obligations according to their relevant lease or licence agreement and Council policy.	M1.2	The CoM to undertake a review of the process for monitoring and determining levels of rent subsidy to ensure tenants are meeting their obligations.		31/12/2020	Not Commenced		Nil	Not Commenced	0%	Unit Manager Land & Property commenced middle of September and will lead this action item.
It is recommend that the CoM further review and consider the current policy of obtaining external valuations for club and community properties.	M1.3	The CoM to undertake a review of the current policy in determining the rental fee via external valuations and potential consideration for another fee structure for consideration.		31/12/2020	Not Commenced		Nil	Not Commenced	0%	Unit Manager Land & Property commenced middle of September and will lead this action item.
Investigate system opportunities to implement a property management system which includes workflows for the rent review process (see Joint Finding 1 for further information).	M2.1	The CoM will undertake an assessment around the requirements of a property management system to support the management of leases and licensing to include rent review process and will incorporate the requirements into the organisational wide Digital Transformation Project.		31/12/2020	Nil	Nil	Nil	On Track	50%	The business requirements for the Property Management System includes the requirement for workflows for the rent review process.
Update the rent review calculation sheet to provide further detail of the review calculation.	M2.2	The CoM to undertake the review of the rent review process.		31/12/2020	Nil	Nil	Nil	Not Commenced	0%	Unit Manager Land & Property commenced middle of September and will lead this action item.
Implement a delegation of authority for authorising rent reviews. This should include the relevant staff sign off within the updated SOES template.	M2.3	The CoM to implement revised process to incorporate appropriate checklist and appropriate delegations are in place to sign off on rent reviews.		31/12/2020	Nil	Nil	Nil	Not Commenced	0%	Unit Manager Land & Property commenced middle of September and will lead this action item.

It is recommended that the CoM provide further communication and awareness of the delegations for new leases and lease renewals to relevant staff, and specifically the delegation for these approvals to be performed by the TLL&P.	PIO1	Further communication to be provided to relevant staff members around delegations for new lease and lease renewals.		31/10/2020	Nil	Nil	Nil	Not Commenced	0%	Unit Manager Land & Property commenced middle of September and will lead this action item.
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------	---------------------------------------------------------------------------------------------------------------------	--	------------	-----	-----	-----	---------------	----	--------------------------------------------------------------------------------------------

Service Review Program and Recommendations - Progress Update

Originating Officer	Business Improvement Officer - Melissa Nottle-Justice
Corporate Manager	Manager Customer Experience - Karen Cocks
General Manager	General Manager Corporate Services - Sorana Dinmore
Report Reference	FAC201013R07

REPORT OBJECTIVE

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

- The overall status of the Service Review Program for FY2020/21
- The implementation of the Service Review Program recommendations as at 28 September 2020

Executive Summary

At the 9 June 2020 meeting of General Council, Council adopted the Service Review Program for FY2020/21 (GC200609). This program focuses on carrying out ten cross council service reviews to allow City of Marion to focus on the delivery of the Digital Transformation Project.

The Service Review Program is progressing, with the cross council review of ten services being undertaken.

The first stage of the cross council service review methodology involves conducting a desktop analysis. The review is subsequently based on the outcomes of the desktop analysis. Due to this approach and the program and resource being managed and applied across the three councils, the specific number of service reviews delivered may vary from the original proposed.

The tracked progress of all reviews is below:

Table 1: Service Review Program FY2020/21 – Progress Update as at 28/9/20

Service Review Title	No. of Services	Current Status	Comments
Cross Council Service Reviews			
Capital Construction and Maintenance	5	In progress	<ul style="list-style-type: none"> • Desktop analysis complete • Bus shelter draft report in progress, will be available week ending 9/10 • Roads, footpaths, kerb and gutter draft report in progress, will be available week ending 29/10
Open Space Planning and Construction (previously referred to as Open Space Recreation and Planning)	1	In progress	<ul style="list-style-type: none"> • Desktop analysis complete • Draft report in progress, will be available week ending 29/10
Fleet Maintenance	1	In progress	<ul style="list-style-type: none"> • Desktop analysis complete • Draft report in progress, will be available week ending 16/10
Public Litter	1	In progress	<ul style="list-style-type: none"> • Desktop analysis complete • Draft report in progress, will be available week ending 9/10
Fleet Management	1	In progress	<ul style="list-style-type: none"> • Desktop analysis complete • Draft report in progress, will be available week ending 16/10
Sport and Recreation	1	Not commenced	
Total	10		

Since the last report to the Finance and Audit Committee, (FAC200818) and as of 28 September 2020, the implementation of recommendations from service reviews has progressed and highlights since the last report include:

- As part of the Neighbourhood and Community Centre implementation, the trial of a centralised approach to programming and volunteer management has commenced.
- In relation to the Living Kurna Cultural Centre, a proposal for a private Kurna business model was discussed at an Elected Member forum in September 2020 and will be presented to General Council for a decision on the next steps.
- Within Utilities Optimisation, refunding of overpayments has commenced with an excess of \$100k refunded across the three councils to date
- As part of the Corporate ICT implementation, a draft workforce plan has been developed, identifying the scope of works to be undertaken.
- Within Asset Systems, service levels have been included within Asset Management Plan updates, scheduled for endorsement by General Council in October 2020.

More detail on the progress of the implementation of recommendations from the Service Review Programs are outlined in Appendix 1.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Notes the overall status of the Service Review Program for FY2020/21 (Table 1)**
- 2. Notes the implementation progress of the Service Review Program recommendations (Appendix 1)**

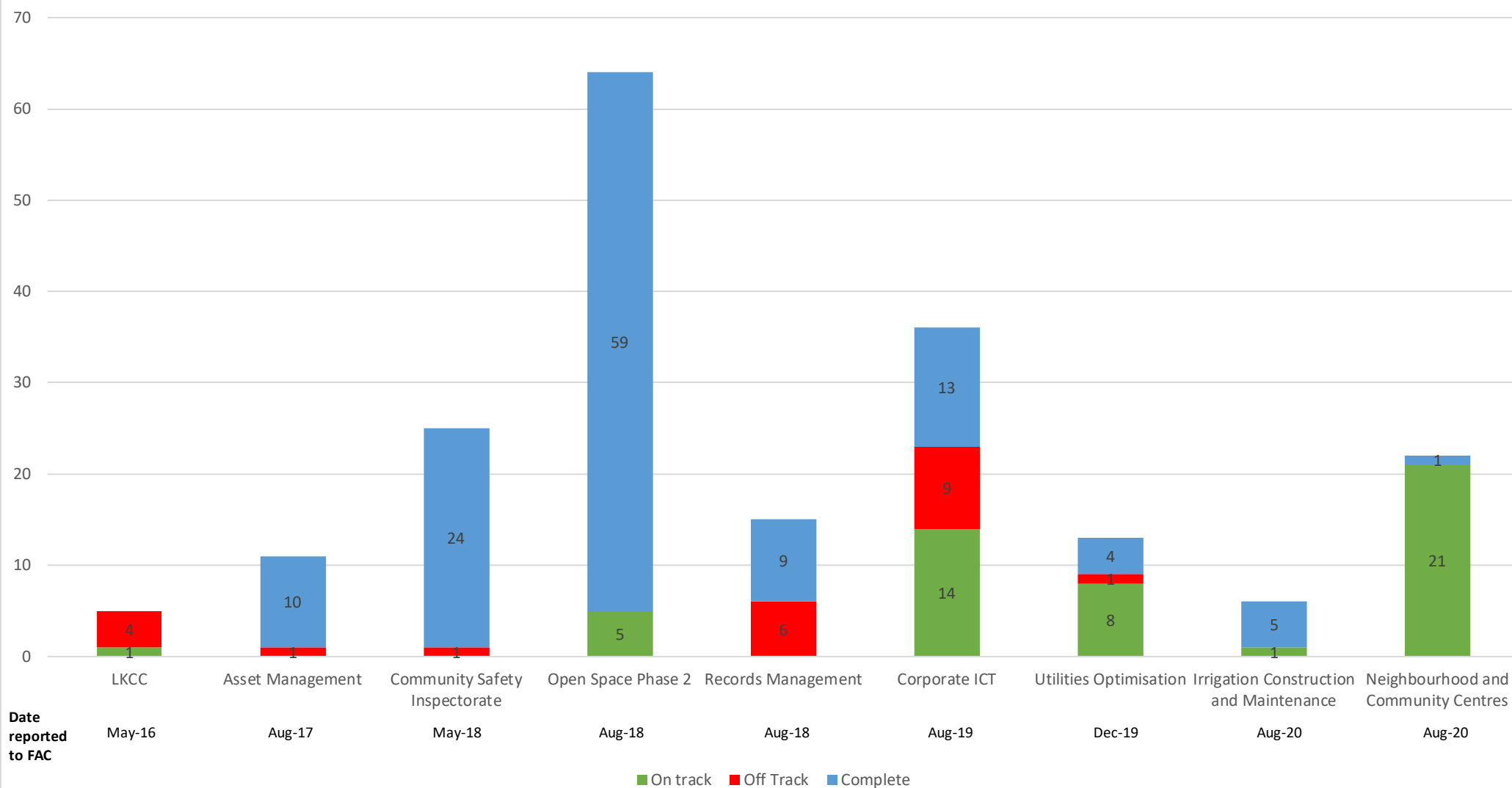
Attachment

#	Attachment	Type
1	FAC201013 - Service Review Program and Recommendations - Progress Update - Appendix 1	PDF File

All Open Service Review Recommendations - Progress Update (Appendix 1)

(Status as at 28/9/2020 based on tracking against original completion dates)

Implementation of all SR Recommendations
Status by Actions of Open SRs



Open Service Reviews - Recommendations - Progress Update

(Status as at 28/9/2020 based on tracking against original completion dates)

Page 44



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

Division	Department	Service Review	Date Reported to FAC	Original Full Implementation Date	# of Recommendations	# of Actions	# On Track Actions	# Off Track Actions	# Actions Complete	% of Actions Complete	Comments
City Development	City Activation	Living Kaurna Cultural Centre	May-16	Dec-17, Dec-21	5	5	1	4	-	0%	A proposal for a private Kaurna business was endorsed by Kaurna Yerta Aboriginal Corporation (KYAC) for presentation to Council. This proposal was discussed at the Elected Member forum on 15 September 2020. Further information was requested by Elected Members and will be presented to General Council (potentially October 2020) for a decision on the next steps.
	Development and Regulatory Services	Community Safety Inspectorate	May-18	Jul-19	7	25	-	1	24	96%	No change - Awaiting finalisation of the Customer Event System App by the ICT department. Once App is finalised and functional, the iPads will be distributed to staff.
				Division Total	12	30	1	5	24	80%	
City Services	Engineering, Assets and Environment	Asset Management	Aug-17	Jun-18	4	11	-	1	10	91%	Service Levels identified and documented as part of Asset Management Plan updates and are on track to be endorsed by General Council in October 2020.
	Operations	Open Space Phase 2	Aug-18	Jun-22	20	64	5	-	59	92%	Implementation continues and actions are tracking well with most of them completed. The remaining actions will be completed in the next couple of months. This includes the optimisation of watering rounds which is well under way and Sports field Inspections being undertaken internally.

Open Service Reviews - Recommendations - Progress Update

(Status as at 28/9/2020 based on tracking against original completion dates)

Page 45



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

Division	Department	Service Review	Date Reported to FAC	Original Full Implementation Date	# of Recommendations	# of Actions	# On Track Actions	# Off Track Actions	# Actions Complete	% of Actions Complete	Comments
City Services	Operations	Irrigation Construction and Maintenance (cross council)	Aug-20	Dec-20	6	6	1	-	5	83%	Cross Council Service Review undertaken during 2019 and reported to Finance and Audit Committee in August 2020. Five recommendations have been fully implemented. The remaining recommendation regarding re-tendering for parts (or seeking more competitive pricing) is 50% progress.
	Corporate Governance	Records Management	Aug-18	Dec-19	15	15	-	6	9	60%	Highlights of progress include: - Strategic Records Management Framework draft and Records Management Team 2-year business plan draft has been submitted for review. - The archiving project is ready to recommence within COVID-19 limitations. - Records Management components of Digital Literacy initiative have been developed. Only induction training components now need refining. - New RMT services and staff up-skilling progressing steadily including MS SharePoint & Teams administration, webform administration and network drive auditing and migration.

Open Service Reviews - Recommendations - Progress Update

(Status as at 28/9/2020 based on tracking against original completion dates)

Page 46



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

Division	Department	Service Review	Date Reported to FAC	Original Full Implementation Date	# of Recommendations	# of Actions	# On Track Actions	# Off Track Actions	# Actions Complete	% of Actions Complete	Comments
City Services	Community Connections	Neighbourhood and Community Centres	Aug-20	Jun-22	22	22	21	-	1	5%	The progress with the NHC Service Review is tracking along well. The important large piece of work to happen in Term 4 is the workforce planning exercise to inform new structure to enable the recommendations to be completed on time. Trailing centralised Program Officer and Volunteer Officer to help with seeing what works well and will assist consistent and informed programming across all four Centres, including increasing usage and volunteers at Trott Park. The data collection is also being trailed with some new systems being identified to support starting in 2021.
				Division Total	67	118	27	7	84	71%	
Corporate Services	ITT	Corporate ICT (cross council)	Aug-19	June-21	15	36	14	9	13	36%	Progress includes: - Communication plan developed and ICT managers implementing agreed actions. - Application managed support with vendor has been retired. - The ITT workforce plan was to be undertaken in partnership with the Cities of Charles Sturt and Port Adelaide Enfield, however due to COVID-19 a decision was made to develop the plan for City of Marion. The draft workforce plan has been developed in consultation with the Manager ITT. The plan identifies the scope of works to be completed and work has been undertaken to identify the skills gaps against the projects to be delivered. Continual review and refinement will be undertaken in line

Open Service Reviews - Recommendations - Progress Update

(Status as at 28/9/2020 based on tracking against original completion dates)

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

Division	Department	Service Review	Date Reported to FAC	Original Full Implementation Date	# of Recommendations	# of Actions	# On Track Actions	# Off Track Actions	# Actions Complete	% of Actions Complete	Comments
											with future business needs/project deliverables. The priority focus has been ITT delivery and support across the organisation to the COVID-19 response.
Corporate Services	Strategic Procurement	Utilities Optimisation (cross council)	Dec-19	Feb-23	10	13	8	1	4	31%	Refunding of overpayments has commenced and refunds have now been received across the three councils (to date in excess of \$100k refunded across the three councils). The audits will continue to complete all sites. An Expression of Interest for the Utilities Management System will be released in October 2020. Formal Governance meetings (across the three councils) are continuing, detailing the achievements to date and progress in all activities. Monthly updates are now communicated on achievements and the upcoming plans.
Division Total					25	49	22	10	17	35%	

***A Service Review is considered Off Track when an action has not been completed by the original completion date

Open Service Reviews - Recommendations - Progress Update

(Status as at 28/9/2020 based on tracking against original completion dates)

Page 48



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

Completed Service Reviews (Recommendations have been fully implemented) (March 2016 – Current)

Department	Service Review	Date Reported to FAC	Original Complete Date	Actual Complete Date
Community Connections	Libraries	28-Feb-2017	31-Mar-2017	10-Oct-2017
Human Resources	Recruitment	15-Dec-2016	31-Dec-2017	29-May-2018
City Property	Marion Outdoor Swim Centre	15-Dec-2016	31-Oct-2017	02-Oct-2018
Corporate Governance	Council Reporting and EM Support	15-Dec-2016	31-Aug-2017	02-Oct-2018
Engineering and Field Services	Management of Recycling Depot and Stores	30-May-2017	29-Dec-2017	02-Oct-2018
Finance and Contracts	Public Place Litter	12-Dec-2017	30-Jun-2018	02-Oct-2018
Engineering and Field Services	Drainage	30-May-2017	30-Jun-2018	11-Dec-2018
Engineering and Field Services	Roads	15-Aug-2017	29-Jun-2018	11-Dec-2018
Engineering and Field Services	Hard Waste and Dumped Rubbish	08-Mar-2016	01-Jul-2019	26-Feb-2019
City Property	Maintenance of Council Facilities	10-Oct-2017	30-Nov-2018	28-May-2019
Community Connections	Marion Celebrates	30-May-2017	30-Mar-2019	28-May-2019
Development and Regulatory Services	Parking Management and Regulation	30-May-2017	31-Dec-2018	28-May-2019
Engineering and Field Services	Open Space Phase 1	12-Dec-2017	30-Jun-2022	28-May-2019
Customer Experience	Customer Service	27-Feb-2018	31-Mar-2020	20-Aug-2019

Irrigation Construction Overview 2019/20

Originating Officer	General Manager City Services - Tony Lines
Corporate Manager	N/A
General Manager	General Manager City Services - Tony Lines
Report Reference	FAC201013R08

REPORT OBJECTIVE

The Finance and Audit Committee (FAC) was provided with an overview of the Irrigation Construction and Maintenance Service Review at its meeting on 18 August 2020 (FAC200818R05). At that time the final 2019/20 project results were not available. This report provides that information.

RECOMMENDATION

That the Finance and Audit Committee:

1. Notes this report.

DISCUSSION

The Irrigation Construction and Maintenance Service Review across the Cities of Marion, Charles Sturt and Port Adelaide Enfield estimated annual savings of \$170 - \$200 k across the three councils, that resulted in the formation of a joint irrigation construction team.

During 2019/20, the irrigation construction team worked across the three Councils with a budgeted spend (based on previous contracted rates) of \$1.2 million on 15 projects with more than 15,000 metres of pipe laid. The actual project spend for these projects was \$1.04 million.

Significant events impacting on the irrigation construction included:

- Replacement of a wrongly specified excavator
- Several staffing changes
- Some programming changes
- The Coronavirus pandemic.

Irrigation upgrades were delivered at six Marion sites, namely Bandon Terrace, Rosslyn Street, Warriparinga / LKCC, Oliver Terrace, Christopher Grove, and Crown Street reserves.

The cost for Marion based on previous contract rates was estimated to be \$370 k. The actual cost for Marion was \$220 k, representing a savings of \$150 k or 40%. Marion did realise more of the savings than the other two councils due to having more stable teams and 'lessons learned' when delivering Marion projects.

An over-recovery of \$70 k from 2019/20 will be retained by Charles Sturt to offset the cost of their time invested in the project set up and for some clean-up costs incurred in 2020/21 for 2019/20 projects.

REPORTS FOR DISCUSSION

Independence of Council's Auditor

Originating Officer	Unit Manager Statutory Finance and Payroll - Andrew Doyle
Corporate Manager	Manager Finance - Ray Barnwell
General Manager	General Manager Corporate Services - Sorana Dinmore
Report Reference	FAC201013R09

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 2019/20 financial year, Council has not engaged Deloitte Touche 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 2019/20 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 2019/20 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 2019/20 financial year.

Legal / Legislative / Policy:

Local Government Act 1999, Local Government (Financial Management) Regulations 2011.

Attachment

#	Attachment	Type
1	1. Certification of Auditors Independence - CoM	PDF File
2	2.Deloitte - Independence Declaration - 2019-20	PDF File

City of Marion

General Purpose Financial Statements
for the year ended 30 June 2020

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 2020, 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

Emma Hinchey
PRESIDING MEMBER
FINANCE AND AUDIT COMMITTEE

Date:

E. Independence Declaration

Key audit matters

Other Focus areas

Internal control

Misstatements
and deficiencies

Independence

Emma Hinchey
Chair, Finance and Audit Committee
Corporation of the City of Marion
245 Sturt Road
Sturt, South Australia

13 October 2020

Dear Emma

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 2020 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

Lee Girolamo
Partner

E. Independence Letter

Key audit matters

Other Focus areas

Internal controls

Misstatements
and deficiencies

Independence

Emma Hinchey
Chair, Finance and Audit Committee
Corporation of the City of Marion
245 Sturt Road
Sturt, South Australia

13 October 2020

Dear Emma

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 1999* or of any applicable code of professional conduct in relation to the audit for the financial year ended 30 June 2020.

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 7070.

Yours faithfully

Deloitte Touche Tohmatsu

Lee Girolamo
Partner

Annual Financial Statements for the year ended 30 June 2020

Originating Officer	Unit Manager Statutory Finance and Payroll - Andrew Doyle
Corporate Manager	Manager Finance - Ray Barnwell
General Manager	General Manager Corporate Services - Sorana Dinmore
Report Reference	FAC201013R10

REPORT OBJECTIVE

This report presents the City of Marion's Annual Financial Statements for the financial year ended 30 June 2020. Reports provided include:

1. Representation letters (Attachment 1) - audit of annual financial report for period 1 July 2019 to 30 June 2020. 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 Sorana Dinmore, General Manager Corporate Services once the statements have been adopted by Council.
2. Comparative analysis to prior year Audited Financial Statements and original adopted 2019/20 budget (Analytical Review) – Attachment 2
3. Annual Financial Statements for year ended 30 June 2020 – 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 2019/20 Annual Financial Statements by Council at its meeting on 27 October 2020.

EXECUTIVE SUMMARY

The 2019/20 Annual Financial Statements demonstrate Council's continued 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 \$6.396m, which was \$0.885m less than the operating surplus forecast in the original adopted 2019/20 budget. The key factors contributing to this less than expected operating surplus are detailed in Attachment 2 (Analytical Review - against Adopted Budget 2019/20).

The Annual Financial Statements for the year ended 30 June 2020 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 1999* 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 one of their prior 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 these recommendations. Council's Auditors have indicated that they expect to issue an unmodified audit opinion with regards to council's Internal 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 2019/20 audited Annual Financial Statements the 1st Budget Review 2020/21 process will be conducted, which includes:

- Adoption of the 2019/20 Carryovers & Unexpended Grants (noting that the funding relating to projects which have been re-timed will be brought into the budget when required) as part of the First Budget Review;
- Reconciling and identifying the 2019/20 funding savings achieved against Council's adopted 2019/20 budget.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Recommends to Council that the audited Annual Financial Statements for the year ended 30 June 2020, 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 Annual Financial Statements and original adopted 2019/20 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 1 July 2019 to 30 June 2020 and reveals an operating surplus (before capital revenues and contributed assets) of \$6.396m for 2019/20 compared to an operating surplus of \$12.134m for 2018/19. The operating surplus of \$6.396m was \$885k lower than the adopted 2019/20 budgeted operating surplus of \$7.281m.

Operating Income – prior year comparison

Total Operating income for 2019/20 was \$93.815m compared to \$95.637m in 2018/19. The decrease of \$1.822m (1.9%) results primarily from a reduction in grants revenue (\$3.754m). This reduction in grant revenue primarily reflects a reduction of \$2.4m for grants received in 2018/19 for the redevelopment of Edwardstown Soldiers Memorial Recreational Sports Ground and advance payment of \$0.963m for the Supplementary Road Grant for 2019/20 and 2020/21 paid in 2018/19. These reductions are offset by an increase in rates revenue of \$2.3m (from an adopted rate increase of 1.8% + growth).

A number of other smaller variances are outlined and further detailed in Attachment 2 ("Analytical Review – against Prior Year Actual").

Operating Expenses – prior year comparison

Total Operating expenses for 2019/20 were \$87.419m compared to adopted budget forecast of \$87.453m and \$83.503m in 2018/19. The total increase of \$3.916m on prior year actual costs is a result of increases to:

- Materials, Contracts & Other Expenses of \$1.81m (5.4%) which includes an increase to non-capitalised contractor payments of (\$2.606m), consumables (\$0.502m), Professional services (\$0.464m) and offset by reductions to Sundry Expenses (\$1.195m), Energy Expenses (\$0.275m) and Operating Lease Costs (\$0.213m)
- Employee costs of \$1.63m stemming from Enterprise Agreements annual increases (2.3% Salary and 2.5% Wages - \$732k), Grant funded positions (\$266k), Employee leave provision movements (\$536k) and approved cross council project positions (\$146k)
- Further analysis is detailed in Attachment 2 - ("Analytical Review – against Prior Year Actual").

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 \$4.46m) predominantly relating to the first time adoption of 'AASB 1058 - Income of Not for Profit Entities'. This resulted in \$3.336m of Capital Grant funding being recognised as a liability on the Statement of Financial Position rather than reported as income in 2019/20. Physical resources received free of charge has decreased by \$3.037m due to the Tonsley redevelopment nearing conclusion.

Variances against the 2018/19 Statement of Comprehensive Income are further detailed in Attachment 2 ("Analytical Review – against Prior Year Actual").

KEY OPERATING RATIOS

OPERATING SURPLUS RATIO	2020	2019	2018
Operating Surplus (before capital revenues)	6.83%	13%	12%

This ratio expresses the operating surplus as a percentage of total operating revenue. The target set in Council's Long Term Financial Plan is to "maintain a financial position at an average of between 0 and 10% over any five financial years".

Comment:

The Operating Surplus Ratio forecast in the adopted budget for 2018/19 was 7.8% and this has been impacted by the adoption of AASB 1058 'Income of Not-for-Profit Entities' giving a reduction in recognised Grant Revenue (\$512k) and increase in amortisation expense following the Adoption of 'AASB 16 - Leases' (\$162k).

RATE REVENUE RATIO	2020	2019	2018
<u>Rate Revenue</u> Operating Revenue	85%	81%	81%

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:

This year's increase is a result of a reduction in recognised grant income due in part to adopting AASB 1058 'Income of Not-for-Profit Entities' for the first time in 2019/20 and \$2.4m Commonwealth Grant funding received in 2018/19 for the redevelopment of the Edwardstown Soldiers Memorial Recreational Ground. Overall Grant Income recognised in 2019/20 being down \$3.754 from prior year contributed to the 4% movement in this indicator.

STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position provides details of Council's assets, liabilities and equity as at 30 June 2020.

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

Council's IPP&E decreased by \$2.18m (0.2%) compared to 2018/19. Council constructed \$23.68m of new and renewed assets in 2019/20 offset by depreciation of \$15.68m and an Infrastructure revaluation decrement of \$9.13m and disposals and other minor adjustments of \$1.05m.

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.

	2020 \$000s	2019 \$000s	Increase/(Decrease) \$000s
Buildings	115,014	111,509	5,441
Infrastructure	658,480	664,171	(5,691)

Other variances when comparing 2019/20 against the 2018/19 Statement of Financial Position are further detailed in Attachment 2 ("Analytical Review – against Prior Year Actual").

KEY FINANCIAL POSITION RATIOS

WORKING CAPITAL RATIO	2020	2019	2018
<u>Current Assets - (Less Restricted Assets)</u> Current Liabilities - (Liabilities associated with Restricted Assets)	2.2	2.9	2.5

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 strong position to undertake day to day operations, along with having sufficient cash to cover the balances in its Asset Sustainability Reserve and Open Space Reserve. The utilisation of Council's significant cash reserves quarantined for future major projects and long term asset management objectives will impact on this ratio in future periods.

ASSET RENEWAL FUNDING RATIO	2020	2019	2018
<u>Net Asset Renewals</u> Depreciation Expense	58%	114%	75%

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 Renewal Funding Ratio of 96% over the next three years, and 91% over the 10-year term of the LTFP. The lower than average ratio of 58% achieved in 2019/20 follows the completion of the renewal of the Edwardstown Soldiers Memorial Recreation Centre and is prior to the commencement of the Mitchell Park Sports and Community Club renewal in 2020/21 - 2021/22.

ASSET CONSUMPTION RATIO	2020	2019	2018
<u>Carrying value of depreciable assets</u> Gross value of depreciable assets	80%	77%	77%

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 2020 were \$5.635m a net decrease of \$1.170m over the level of borrowings in June 2019.

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	2020	2019	2018
<u>Net Financial Liabilities</u> Total Operating Revenue	(32%)	(37%)	(33%)

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 reflects Council's Financial Assets currently exceed 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 re-timed to 2020/21 and beyond. 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	2020	2019	2018
<u>Net Interest Expense</u> Total Operating Revenue	(0.5%)	(0.8%)	(0.6%)

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 5 years reflecting interest revenues being greater than interest expenses.

DEBT SERVICING RATIO	2020	2019	2018
Principal + Interest Total Operating Revenue	1.3%	1.6%	1.9%

This ratio identifies Council's ability to service its debt obligations from operating revenues, with target range set at 0 to 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 1.3% result is well below the upper end of the target range of between 0 and 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 \$1,191.3m as reflected in the Statement of Financial Position.

CASH FLOW STATEMENT

The Cash Flow Statement details the cash movements for the year ended 30 June 2020 and reconciles with Note 11 of the Annual Financial Statements.

The Statement indicates an increase in Cash, Cash Equivalents and Investments of \$7.647m compared to 30 June 2019. As previously mentioned a sizable portion of the cash position is committed to unexpended grants, carryovers and re-timed capital works. Council also retains significant cash reserves quarantined for future major projects and 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:

\$20.882m

This is made up of grant funded carryover projects and capital works carried over to 2020/21 or re-timed to future years as required.

Open Space Reserve:

\$2.055m

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

Asset Sustainability Reserve – General & Major Projects

\$11.279m

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. Funding in this reserve will contribute to upcoming major projects such as the Southern Soccer Facility, Sam Willoughby International BMX track, Council's contribution to Destination Playspace, Tarnham Road Reserve redevelopment and the Coastal Walkway.

Asset Sustainability Reserve – Community Facility Partnership Fund (CFPP) \$3.517m

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 – Water Reserve \$0.613m

This reserve has been established to quarantine revenue received and savings identified from the sale and use of treated stormwater from the Oaklands Wetland to further develop third party supply opportunities.

EQUITY ACCOUNTED INVESTMENT

Council has part ownership in 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

The City of Marion had a 16.67% share in Council Solutions. Council Solutions was wound up in February 2020 and a final distribution of \$124k was received in the 2019/20 year.

Attachment

#	Attachment	Type
1	Attachment 1 - Draft Management Representation Letters	PDF File
2	Attachment 2 -Analytical review	PDF File
3	Attachment 3 - City of Marion - Annual_Financial_Statements 2019-20	PDF File
4	Attachment 4 - SRWRA Annual Report	PDF File
5	Attachment 5 - Council Solutions Financial Statements 2019-2020	PDF File
6	Attachment 6 -Deloitte Report and Management Letter - 30 June 2020	PDF File

(client letterhead)**27 October 2020**

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 2020, 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 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 14 May 2020, for the preparation of the financial report in accordance with the Local Government Act 1999 including compliance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Local Government (Financial Management) Regulations 2001; 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. We have disclosed to you knowledge of any 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. In consideration of the impact of COVID-19 we have performed a going concern assessment as at the date of signing the financial report as required by AASB 110 "Events After the Reporting Period". We have determined that as at this date the Corporation of the City of Marion continues to be a going concern and, therefore, it continues to be appropriate to prepare the financial report of the Corporation of the City of Marion on the going concern basis in accordance with AASB 101 "Presentation of Financial Statements". We are not aware, as at the date of this letter, of a material uncertainty arising from COVID19 that casts significant doubt on the ability of the Corporation of the City of Marion to continue as a going concern.
10. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
11. 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.

12. 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 Australian Accounting Interpretations) and the Local Government (Financial Management) Regulations 2011.
13. 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 Australian Accounting Interpretations) and the Local Government (Financial Management) Regulations 2011.
14. There are no uncorrected misstatements to the financial report as a whole.
15. All events occurring subsequent to the date of the financial report and for which the Local Government Act 1999 including compliance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Local Government (Financial Management) Regulations 2011 require adjustment or disclosure have been adjusted or disclosed within the financial report.
16. In respect of other information:
 - we have informed you of all the documents that we expect to issue that may comprise other information; and
 - 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
17. The selection and application of accounting policies as described in Note [1] in the financial report are appropriate.
18. We have no plans or intentions that may affect the carrying value or classification of assets and liabilities.
19. Liabilities, both actual and contingent, have been properly recorded and, when appropriate, adequately disclosed in the financial report.
20. 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.
21. We have properly recorded and, when appropriate, adequately disclosed in the financial report the affects of any laws, regulations and contractual agreements on the financial report, including non-compliance.
22. We have communicated to you all deficiencies in internal control of which we are aware.
23. 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.
24. 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".
25. 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.
26. 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.

27. 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 9 "Financial Instruments".

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

Sorana Dinmore
General Manager Corporate Services

Date

Appendix A to the Management Representation Letter

City of Marion 30 June 2020

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)

27 October 2020

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

Dear Lee Girolamo,

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 2019 to 30 June 2020.

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 14 May 2020 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 2019 to 30 June 2020.
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

Date

Sorana Dinmore
General Manager Corporate Services

Date

DRAFT

Appendix A to the Management Representation Letter - Internal Controls

30 June 2020

Control	Observation	Recommendation	Management Response
<u>FY2020 Findings</u>			
REV-GRA-0001	It is noted that there is no clear policy on grant funding detailing the assessment process, recognition, treatment, claim collection, community expectations and funding period and, disclosure of any conflicts of interest.	Deloitte recommends that Council implement a formal policy with respect to grant funding, detailing the assessment process, recognition, treatment, claim collection, community expectations, funding period and disclosure of any conflicts of interest.	Management have an action plan to implement a formal policy by December 2020.
ASS-FIX-0031	<p>To mitigate the control deficiency, management have implemented a process to report monthly to the Council with regard to the tracking of grants received by Council and grant applications submitted.</p> <p>It was noted that no formal reconciliation is currently performed on the asset listings that are provided to the valuers at year end. As the listings are not integrated and reconciled to the general ledger, the completeness of these listings cannot be ensured.</p>	Deloitte recommends that the asset listings are integrated with the general ledger system and reconciliation be supported with documented evidence of review.	Management is aware of this issue and are in the process of assessing options for the replacement of its Asset Management System. This will extend to include that all control requirements can be met including links back to the general ledger.
<u>FY2019 Finding</u>			
GEI-ITE-0009	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.	<p>Management has decided that the removal of a control is not appropriate. As the system remains to not be able to generate a report that shows changes to the Masterfile, this will continue to be a finding.</p> <p>Management is finalising its requirements to go to market for a finance system as part of its Financial Transformation project. This requirement will be considered as part of that process.</p>

ANALYTICAL REVIEW - against Adopted Budget

Statement of Comprehensive Income	2019/20	Original Budget	Variance	Variance	Favourable/ (Unfavourable)	Analysis
	\$000's	\$000's	\$000's	%		
Income						
Rates Revenues	79,471	79,265	206	0.3%	F	Lower than forecast Rate Rebates and Valuation Objections (\$177k)
Statutory Charges	2,114	2,203	(89)	(4.0%)	U	Decrease in parking fines revenue (\$147k)
User Charges	2,233	2,210	23	1.0%	F	-
Grants, Subsidies & Contributions	7,163	7,180	(17)	(0.2%)	U	-
Investment Income	946	708	238	33.6%	F	Actual interest reflects on higher than forecast cash holdings throughout the year
Reimbursements	1,146	530	616	116.2%	F	SA Power Networks reimbursement (\$541k) and a number of minor increases
Other Income	559	1,361	(802)	(58.9%)	U	Contribution towards Sam Willoughby International BMX Facility (\$750k) from City of Onkaparinga deferred to 2020/21 and a number of minor increases
Net Gain - Equity Accounted Businesses	183	1,278	(1,095)	(85.7%)	U	Movement in equity accounted investments - refer Note 19 and SRWRA Annual Financial Statements
Total Income	93,815	94,734	(919)	(1.0%)		
Expenses						
Employee Costs	36,487	35,905	582	1.6%	U	Primarily relates to increases in leave accruals in addition to fully funded grant positions and cross council positions
Materials, Contracts & Other Expenses	34,967	36,096	(1,129)	(3.1%)	F	Deferral of Sam Willoughby International BMX track to 2020/21 (\$998k) and reduction in operating lease expenses due to implementation of AASB 16 Leases (201k)
Depreciation, Amortisation & Impairment	15,542	15,056	486	3.2%	U	Increase in depreciation expense following implementation of AASB 16 Leases (\$161k) and a number of new assets being depreciated or the first time (\$307k)
Finance Costs	423	397	26	6.5%	U	
Total Expenses	87,419	87,453	(34)	(0.0%)		
Operating Surplus/(Deficit)	6,396	7,281	(885)	(12.2%)	F	
Asset Disposal & Fair Value Adjustments	(1,099)	0	(1,099)	0.0%	U	Land, Buildings and Plant/Vehicle disposals during 2019/20 including disposal of remaining assets at Morphettsville Park Sport Club
Amounts Received Specifically for New or Upgraded Assets	175	5,000	(4,825)	(96.5%)	U	First time adoption of AASB 1058 in 2019/20, Grant funds received in 2019/20 and not fully controlled are now recognised as a Liability on the balance sheet. These funds totalled \$3.336m in 2019/20.
Physical Resources Received Free of Charge	2,283	0	2,283	0.0%	F	Contributed assets relating to the Tonsley redevelopment
Net Surplus/(Deficit)	7,755	12,281	(4,526)	(36.9%)	F	
Other Comprehensive Income						
Changes in Revaluation Surplus - IPP&E	(9,131)	0	(9,131)	0.0%	U	Movement in Infrastructure desktop valuation carried out by independent valuer in 2020
Share of Other Comprehensive Income - Equity Accounted Council Business	367	0	367	0.0%	F	Share of SRWRA Asset Revaluation in 2019/20
Total Other Comprehensive Income	(8,764)	0	(8,764)	0.0%		
Total Comprehensive Income	(1,009)	12,281	(13,290)	(108.2%)	F	

ANALYTICAL REVIEW - against Prior Year Actual**Statement of Comprehensive Income**

	2019/20	2018/19	Variance	Variance	Favourable/ (Unfavourable)	Analysis
	\$000's	\$000's	\$000's	%		
Income						
Rates Revenues	79,471	77,175	2,296	3.0%	F	2019/20 Adopted Rate increase of 1.8% plus growth
Statutory Charges	2,114	2,277	(163)	(7.2%)	U	Primarily from a decrease in parking fines revenue
User Charges	2,233	2,468	(235)	(9.5%)	U	Decrease in Facility Hire (\$61k), Admission Fees (\$82k) and User Fees at the Marion Cultural Centre and Neighbourhood Centres (\$102k)
Grants, Subsidies & Contributions	7,163	10,917	(3,754)	(34.4%)	U	Council received Commonwealth funding for the Edwardstown Soldiers Memorial Recreation Ground redevelopment in 2018/19 totalling \$2.4m. Council also recognised a Supplementary Road Grant of \$0.963m in 2018/19, to be utilised in 2019/20 and 2020/21.
Investment Income	946	1,214	(268)	(22.1%)	U	Reducing short term interest rates on higher than expected cash holdings during 2019/20 resulted in lower than expected investment income in line with budget
Reimbursements	1,146	641	505	78.8%	F	Refund from SAPN for streetlighting electricity charges of \$542k in 2019/20
Other Income	559	732	(173)	(23.6%)	U	Reduction in Contributions (\$330k) and sundry income (\$87k) offset by an increase to cross council Labour Recovery (\$207k) and Insurance Recovery (\$40k) on prior year
Net Gain - Equity Accounted Businesses	183	213	(30)	(14.1%)	U	Movement in equity accounted investments - refer Note 19 and SRWRA & Council Solutions Annual Financial Statements
Total Income	93,815	95,637	(1,822)	(1.9%)		
Expenses						
Employee Costs	36,487	34,861	1,626	4.7%	U	Includes annual increases from Enterprise Agreements (\$732k) of 2.3% Salary and 2.5% Wages, an increase to Employee Leave Provisions (\$536k) and fully Grant Funded positions (\$266k) and Cross Council position (\$116k) offset by labour recovery noted above
Materials, Contracts & Other Expenses	34,967	33,157	1,810	5.5%	U	Increase in costs for Contractors (\$1.386m), Waste Charges and Solid Waste Levy (\$986k), Cleaning (\$119k), Consultants (\$216k) and a decrease in Contributions Expenses (\$1.23m) due to Oaklands contributions in 2018/19.
Depreciation, Amortisation & Impairment	15,542	15,018	524	3.5%	F	Increase in depreciation expense due to new Buildings (\$121k), Right of use Leased Assets (\$161k) and Other Infrastructure (\$85k) and ongoing Asset Renewal program (\$157k)
Finance Costs	423	467	(44)	(9.4%)	F	No new borrowings were taken out resulting in a decrease in interest expense
Total Expenses	87,419	83,503	3,916	4.7%		
Operating Surplus/(Deficit)	6,396	12,134	(5,738)	(47.3%)		
Asset Disposal & Fair Value Adjustments	(1,099)	(2,149)	1,050	(48.9%)	U	Asset disposal differences including disposal of remaining assets at Morphettsville Park Sports Club.
Amounts Received Specifically for New or Upgraded Assets	175	4,639	(4,464)	(96.2%)	U	First time adoption of AASB 1058 in 2019/20, Grant funds received in 2019/20 and not fully controlled are now recognised as a Liability on the balance sheet. These funds totalled \$3.336m in 2019/20.
Physical Resources Received Free of Charge	2,283	5,320	(3,037)	(57.1%)	U	-
Net Surplus/(Deficit)	7,755	19,944	(12,189)	(61.1%)		
Other Comprehensive Income						
Changes in Revaluation Surplus - IPP&E	(9,131)	2,055	(11,186)	(544.3%)	U	Reflects change in the valuation of assets following desktop revaluation of infrastructure assets undertaken by independent professional valuers in 2019/20
Share of Other Comprehensive Income - Equity Accounted Council Business	367	0	367	0.0%	F	Share of SRWRA Asset Revaluation in 2019/20
Total Other Comprehensive Income	(8,764)	2,055	(10,819)	(526.5%)		
Total Comprehensive Income	(1,009)	21,999	(23,008)	(104.6%)		

ANALYTICAL REVIEW - against Prior Year Actual**Statement of Financial Position**

	2019/20	2018/19	Variance	Variance	Analysis
	\$000's	\$000's	\$000's	%	
ASSETS					
Current Assets					
Cash & Cash Equivalents	17,831	11,784	6,047	51.3%	Additional funds received and invested in term deposits with over 90 day terms at 30 June included below in Other Financial Assets
Trade & Other Receivables	6,000	8,312	(2,312)	(27.8%)	Comprised mainly of Rates Debtors of \$2.26m, down \$318k from 2018/19 and General Debtors of \$2.38m also down \$1.75m
Other Financial Assets	36,400	34,800	1,600	4.6%	Relates to an increase of funds invested in term deposits with over 90 day terms at 30 June.
Inventories	331	243	88	36.2%	
Total Current Assets	60,562	55,139	5,423	9.8%	
Non-Current Assets					
Equity Accounted Investments in Council Businesses	6,454	6,028	426	7.1%	Movement in equity accounted investments - refer Note 19 and SRWRA and Council Solutions Annual Financial Statements (Council Solutions ceased in 02/2020)
Infrastructure, Property, Plant & Equipment	1,149,808	1,151,845	(2,037)	(0.2%)	Movements in valuation of assets, net of asset acquisitions, disposals and depreciation
Other Non-Current Assets	4,489	4,290	199	4.6%	Increase in Work In Progress balance relates primarily to Capital Renewal program
Total Non-Current Assets	1,160,751	1,162,163	(1,412)	(0.1%)	
TOTAL ASSETS	1,221,313	1,217,302	4,011	0.3%	
LIABILITIES					
Current Liabilities					
Trade & Other Payables	17,231	6,248	10,983	175.8%	Increase relates to AASB 1058 - Grants in Advance liability of \$9,394m recognised for the first time in 2019/20
Borrowings	1,245	1,170	75	6.4%	Current borrowings (current loan principle component) increasing as existing loans are being paid down. No new loans established in 2019/20
Provisions	6,305	5,765	540	9.4%	Increase in Employee Provisions (\$0.538m)
Lease Liabilities	153	0	153	-	First time recognition of AASB 16 'Right of Use' Lease Current Liability
Total Current Liabilities	24,934	13,183	11,751	89.1%	
Non-Current Liabilities					
Borrowings	4,390	5,635	(1,245)	(22.1%)	Reduction in total borrowings in line with scheduled repayments of existing loans - no new borrowings taken out during 2019/20
Provisions	610	614	(4)	(0.7%)	
	64	0	64	-	First time recognition of AASB 16 'Right of Use' Lease Non Current Liability
Total Non-Current Liabilities	5,064	6,249	(1,185)	(19.0%)	
TOTAL LIABILITIES	29,998	19,432	10,566	54.4%	
Net Assets	1,191,315	1,197,870	(6,555)	(0.5%)	
EQUITY					
Accumulated Surplus	396,604	397,167	(563)	(0.1%)	Refer Statement of Comprehensive Income & Statement of Change in Equity (movement in comprehensive income net of reserve transfers)
Asset Revaluation Reserves	753,528	762,292	(8,764)	(1.1%)	Reflects change in the valuation of assets following desktop revaluation of infrastructure assets undertaken by independent professional valuers in 2019/20
Other Reserves	41,183	38,411	2,772	7.2%	Increase in amounts held in Councils Accounting Reserves
Total Council Equity	1,191,315	1,197,870	(6,555)	(0.5%)	

City of Marion

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020



City of Marion**General Purpose Financial Statements**
for the year ended 30 June 2020

Contents	Page
1. Council Certificate	3
2. Principal Financial Statements:	
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
3. Notes to and forming part of the Principal Financial Statements	8

City of Marion

General Purpose Financial Statements

for the year ended 30 June 2020

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 2020 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

Date:

Kris Hanna
Mayor

Date:

City of Marion

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Income			
Rates Revenues	2a	79,471	77,175
Statutory Charges	2b	2,114	2,277
User Charges	2c	2,233	2,468
Grants, Subsidies and Contributions	2g	7,163	10,917
Investment Income	2d	946	1,214
Reimbursements	2e	1,146	641
Other income	2f	559	732
Net Gain - Equity Accounted Council Businesses	19	183	213
Total Income		93,815	95,637
Expenses			
Employee costs	3a	36,487	34,861
Materials, Contracts and Other Expenses	3b	34,967	33,157
Depreciation, Amortisation and Impairment	3c	15,542	15,018
Finance Costs	3d	423	467
Total Expenses		87,419	83,503
Operating Surplus / (Deficit)		6,396	12,134
Physical Resources Received Free of Charge	2i	2,283	5,320
Asset Disposal & Fair Value Adjustments	4	(1,099)	(2,149)
Amounts Received Specifically for New or Upgraded Assets	2g	175	4,639
Net Surplus / (Deficit) ¹		7,755	19,944
Other Comprehensive Income			
Amounts which will not be reclassified subsequently to operating result			
Changes in Revaluation Surplus - I,PP&E	9a	(9,131)	2,055
Changes in Revaluation Surplus - Equity Accounted Council Businesses	19	367	—
Total Other Comprehensive Income		(8,764)	2,055
Total Comprehensive Income		(1,009)	21,999

(1) Transferred to Statement of Changes in Equity

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

City of Marion

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash & Cash Equivalent Assets	5a	17,831	11,784
Trade & Other Receivables	5b	6,000	8,312
Other Financial Assets	5c	36,400	34,800
Inventories	5d	331	243
Total current assets		60,562	55,139
Non-current assets			
Equity Accounted Investments in Council Businesses	6a	6,454	6,028
Other Non-Current Assets	6b	4,489	4,146
Infrastructure, Property, Plant & Equipment	7a	1,149,808	1,151,989
Total non-current assets		1,160,751	1,162,163
TOTAL ASSETS		1,221,313	1,217,302
LIABILITIES			
Current Liabilities			
Trade & Other Payables	8a	17,231	6,248
Borrowings	8b	1,245	1,170
Provisions	8c	6,305	5,765
Lease Liabilities	8d	153	—
Total Current Liabilities		24,934	13,183
Non-Current Liabilities			
Borrowings	8b	4,390	5,635
Provisions	8c	610	614
Lease Liabilities	8d	64	—
Total Non-Current Liabilities		5,064	6,249
TOTAL LIABILITIES		29,998	19,432
Net Assets		1,191,315	1,197,870
EQUITY			
Accumulated surplus		396,604	397,167
Asset revaluation reserves	9a	753,528	762,292
Other reserves	9b	41,183	38,411
Total Equity		1,191,315	1,197,870

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

City of Marion

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	Accumulated surplus	Asset revaluation reserve	Other reserves	Total equity
2020					
Balance at the end of previous reporting period		397,167	762,292	38,411	1,197,870
Adjustments (due to compliance with revised Accounting Standards) - not retrospective	24b	(5,546)	—	—	(5,546)
Net Surplus / (Deficit) for Year		7,755	—	—	7,755
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	—	(9,131)	—	(9,131)
- Share of Gain (Loss) on Revaluation - Equity Accounted Council Businesses	19	—	367	—	367
Other comprehensive income		—	(8,764)	—	(8,764)
Total comprehensive income		7,755	(8,764)	—	(1,009)
Transfers between Reserves		(2,772)	—	2,772	—
Balance at the end of period		396,604	753,528	41,183	1,191,315
2019					
Balance at the end of previous reporting period		380,504	760,237	35,130	1,175,871
Net Surplus / (Deficit) for Year		19,944	—	—	19,944
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	—	2,055	—	2,055
- Share of Gain (Loss) on Revaluation - Equity Accounted Council Businesses	19	—	—	—	—
Other comprehensive income		—	2,055	—	2,055
Total comprehensive income		19,944	2,055	—	21,999
Transfers between Reserves		(3,281)	—	3,281	—
Balance at the end of period		397,167	762,292	38,411	1,197,870

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

City of Marion

Statement of Cash Flows

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Cash flows from operating activities			
<u>Receipts</u>			
Rates Receipts		79,813	76,887
Statutory Charges		2,123	2,305
User Charges		2,355	2,715
Grants, Subsidies and Contributions (operating purpose)		8,192	11,375
Investment Receipts		946	1,214
Reimbursements		1,244	701
Other Receipts		7,057	3,818
<u>Payments</u>			
Payments to Employees		(35,961)	(34,991)
Payments for Materials, Contracts & Other Expenses		(38,513)	(39,842)
Finance Payments		(423)	(467)
Net cash provided (or used in) operating activities		26,833	23,715
Cash flows from investing activities			
Amounts Received Specifically for New/Upgraded Assets		3,514	4,639
Sale of Replaced Assets		300	2,233
Sale of Surplus Assets		26	132
Distributions Received from Equity Accounted Council Businesses		124	–
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(9,246)	(19,412)
Expenditure on New/Upgraded Assets		(12,372)	(12,582)
Net Purchase of Investment Securities		(1,600)	(7,350)
Net cash provided (or used in) investing activities		(19,254)	(32,340)
Cash flows from financing activities			
<u>Payments</u>			
Repayments of Borrowings		(1,170)	(1,100)
Repayment of Finance Lease Liabilities		(362)	–
Net Cash provided by (or used in) Financing Activities		(1,532)	(1,100)
Net Increase (Decrease) in Cash Held		6,047	(9,725)
plus: Cash & Cash Equivalents at beginning of period		11,784	21,509
Cash and cash equivalents held at end of period	11a	17,831	11,784
Additional Information:			
plus: Investments on hand – end of year	6b	36,400	34,800
Total Cash, Cash Equivalents & Investments		54,231	46,584

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

City of Marion

Notes to and forming part of the Principal Financial Statements for the year ended 30 June 2020

Contents of the Notes accompanying the General Purpose Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	9
2	Income	16
3	Expenses	19
4	Asset Disposal & Fair Value Adjustments	20
5	Current Assets	21
6	Non-Current Assets	22
7	Infrastructure, Property, Plant & Equipment	23
8	Liabilities	26
9	Reserves	27
10	Assets Subject to Restrictions	29
11	Reconciliation to Statement of Cash Flows	30
12a	Functions	31
12b	Components of Functions	32
13	Financial Instruments	34
14	Capital Expenditure and Investment Property Commitments	37
15	Financial Indicators	38
16	Uniform Presentation of Finances	39
17	Leases	40
18	Superannuation	41
19	Interests in Other Entities	42
20	Non-Current Assets Held for Sale & Discontinued Operations	43
21	Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet	44
22	Events after the Balance Sheet Date	44
23	Related Party Transactions	45
24	Equity – Retained Earnings and Revaluation Reserves Adjustments	45

Notes to the Financial Statements

for the year ended 30 June 2020

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 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.

1.3 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
2017/18	\$3,399,489	\$3,269,242	+ \$130,247
2018/19	\$4,416,029	\$3,380,264	+ \$1,035,765
2019/20	\$2,980,238	\$3,452,091	- \$471,853

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

Notes to the Financial Statements

for the year ended 30 June 2020

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.

Construction Contracts

Construction works undertaken by Council for third parties are generally on an agency basis where the third party reimburses Council for actual costs incurred, and usually do not extend beyond the reporting period. Reimbursements not received are recognised as receivables and reimbursements received in advance are recognised as "payments received in advance".

For works undertaken on a fixed price contract basis, revenues are recognised over time using the input method, with costs incurred compared to total expected costs used as a measure of progress. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(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, except for trade receivables from a contract with a customer, which are measured at the transaction price. 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.

Notes to the Financial Statements

for the year ended 30 June 2020

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	\$10,000
Land	n/a
Land Improvements	\$5,000
Buildings	\$10,000
Furniture and Fittings	\$3,000
Equipment	\$3,000
Other	\$,3000

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

Category	Aggregate Threshold
Infrastructure	
Reserve Lighting	\$250,000
Reserve Pathways	\$500,000
Buildings	
Bus Shelters	\$1,000,000
Shelters/Gazebos	\$250,000
Fencing	\$500,000
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.

Notes to the Financial Statements

for the year ended 30 June 2020

	Short Life Years	Long Life Years
Furniture & Equipment		
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
Buildings		
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	n/a
Infrastructure		
Sealed Roads – Surface	25 to 40	n/a
Road Base	60 to 100	200
Road Formation	200	n/a
Kerb	70 to 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	40 to 80
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
Other Infrastructure		
Wetland Assets	15 to 100	250
Car Parks	25 to 40	n/a
Lighting	15 to 25	n/a
Recreation Pathways	30 to 40	n/a
Sports Floodlights	25	n/a
Other Assets		
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.

Notes to the Financial Statements

for the year ended 30 June 2020

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 applied and Council's involvement with the schemes are reported in Note 18.

(10) Leases

The Council assesses at contract inception whether a contract is, or contains, a lease. That is, the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Council as a Lessee

Council recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

Council recognises the right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and the estimate of the costs to be incurred to restore the leased asset. Right-of-use assets are depreciated on a straight line basis over lease term.

Notes to the Financial Statements

for the year ended 30 June 2020

The right-of-use asset is also subject to impairment.

ii) Lease Liabilities

At the commencement date of the lease, Council recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. In calculating the present value of the lease payments the council uses the interest rate implicit in the lease.

iii) Short term leases and leases of low value assets

Council applies the short-term lease recognition exemption to its short term leases (i.e. a lease term less than 12 months from commencement date). Council also applies the low-value assets recognition exemption to leases that do not meet the underlying asset capitalisation threshold. These leases are recognised as an expense on a straight line basis 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 UIG 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.

Council applied AASB 15 and AASB 1058 for the first time from 1 July 2019. AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15. These standards supersede the NFP income recognition requirements previously in AASB 1004 *Contributions* (with the exception of certain matters relating to public sector NFP entities) as well as current revenue recognition guidance AASB *Revenue*, AASB 111 *Construction Contracts* and the related Interpretations. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service). Details of the accounting policy adopted for these standards can be found in Note 1 Significant Accounting Policies. Council has elected to adopt the modified retrospective method on transition to the new standards with an application date of 1 July 2019. The cumulative effect of initially applying AASB 1058 and AASB 15 is recognised at the date of initial application as an adjustment to the opening balance of Accumulated Surplus.

Therefore the comparative information was not re-stated and continues to be reported under AASB 111, AASB 118, AASB 1004 and related Interpretations.

Council has determined the impact of the new standards will mainly impact the timing of revenue recognition in relation to special purpose grants. The grants are provided to Council to construct or acquire an asset to be controlled by Council. They are accounted for under AASB 1058 and as such, amounts received in relation to these grants are recorded as a liability 'Grants in Advance' and recorded in revenue as the asset is constructed. The impact of adopting the new standards at 1 July 2019 was an increase to liabilities of \$5.546M and a decrease to Accumulated Surplus of \$5.546M.

Set out below are the amounts by which each financial statement is affected as at, and for the year ended, 30 June 2020 as a result of the adoption of AASB 1058 and AASB 15.

The first column shows amounts under AASB 15/1058 and the second column shows what the amounts would have been had AASB 15/1058 not been adopted.

Notes to the Financial Statements

for the year ended 30 June 2020

Amounts prepared under

	AASB 15/1058	Previous AAS
	\$'000	\$'000
Grants, Subsidies and Contributions	7,163	7,675
Amounts Received Specifically for New or Upgraded Assets	175	3,511
Accumulated Surplus	396,604	405,987
Trade and Other Payables	17,231	7,837

Council 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 that are expected to have a material impact upon Council's future financial statements are:

- nil

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 2021

- AASB 17 Insurance Contracts
- AASB 17 Insurance Contracts (Appendix D)

(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.

(15) Disclaimer

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

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Income

\$ '000	2020	2019
(a) Rates Revenues		
General Rates		
General Rates	79,174	76,747
Less: Mandatory Rebates	(1,899)	(1,718)
Less: Discretionary Rebates, Remissions & Write Offs	(72)	(87)
Total General Rates	77,203	74,942
Other Rates (Including Service Charges)		
Natural Resource Management Levy	1,973	1,933
Total Other Rates (Including Service Charges)	1,973	1,933
Other Charges		
Penalties for Late Payment	295	300
Total Other Charges	295	300
Total Rates	79,471	77,175
(b) Statutory Charges		
Development Act Fees	783	821
Town Planning Fees	109	71
Animal Registration Fees & Fines	588	558
Parking Fines / Expiation Fees	634	827
Total Statutory Charges	2,114	2,277
(c) User Charges		
Hall & Equipment Hire	191	252
Sales - General	539	524
Sundry	772	898
Admission Fees	420	502
Rental Income	311	292
Total User Charges	2,233	2,468
(d) Investment Income		
Interest on Investments		
- Local Government Finance Authority	923	1,201
- Banks & Other	23	13
Total Investment Income	946	1,214

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Income (continued)

\$ '000	2020	2019
(e) Reimbursements		
Private Works	200	248
Other	946	393
Total Reimbursements	1,146	641

(f) Other income

Sundry	10	97
Donations & Contributions income	214	548
Labour Recovery	238	31
Insurance & Other Recoupments - Infrastructure, IPP&E	97	56
Total Other income	559	732

(g) Grants, Subsidies, Contributions

Amounts Received Specifically for New or Upgraded Assets	175	4,639
Total Amounts Received Specifically for New or Upgraded Assets	175	4,639
Other Grants, Subsidies and Contributions	5,543	8,360
Individually Significant Item - Additional Grants Commission Payment (refer below)	1,620	2,557
Total Other Grants, Subsidies and Contributions	7,163	10,917
Total Grants, Subsidies, Contributions	7,338	15,556

The functions to which these grants relate are shown in Note 12.

(i) Sources of grants

Commonwealth Government	3,095	5,254
State Government	4,152	9,329
Other	91	973
Total	7,338	15,556

(ii) Individually Significant Items

Grants Commission - Financial Assistance Grant recognised as income	1,620	1,594
Grants Commission - Supplementary Road Grant recognised as income	—	963

2020: In June 2020, Council received part payment for the 2020/21 Grants Commission Financial Assistance Grants. This payment was adjusted for minor reconciling amounts relating to the 2019/20 Grants Commission payment received in June 2019.

2019: In June 2019, Council also received payment of the 2019/20 and 2020/21 Grants Commission Supplementary Road Grant. This had a material affect on council's operating result in the 2018/19 financial year.

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Income (continued)

\$ '000	2020	2019
---------	------	------

(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	7,414	4,028
Less:		
<i>Expended during the current period from revenues recognised in previous reporting periods</i>		
Other	(1,867)	(1,632)
Subtotal	(1,867)	(1,632)
Plus:		
<i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>		
Other	1,620	5,018
Subtotal	1,620	5,018
Unexpended at the close of this reporting period	7,167	7,414
Net increase (decrease) in assets subject to conditions in the current reporting period	(247)	3,386

(i) Physical Resources Received Free of Charge

Roads, Bridges & Footpaths	2,283	5,207
Buildings	–	20
Other	–	93
Total Physical Resources Received Free of Charge	2,283	5,320

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Expenses

\$ '000	Notes	2020	2019
(a) Employee costs			
Salaries and Wages		30,681	29,425
Employee Leave Expense		3,116	2,858
Superannuation - Defined Contribution Plan Contributions	18	2,813	2,693
Workers' Compensation Insurance		764	701
Less: Capitalised and Distributed Costs		(887)	(816)
<u>Total Operating Employee Costs</u>		<u>36,487</u>	<u>34,861</u>
Total Number of Employees (full time equivalent at end of reporting period)		358	365
(b) Materials, Contracts and Other Expenses			
(i) Prescribed Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports		39	37
Bad and Doubtful Debts		1	6
Elected Members' Expenses		352	344
Operating Lease Rentals - Cancellable Leases		400	613
<u>Subtotal - Prescribed Expenses</u>		<u>792</u>	<u>1,000</u>
(ii) Other Materials, Contracts and Expenses			
Contractors		17,108	14,502
Energy		1,556	1,831
Maintenance		3,276	3,532
Legal Expenses		271	281
Levies Paid to Government - NRM levy		1,972	1,918
Levies - Other		199	230
Parts, Accessories & Consumables		3,999	3,497
Professional Services		1,423	959
Sundry		2,307	3,502
Insurance		591	520
Fringe Benefits Tax		169	182
Advertising		127	109
Printing & Postage		297	286
Memberships & Subscriptions		325	259
Bank Fees & Charges		169	166
Telecommunication Charges		187	182
Library Materials		199	201
<u>Subtotal - Other Material, Contracts & Expenses</u>		<u>34,175</u>	<u>32,157</u>
<u>Total Materials, Contracts and Other Expenses</u>		<u>34,967</u>	<u>33,157</u>

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Expenses (continued)

\$ '000	2020	2019
---------	------	------

(c) Depreciation, Amortisation and Impairment

(i) Depreciation and Amortisation

Buildings & Other Structures	3,627	3,507
Infrastructure	8,762	8,642
- Other	1,136	1,051
Right-of-use Assets	162	—
Plant & Equipment	1,287	1,233
Furniture & Fittings	79	79
Intangible Assets	42	59
Other Assets	580	534
Subtotal	15,675	15,105
Less: Capitalised and Distributed costs	(133)	(87)
Total Depreciation, Amortisation and Impairment	15,542	15,018

(d) Finance Costs

Interest on Loans	423	467
Total Finance Costs	423	467

Note 4. Asset Disposal & Fair Value Adjustments

\$ '000	2020	2019
---------	------	------

Infrastructure, Property, Plant & Equipment

(i) Assets Renewed or Directly Replaced

Proceeds from Disposal	300	2,299
Less: Carrying Amount of Assets Sold	(1,410)	(4,452)
Gain (Loss) on Disposal	(1,110)	(2,153)

(ii) Assets Surplus to Requirements

Proceeds from Disposal	26	66
Less: Carrying Amount of Assets Sold	(15)	(62)
Gain (Loss) on Disposal	11	4

Net Gain (Loss) on Disposal or Revaluation of Assets	(1,099)	(2,149)
-------------------------------------------------------------	----------------	----------------

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Current Assets

\$ '000	2020	2019
(a) Cash & Cash Equivalent Assets		
Cash on Hand at Bank	3,031	684
Short Term Deposits & Bills, etc.	14,800	11,100
<u>Total Cash & Cash Equivalent Assets</u>	<u>17,831</u>	<u>11,784</u>
(b) Trade & Other Receivables		
Rates - General & Other	2,261	2,576
Rates Postponed for State Seniors	159	186
Accrued Revenues	180	208
Debtors - General	2,377	4,130
GST Recoupment	561	680
Prepayments	462	532
<u>Total Trade & Other Receivables</u>	<u>6,000</u>	<u>8,312</u>
(c) Other Financial Assets		
Other Financial Assets (Term Deposits with over 90 days to maturity)	36,400	34,800
<u>Total Other Financial Assets</u>	<u>36,400</u>	<u>34,800</u>
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	331	243
<u>Total Inventories</u>	<u>331</u>	<u>243</u>

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Non-Current Assets

\$ '000	Notes	2020	2019
(a) Equity Accounted Investments in Council Businesses			
Southern Region Waste Resource Authority	19i	6,454	5,890
Council Solutions	19i	—	138
<u>Total Equity Accounted Investments in Council Businesses</u>		<u>6,454</u>	<u>6,028</u>
(b) Other Non-Current Assets			
Other			
Capital Works-in-Progress		4,489	4,146
<u>Total Other Non-Current Assets</u>		<u>4,489</u>	<u>4,146</u>

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7. Infrastructure, Property, Plant & Equipment

(a) Infrastructure, Property, Plant & Equipment

		as at 30/06/19				Asset movements during the reporting period									as at 30/06/20			
		Fair Value Level	At Fair Value	Accumulated Depreciation	Carrying amount	Transition adjustment - AASB 16	Asset Additions New / Upgrade	Asset Additions Renewals	WDV of Asset Disposals	Depreciation Expense (Note 3c)	WIP Transfers	Revaluation Decrements to Equity (ARR) (Note 9)	Revaluation Increments to Equity (ARR) (Note 9)		At Fair Value	At Cost	Accumulated Depreciation	Carrying amount
\$ '000																		
Land	2		351,330	489	–	351,819	–	355	–	(154)	–	–	–	–	351,177	844	–	352,021
Buildings & Other Structures	3		166,292	12,253	(67,036)	111,509	–	6,151	1,790	(808)	(3,627)	567	–	–	164,554	20,194	(69,734)	115,014
Infrastructure	3		778,466	2,055	(152,514)	628,007	–	6,143	5,330	–	(8,762)	122	(9,131)	–	775,795	2,570	(156,779)	621,586
- Other	3		41,637	7,151	(12,624)	36,164	–	861	1,011	(7)	(1,136)	339	–	–	41,618	9,023	(13,747)	36,894
Right-of-Use Assets			–	–	–	–	362	–	–	–	(162)	–	–	–	–	714	(514)	200
Plant & Equipment			–	22,792	(8,466)	14,326	–	209	999	(381)	(1,287)	(705)	–	–	–	23,236	(9,370)	13,866
Furniture & Fittings			–	1,865	(1,046)	819	–	12	36	(2)	(79)	–	–	–	–	1,910	(1,123)	787
Intangible Assets			–	1,215	(1,071)	144	–	–	–	–	(42)	(13)	–	–	1,215	–	(1,113)	102
Other Assets			10,964	1,851	(3,614)	9,201	–	668	119	(72)	(580)	(653)	–	–	10,798	2,638	(4,098)	9,338
Total Infrastructure, Property, Plant & Equipment			1,348,689	49,671	(246,371)	1,151,989	362	14,399	9,285	(1,424)	(15,675)	(343)	(9,131)	–	1,345,157	61,129	(256,478)	1,149,808
Comparatives			1,330,943	31,801	(230,212)	1,132,532	–	13,824	22,993	(4,513)	(15,046)	–	–	2,055	1,348,689	48,456	(245,300)	1,151,845

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7. Infrastructure, Property, Plant & Equipment (continued)

(b) Valuation of Infrastructure, Property, Plant & Equipment & Investment Property

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

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.

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7. Infrastructure, Property, Plant & Equipment (continued)

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.

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 previous 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 the reporting period, 30 June 2018.

Infrastructure

A desktop 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 2020.

A comprehensive revaluation was carried out by independent valuation for the 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, Equipment & Equipment

These assets are recognised on the cost basis.

All other Assets

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

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Liabilities

\$ '000	2020 Current	2020 Non Current	2019 Current	2019 Non Current
(a) Trade and Other Payables				
Goods & Services	6,544	—	5,332	—
Payments Received in Advance	22	—	22	—
- Grants, Subsidies, Contributions - Operating	512	—	—	—
- Grants & Contributions - Capital	8,882	—	—	—
Accrued Expenses - Employee Entitlements	1,081	—	742	—
Accrued Expenses - Other	104	—	14	—
Other	86	—	138	—
<u>TOTAL Trade and Other Payables</u>	<u>17,231</u>	<u>—</u>	<u>6,248</u>	<u>—</u>

(b) Borrowings

Loans	1,245	4,390	1,170	5,635
<u>TOTAL Borrowings</u>	<u>1,245</u>	<u>4,390</u>	<u>1,170</u>	<u>5,635</u>

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

(c) Provisions

Employee Entitlements (including oncosts)	6,305	610	5,765	614
<u>TOTAL Provisions</u>	<u>6,305</u>	<u>610</u>	<u>5,765</u>	<u>614</u>

(d) Lease Liabilities

Lease Liabilities	153	64	—	—
<u>TOTAL Other Liabilities</u>	<u>153</u>	<u>64</u>	<u>—</u>	<u>—</u>

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Reserves

	as at 30/06/19				as at 30/06/20
\$ '000	Opening Balance	Increments (Decrements)	Transfers	Impairments	Closing Balance
(a) Asset Revaluation Reserve					
Land	250,696	—	—	—	250,696
Buildings & Other Structures	84,875	—	—	—	84,875
Infrastructure	5,061	(2,171)	—	—	2,890
- Stormwater Drainage	97,742	(1,585)	—	—	96,157
- Other	298	—	—	—	298
- Roads, Bridges, Footpaths	318,547	(5,375)	—	—	313,172
Other Assets	5,073	—	—	—	5,073
JV's / Associates - Other Comprehensive Income	—	367	—	—	367
Total Asset Revaluation Reserve	762,292	(8,764)	—	—	753,528
Comparatives	760,237	2,055	—	—	762,292

	as at 30/06/19				as at 30/06/20
\$ '000	Opening Balance	Tfrs to Reserve	Tfrs from Reserve	Other Movements	Closing Balance
(b) Other Reserves					
Open Space Reserve	2,186	10	(141)	—	2,055
Grants/Carry Forward Projects Reserve	17,436	16,221	(12,775)	—	20,882
Asset Sustainability Reserve	18,258	4,834	(5,459)	—	17,633
Water Reserve	531	375	(293)	—	613
Total Other Reserves	38,411	21,440	(18,668)	—	41,183
Comparatives	35,130	20,243	(16,962)	—	38,411

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Reserves (continued)

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. Interest revenues earned on contributions provided by developers are transferred to the Fund.

Grants and Carryovers Reserve

Purpose - this reserve was created for:

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

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

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

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

Asset Sustainability Reserve

Purpose - this is a reserve fund established to:

- I. Primary Purpose – Provide Council with the ability to access sufficient funds to enable it to respond to a major infrastructure failure or fund an infrastructure gap identified in periodic asset audits. A minimum balance of \$2 million will be retained in the Asset Sustainability Reserve for this purpose.
- II. Assist Council fund its Long Term Asset Management objectives.
- III. Provide a means by which to spread the cost of intergenerational assets thereby reducing the need for borrowings
- IV. Provide a means by which Council can strategically plan to maintain its asset base within a long term Financial framework.
- V. Quarantine funds specifically set aside in the Community Facilities Partnership Program (CFPP) for the purpose of funding the renewal, upgrade and purchase of Council assets as resolved by Council. This will include encouraging organisations leasing council facilities to seek partnership funding for required renewal and upgrade of those community facilities.

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

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

Water Reserve

Purpose - this reserve is established to quarantine revenue received and savings identified from the sale and use of treated stormwater from Oaklands Wetland to further develop third party supply opportunities.

Use of Fund - Reserve transfers require approval at Executive level.

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Assets Subject to Restrictions

\$ '000	2020	2019
---------	------	------

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	7,167	7,414
Total Cash & Financial Assets	7,167	7,414
Total Assets Subject to Externally Imposed Restrictions	7,167	7,414

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2020	2019
---------	-------	------	------

(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	17,831	11,784
Balances per Statement of Cash Flows		17,831	11,784

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

Net Surplus/(Deficit)		7,755	19,944
Non-Cash Items in Income Statements			
Depreciation, Amortisation & Impairment		15,542	15,018
Equity Movements in Equity Accounted Investments (Increase)/Decrease		(183)	(213)
Non-Cash Asset Acquisitions		(2,283)	(5,320)
Grants for capital acquisitions treated as Investing Activity		(175)	(4,639)
Net (Gain) Loss on Disposals		1,099	2,149
		21,755	26,939
Add (Less): Changes in Net Current Assets			
Net (Increase)/Decrease in Receivables		2,312	(2,434)
Net (Increase)/Decrease in Inventories		(88)	(16)
Net (Increase)/Decrease in Other Assets		–	22
Net Increase/(Decrease) in Trade & Other Payables		2,101	(1,053)
Net Increase/(Decrease) in Unpaid Employee Benefits		536	257
Net Increase/(Decrease) in Other Liabilities		217	–
Net Cash provided by (or used in) operations		26,833	23,715

\$ '000	Notes	2020	2019
---------	-------	------	------

(c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:

Physical Resources Received Free of Charge	2i	2,283	5,320
Amounts recognised in Income Statement		2,283	5,320
Total Non-Cash Financing and Investing Activities		2,283	5,320

(d) Financing Arrangements

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

Corporate Credit Cards	111	75
LGFA Cash Advance Debenture Facility	11,000	11,000

Council has immediate access to a short-term cash advance debenture facility at variable interest rate borrowings from the Local Government Finance Authority of SA.

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12a. Functions

Income, Expenses and Assets have been directly attributed to the following Functions / Activities.
Details of these Functions/Activities are provided in Note 12b.

\$ '000	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions/Activities										
Development Assessment	973	981	4,199	3,646	(3,226)	(2,665)	7	9	—	—
Crime Prevention	2	2	353	353	(351)	(351)	1	1	—	—
Community Support & Development	3,798	6,675	11,724	10,548	(7,926)	(3,873)	2,200	4,833	126,105	121,809
Public & Environment Health	122	105	912	897	(790)	(792)	74	58	—	—
General Inspection	1,276	1,422	1,848	1,680	(572)	(258)	1	1	—	—
Public Infrastructure	3,172	3,522	20,133	19,502	(16,961)	(15,980)	2,256	2,879	679,954	686,220
Open Space	618	606	14,009	14,091	(13,391)	(13,485)	341	185	292,220	291,518
Public Conveniences	3	4	612	608	(609)	(604)	1	1	3,375	3,402
Strategic Projects	115	106	1,489	1,329	(1,374)	(1,223)	7	6	43	47
Asset Management	—	—	—	—	—	—	—	—	15,627	15,765
Neighbourhood Centres	624	749	2,666	2,600	(2,042)	(1,851)	445	492	7,558	7,749
Cultural Development	326	401	3,283	3,400	(2,957)	(2,999)	19	9	14,525	14,638
Libraries	480	412	7,230	7,113	(6,750)	(6,701)	348	313	14,217	14,485
Waste & Recycling	147	118	9,392	8,468	(9,245)	(8,350)	25	34	6,454	5,890
Trees	—	—	1,864	1,722	(1,864)	(1,722)	2	3	—	—
Economic Development	115	139	1,047	912	(932)	(773)	86	121	—	—
Governance	4	—	3,974	3,997	(3,970)	(3,997)	—	25	—	—
Service Quality	1	—	101	93	(100)	(93)	—	—	473	507
Treasury	81,856	80,182	2,583	2,544	79,273	77,638	1,350	1,947	60,762	55,272
Total Functions/Activities	93,632	95,424	87,419	83,503	6,213	11,921	7,163	10,917	1,221,313	1,217,302

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 the Financial Statements

for the year ended 30 June 2020

Note 12b. Components of Functions

The activities relating to Council functions are as follows:

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

CRIME PREVENTION

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

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

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

COMMUNITY SAFETY 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 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

OPEN SPACE

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

PUBLIC CONVENIENCES

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

STRATEGIC PROJECTS

Delivery of Major Projects across the city aimed at providing improved services and facilities for the Community

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

NEIGHBOURHOOD CENTRES

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

CULTURAL DEVELOPMENT

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

LIBRARIES

Three libraries and a delivery service providing opportunities for learning and social activities for all ages and interests

WASTE & RECYCLING

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

TREES

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

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12b. Components of Functions (continued)

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

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.

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 2040 and its strategic social, cultural, and economic and environmental sustainability goals in a transparent and accountable manner, working with our Local, State, and Commonwealth Government partners

Risk management policy, development and internal audit

Activities to ensure that Council is continuously improving its management systems

External relations, communication and community engagement

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

Service Quality

Customer Experience

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

TREASURY

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

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Financial Instruments

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost; interest is recognised when earned.

Terms & Conditions:

Deposits are returning fixed interest rates between 0.50% and 1.40% (2019: 1.75% and 2.38%). Short term deposits have an average maturity of 110 days and an average interest rate of 1.55% (2019: 86 days and 2.28%).

Carrying Amount:

Approximates fair value due to the short term to maturity.

Receivables - Rates & Associated Charges

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

Terms & Conditions:

Secured over the subject land, arrears attract interest of 2% (2019: 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:

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

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:

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

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 the Financial Statements

for the year ended 30 June 2020

Note 13. Financial Instruments (continued)

Liabilities - Creditors and Accruals

Accounting Policy:

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

Terms & Conditions:

Liabilities are normally settled on 30 day terms.

Carrying Amount:

Approximates fair value.

Liabilities - Interest Bearing Borrowings

Accounting Policy:

Initially recognised at fair value and subsequently at amortised cost using the effective interest rate.

Terms & Conditions:

Secured over future revenues, borrowings are repayable over 10 to 15 years; interest is charged at fixed rates between 5.8% and 6.85% (2019: 5.8% and 6.85%).

Carrying Amount:

Approximates fair value.

Liabilities - Leases

Accounting Policy:

Accounted for in accordance with AASB 16 as stated in Note 17.

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Financial Instruments (continued)

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2020					
Financial Assets					
Cash & Equivalents	17,831	—	—	17,831	17,831
Receivables	5,437	—	—	5,437	5,437
Other Financial Assets	36,400	—	—	36,400	36,400
Total Financial Assets	59,668	—	—	59,668	59,668
Financial Liabilities					
Payables	17,231	—	—	17,231	17,231
Borrowings	1,245	3,657	1,659	6,561	5,635
Total Financial Liabilities	18,476	3,657	1,659	23,792	22,866
2019					
Cash & Equivalents	11,784	—	—	11,784	11,784
Receivables	7,627	—	—	7,627	7,627
Other Financial Assets	34,800	—	—	34,800	34,800
Total Financial Assets	54,211	—	—	54,211	54,211
Financial Liabilities					
Payables	6,248	—	—	6,248	6,248
Borrowings	1,570	4,812	2,074	8,456	6,805
Total Financial Liabilities	7,818	4,812	2,074	14,704	13,053

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

\$ '000	2020		2019	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Fixed Interest Rates	6.11%	5,635	6.14%	6,805
		5,635		6,805

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 the Financial Statements

for the year ended 30 June 2020

Note 13. Financial Instruments (continued)

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 impairment. 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. Capital Expenditure and Investment Property Commitments

\$ '000	2020	2019
Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Land	–	1
Buildings	1,646	1,212
Infrastructure	1,409	2,041
Plant & Equipment	805	1,411
Other	1,456	63
	5,316	4,728
These expenditures are payable:		
Not later than one year	5,316	4,728
	5,316	4,728

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Financial Indicators

\$ '000	Amounts 2020	Indicator 2020	Prior periods	
			2019	2018

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	6,396	6.8%	12.7%	12.0%
Total Operating Income	93,815			

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

2. Net Financial Liabilities Ratio

Net Financial Liabilities	(30,233)	(32)%	(37)%	(33)%
Total Operating Income	93,815			

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.

Adjusted Operating Surplus Ratio

Operating Surplus	6,852	7.2%	10.3%	10.0%
Total Operating Income	94,727			

Adjustments to Ratios

In recent years the Commonwealth 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 Net Financial Liabilities Ratio

Net Financial Liabilities	(30,233)	(32)%	(37)%	(33)%
Total Operating Income	94,727			

3. Asset Renewal Funding Ratio

Net Asset Renewals	8,946	58%	114%	75%
Infrastructure & Asset Management Plan required expenditure	15,542			

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 the Financial Statements

for the year ended 30 June 2020

Note 16. Uniform Presentation of Finances

\$ '000	2020	2019
<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	93,815	95,637
less Expenses	(87,419)	(83,503)
Operating Surplus / (Deficit)	6,396	12,134
Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	(9,246)	(19,412)
add back Depreciation, Amortisation and Impairment	15,542	15,018
add back Proceeds from Sale of Replaced Assets	300	2,233
	6,596	(2,161)
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets	(12,372)	(12,582)
add back Amounts Received Specifically for New and Upgraded Assets	3,514	4,639
add back Proceeds from Sale of Surplus Assets	26	132
	(8,832)	(7,811)
Net Lending / (Borrowing) for Financial Year	4,160	2,162

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Leases

(i) Council as a lessee

Terms and conditions of leases

Computer and Office Equipment

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

Set out below are the carrying amounts of right-of-use assets recognised within Infrastructure, Property, Plant and Equipment and the movements during the period:

Right of use assets

\$ '000	Ready to use	Total
2020		
Adoption of AASB 16 at 1 July 2019	362	362
Depreciation charge	(161)	(161)
Balance at 30 June 2020	201	201

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

\$ '000	2020	2019
Balance at 1 July	373	—
Accretion of interest	27	—
Payments	(183)	—
Balance at 30 June	217	—
Classified as:		
Current	153	—
Non Current	64	—

The maturity analysis of lease liabilities is included in Note 13.

Council had total cash outflows for leases of \$583,000.

The following are the amounts recognised in profit or loss:

Depreciation expense of Right-of-Use Assets	161	—
Interest expense on lease liabilities	26	—
Expense relating to short term leases	6	—
Expense relating to leases of low-value assets	365	—
Other	28	—
Total amount recognised in profit or loss	586	—

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Superannuation

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 2019/20; 9.50% in 2018/19). 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 2018/19) 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 2020. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

Contributions to Other Superannuation Schemes

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

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in Other Entities

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

\$ '000	Council's Share of Net Income		Council's Share of Net Assets	
	2020	2019	2020	2019
Council's Share of Net Income				
Joint Ventures	183	213	6,454	6,028
Total Council's Share of Net Income	183	213	6,454	6,028

(i) Joint Ventures, Associates and Joint Operations

(a) Carrying Amounts

\$ '000	Principal Activity	2020	2019
Southern Region Waste Resource Authority (SRWRA)	Waste Disposal	6,454	5,890
Council Solutions	Procurement	—	138
Total Carrying Amounts - Joint Ventures & Associates		6,454	6,028

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 2020, the net assets of SRWRA total \$21,513,000. The City of Marion interest, totalling \$6,454,000 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 was established for the purposes of providing a centre of excellence in procurement and to provide services to the Constituent Councils.

The City of Marion had a 16.67% interest in the assets and liabilities of Council Solutions. Council Solutions was wound up on 28 February 2020. For the period ended 28 February 2020, Council Solutions operating result was a deficit of \$86,000 and net assets totaled \$743,000. City of Marion received a final distribution of \$124,000 as final settlement of its interest in Council Solutions.

(b) Relevant Interests

\$ '000	Interest in Operating Result		Ownership Share of Equity		Proportion of Voting Power	
	2020	2019	2020	2019	2020	2019
Southern Region Waste Resource Authority (SRWRA)	30.00%	30.00%	30.00%	30.00%	33.00%	33.00%
Council Solutions	16.67%	16.67%	16.67%	16.67%	16.67%	16.67%

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in Other Entities (continued)

(c) Movement in Investment in Joint Venture or Associate

\$ '000	Southern Region Waste Resource Authority (SRWRA)		Council Solutions	
	2020	2019	2020	2019
Opening Balance	5,890	5,739	138	76
Share in Operating Result	197	151	(14)	62
Share in Other Comprehensive Income	367	—	—	—
Distributions Received	—	—	(124)	—
Council's Equity Share in the Joint Venture or Associate	6,454	5,890	—	138

(d) Joint Operations Expenditure Commitments

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

\$ '000	2020	2019
(i) Capital Expenditures Payable		
Committed Projects	12,580	—
	12,580	—
Operating Expenditures Payable		
Not later than one year	—	19
Later than one year and not later than 5 years	—	—
Later than 5 years	—	—
	—	19

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 the Financial Statements

for the year ended 30 June 2020

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 EXPENSES

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

Note 22. Events after the Balance Sheet Date

Events that occur after the reporting date of 30 June 2020, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

On 11 March 2020, the World Health Organisation declared the health crisis sparked by the COVID-19 outbreak a pandemic. In order to address this health crisis, the Government of Australia implemented restrictions on the free movement of persons or the temporary cessation of certain business activities. This situation is having a significant effect on the Australian economy.

The impacts of this health crisis on the Council's activities in 2021 will depend on its duration and the effect of the measures adopted in this regard. At the date on which the annual accounts were authorised for issue, there has been no significant impact on the Council's financial position or equity.

Council continues to monitor the situation and to take action as required to mitigate the ongoing potential impact on their operation.

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.

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

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Related Party Transactions

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, 20 persons were paid the following total compensation:

\$ '000	2020	2019
The compensation paid to Key Management Personnel comprises:		
Salaries, Allowances & Other Short-Term Employee Benefits	1,272	1,232
Post-Employment Benefits	76	79
Total	1,348	1,311

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.

Note 24. Equity - Retained Earnings and Revaluation Reserves Adjustments

Changes in accounting policies due to adoption of new accounting standards (not-retrospective)

Amounts Received Specifically for New or Upgraded Assets

During the year ended 30 June 2020, the Council has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions* and associated Accounting Interpretations.

All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

(i) AASB 15 and AASB 1058

Comparison of financial statement line items under AASB 15 and AASB 1058 compared to previous standards for the current year

The following tables show the impact of adopting AASB 15 and AASB 1058 on the Council's financial statements for the year ended 30 June 2020.

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Equity - Retained Earnings and Revaluation Reserves Adjustments

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Current assets					
Cash & Cash Equivalents	17,831	—	—	17,831	
Trade & Other Receivables	6,000	—	—	6,000	
Other Financial Assets	36,400	—	—	36,400	
Inventories	331	—	—	331	
Subtotal	60,562	—	—	60,562	
Total current assets	60,562	—	—	60,562	
Current Liabilities					
Trade & Other Payables	17,231	(9,394)	—	7,837	
Borrowings	1,245	—	—	1,245	
Provisions	6,305	—	—	6,305	
Other Current Liabilities	153	—	—	153	
Subtotal	24,934	(9,394)	—	15,540	
Total current liabilities	24,934	(9,394)	—	15,540	
Non-current assets					
Equity Accounted Investments in Council Businesses	6,454	—	—	6,454	
Infrastructure, property, plant and equipment	1,149,808	—	—	1,149,808	
Other Non-Current Assets	4,489	—	—	4,489	
Total non-current assets	1,160,751	—	—	1,160,751	
Non-Current Liabilities					
Borrowings	4,390	—	—	4,390	
Provisions	610	—	—	610	
Other Non-Current Liabilities	64	—	—	64	
Total Non-Current Liabilities	5,064	—	—	5,064	
Net Assets	1,191,315	9,394	—	1,200,709	
Equity					
Accumulated Surplus	396,604	9,394	—	405,998	
Asset Revaluation Reserves	753,528	—	—	753,528	
Other Reserves	41,183	—	—	41,183	
Total Equity	1,191,315	9,394	—	1,200,709	

Under previous revenue standards grant funds received for a specified purpose were included as income in the period they were received. The extent to which they remained unearned (and potentially returnable to the funding provider) was reported as revenue and transferred to the Accumulated Surplus at the end of the reporting period. Under AASB 1058 the extent to which these funds are unearned at the end of the reporting period must be measured and recognised as a liability. An adjustment was made to the opening balance of Accumulated Surplus and Revenue Received in Advance to recognise the total of unearned grant funds at the beginning of the period.

City of Marion

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Equity - Retained Earnings and Revaluation Reserves Adjustments

Income Statement for the year ended 30 June 2020

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
Grants, Subsidies and Contributions	7,163	512	—	7,675	
Amounts Received Specifically for New or Upgraded Assets	175	3,336	—	3,511	
Profit / (Loss) for the year	7,755	3,848	—	11,603	
Total comprehensive income	(1,009)	3,848	—	2,839	

Under AASB 1058 grant funds received during the period for a specified purpose and unearned at the end of the period must be measured and recorded as a liability. Council measured \$5.546m of grant funds received in 2018-19 as unearned at 1 July 2019.

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	—	—	—
Total assets	1,217,302	—	1,217,302
Contract liabilities	—	—	—
Trade & Other Payables	—	5,546	5,546
Total liabilities	19,432	5,546	24,978
Accumulated surplus	—	(5,546)	(5,546)
Total equity	1,197,870	(5,546)	1,192,324



ANNUAL REPORT

2019 *to* 2020

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. SRWRA is one of the State's major landfill operations currently receiving over 100,000 tonnes of waste annually.

SRWRA's joint venture operation with Integrated Waste Services (IWS) has developed through 2019–2020 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.

SRWRA CONSTITUENT
COUNCILS



JOINT VENTURE
PARTNER



CONTENTS

CHAIRPERSON'S MESSAGE	4
CHIEF EXECUTIVE OFFICER'S MESSAGE	6
BOARD OF MANAGEMENT	8
FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020	9
AUDIT COMMITTEE AUDITOR INDEPENDENCE	34
AUDITOR INDEPENDENCE DECLARATION	35
INDEPENDENT AUDITORS REPORT	36
AUDIT REPORT	38
BOARD CHAIR - AUDITOR INDEPENDENCE	40
COUNCIL CERTIFICATES OF COMPLIANCE	41
CITY OF ONKAPARINGA	41
CITY OF MARION	42
CITY OF HOLDFAST BAY	43
ATTENDANCE AT BOARD MEETINGS	44
ATTENDANCE AT AUDIT COMMITTEE MEETINGS	45
PERFORMANCE AGAINST BUSINESS PLAN	46
WORK HEALTH AND SAFETY	48
PROCUREMENT	50



CHAIRPERSON'S MESSAGE

It gives me great pleasure to present to you the FY2020 Annual Report.

It is somewhat of an understatement to say that the past few years have been a period of profound change for the waste management sector. The bans on the import of contaminated recycling by China and other Asian countries have forced government and industry to look inwards to find solutions to meet the ever growing waste management needs of our community.

The Council of Australian Governments' (COAG) ban on the export of waste glass, mixed plastics, tyres, paper and cardboard over the next two years is certainly galvanising industry to reduce waste to landfill while we look to maximise domestic capability to reuse and recover recyclable commodities.

Over the past 12 months we completed an extensive planning process and late in the financial year we moved into the implementation phase for the construction of a large scale Materials Recovery Facility that will have the capability to receive, separate and prepare recyclable materials for marketing to end-use manufacturers both in Australia and to the new export standard. Our Constituent Councils are to be congratulated for their support and commitment to this bold initiative. This is an important part of the

journey to support the development of new circular economy industries on the SRWRA landholdings to create a fully integrated vibrant waste management precinct which generates economic activity and employment in southern Adelaide. This will be a significant expansion of our business activity and will present its own challenges but I am confident we are well prepared to meet them.

Our landfill activities continue to focus on the diversion, recovery, and productive use of materials. Over the past twelve months the Southern Recycling Centre (SRC) has successfully diverted 23,256 tonnes of material from landfill which is an increase of 5,793 tonnes over the previous year. Given the substantial investment we made in FY2020 to increase the size of the SRC facility we are confident that this level of diversion will only increase over time.

Our financial performance over the past twelve months was again very sound and, while we continued to maintain highly competitive waste disposal costs, we recorded an Operating Surplus of \$0.658 million for the year ended 30 June 2020. This surplus will assist us to provide for our future post closure costs and to invest in future opportunities to enhance the operations of SRWRA as they arise.



FY2020 has been an extraordinary one, marked firstly by devastating bushfires and then by the health and economic effects of the COVID-19 pandemic, the effects of which will continue to be felt for some time to come. Waste management is of course very much an essential service and I am pleased to say our staff continued to provide the same high level of service as always.

I would like to thank my fellow Board members for their unfailing dedication to guiding SRWRA and in doing so recognise the contribution made by Adrian Skull whose second term as a Board member ended this year. On behalf of the Board I also wish to thank our dedicated team, led ably by CEO Chris Adams, for it is their efforts that ensure our success.

In closing while much was achieved in FY2020 it was also a year in which the foundations were put in place for a further step change in the scope of the waste management activities undertaken by SRWRA. These are undoubtedly exciting and challenging times to be in the waste industry and I am very much looking forward to the journey ahead.

Mark Booth
CHAIRPERSON



CHIEF EXECUTIVE OFFICER'S MESSAGE

SRWRA has embarked on a significant period of transformation and growth. Over the last 12 months a new strategic plan capitalising on and promoting the circular economy has been adopted, the first wave of key projects delivered, and fundamental internal change to ensure we are leaders in delivering innovative and sustainable waste management solutions for the benefit of our southern Adelaide communities and the environment has commenced.

A new enterprise structure has been implemented with a key focus on operational delivery and improving governance, risk management, business and IT systems. The new structure supports the delivery of the Board's strategy to improve and increase the diversity of materials accepted at SRWRA and maximise waste avoidance, re-use, recycling and recovery opportunities prior to landfill disposal by operating a financially sustainable, well managed and appropriately governed enterprise. The changes will continue to be embedded into our practices during the new financial year.

The Authority has continued to provide a financially sustainable, cost effective and environmentally responsible waste management solution for its Constituent Councils and their communities. Our focus on our operations resulted in a full-year Operating Surplus of \$0.658 million. The Authority is in a strong financial position with net assets of \$21.513 million ensuring that we can meet all current and future landfill liabilities without the need for additional funding from our Constituent Councils.

During the second half of the year we implemented a response to the threat of COVID-19 which included a raft of arrangements to ensure our staff are protected and the site can continue to operate for the benefit of our Constituent Councils and their communities. The pace and professionalism of implementation of these arrangements is a testament to the commitment and positive attitude of the SRWRA staff and I acknowledge their contribution and thank them for their efforts.



The SRWRA site is changing rapidly with several key projects delivered during the year, including:

- Construction of a 3MW Biogas facility that converts landfill methane gas into energy, providing power to 3,000 houses. This facility commenced operation in December 2019 and is owned and operated by LMS Energy.
- Construction of 600ML Recycled Water Dam by Willunga Basin Water Company on land leased from SRWRA. The recycled water from this dam will be used to service the McLaren Vale area.
- Extension of the Southern Recycling Centre Shed to support resource recovery activities and diversion of waste from landfill.
- Completion of Stages 1 & 2 of the Western Sideliner Project to better manage our landfill operations.
- Purchase of a new landfill compactor equipped with GPS technology that will provide improved data on the management of our landfill.

Key projects that have completed their planning and approval phase this year and are scheduled for delivery in 2020-2021 include:

- Materials Recovery Facility for the processing of kerbside comingled recycling.
- 600KW Solar Farm, the largest to be constructed on a capped landfill in South Australia.

Over the last 12 months, the Authority invested in the education of schoolchildren within our communities through the Les Perry Memorial Grants Program. This year, 11 schools from our three Constituent Council areas received a total of \$6,877 in grant funding to support them learning about environmentally responsible waste management.

The outcomes achieved this year are a testament to the commitment and focus of our Board, Audit Committee, staff and Joint Venture Partners. I look forward to the next 12 months as we continue to deliver innovative and sustainable waste management solutions for the benefit of our southern Adelaide communities and the environment.

Chris Adams
CHIEF EXECUTIVE OFFICER

BOARD OF MANAGEMENT

AS AT JUNE 30TH 2020



CHAIRPERSON
Mark Booth

MEMBERS



CITY OF ONKAPARINGA
Kirk Richardson



CITY OF ONKAPARINGA
Richard Peat



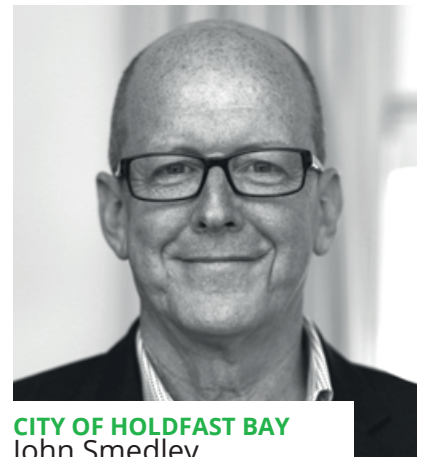
CITY OF MARION
Adrian Skull



CITY OF MARION
Ian Crossland



CITY OF HOLDFAST BAY
Roberto Bria



CITY OF HOLDFAST BAY
John Smedley

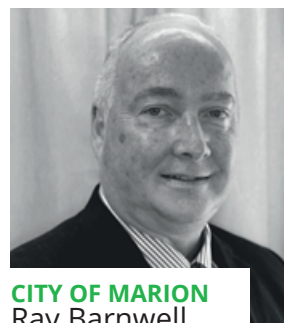
DEPUTY MEMBERS



CITY OF ONKAPARINGA
Heidi Greaves



CITY OF MARION
Bruce Hull



CITY OF MARION
Ray Barnwell



CITY OF HOLDFAST BAY
Clare Lindop

FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020



SOUTHERN REGION WASTE RESOURCE AUTHORITY

Table of Contents	Page
Certification of Financial Statements	1
Principal Financial Statements	
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6
EO Statement	
Audit Report	
Council Certificates of Audit Independence	

SOUTHERN REGION WASTE RESOURCE AUTHORITY

ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2020

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 2020 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

.....
Chris Adams
Chief Executive Officer

Dated the 7th day of September 2020

SOUTHERN REGION WASTE RESOURCE AUTHORITY

STATEMENT OF COMPREHENSIVE INCOME for the financial year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
INCOME			
User charges	2	10,746	10,578
Investment income	2	501	647
Other Income	2	493	464
Net gain - equity accounted Joint Venture	15	745	437
Total Income		12,485	12,126
EXPENSES			
Employee costs	3	1,248	1,301
Materials, contracts & other expenses	3	9,719	9,445
Depreciation, amortisation & impairment	3	860	868
Other Expenses	3	-	-
Net loss - equity accounted Joint Venture	15	-	-
Total Expenses		11,827	11,614
OPERATING SURPLUS / (DEFICIT)		658	512
Net gain (loss) on disposal of assets	4	-	(9)
Amounts received specifically for new or upgraded assets		-	-
NET SURPLUS / (DEFICIT)		658	503
Other Comprehensive Income			
Changes in revaluation surplus - property, plant & equipment		1,222	-
Total Other Comprehensive Income		1,222	-
TOTAL COMPREHENSIVE INCOME		1,880	503

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 2020

		2020	2019
	Notes	\$'000	\$'000
ASSETS			
Current Assets			
Cash and cash equivalents	5	15,506	17,497
Trade & other receivables	5	2,230	1,666
Inventories	5	-	-
		<u>17,736</u>	<u>19,163</u>
Total Current Assets		<u>17,736</u>	<u>19,163</u>
Non-current Assets			
Equity Accounted Joint Venture	15	677	832
Property, Plant & Equipment	6	19,319	15,440
		<u>19,996</u>	<u>16,272</u>
Total Non-current Assets		<u>19,996</u>	<u>16,272</u>
Total Assets		<u>37,732</u>	<u>35,435</u>
LIABILITIES			
Current Liabilities			
Trade & Other Payables	7	2,339	2,201
Provisions	7	145	126
		<u>2,484</u>	<u>2,327</u>
Total Current Liabilities		<u>2,484</u>	<u>2,327</u>
Non-current Liabilities			
Provisions	7	13,735	13,475
		<u>13,735</u>	<u>13,475</u>
Total Non-current Liabilities		<u>13,735</u>	<u>13,475</u>
Total Liabilities		<u>16,219</u>	<u>15,802</u>
NET ASSETS		<u>21,513</u>	<u>19,633</u>
EQUITY			
Accumulated Surplus		20,291	19,633
Asset Revaluation Reserve		1,222	-
TOTAL EQUITY		<u>21,513</u>	<u>19,633</u>

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

SOUTHERN REGION WASTE RESOURCE AUTHORITY

STATEMENT OF CHANGES IN EQUITY for the financial year ended 30 June 2020

2020	Notes	Accumulated Surplus \$'000	Asset Revaluation Reserve \$'000	Total Equity \$'000
Balance at end of previous reporting period		19,633	-	19,633
Net Surplus/ (Deficit) for Year		658		658
Other Comprehensive Income				
Gain on revaluation of infrastructure, property, plant & equipment			1,222	1,222
Transfers between reserves		-	-	-
Distributions to Member Councils		-	-	-
Balance at end of period		20,291	1,222	21,513

2019	Notes	Accumulated Surplus \$'000	Asset Revaluation Reserve \$'000	Total Equity \$'000
Balance at end of previous reporting period		19,130	-	19,130
Net Surplus/ (Deficit) for Year		503		503
Other Comprehensive Income				
Gain on revaluation of infrastructure, property, plant & equipment		-	-	-
Transfers between reserves		-	-	-
Distributions to Member Councils		-	-	-
Balance at end of period		19,633	-	19,633

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 2020

	Notes	2020 \$'000	2019 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Operating receipts		11,743	12,337
Investment receipts		501	647
Payments			
Operating payments to suppliers & employees		(11,886)	(11,965)
Net Cash provided by (or used in) Operating Activities	8 (b)	358	1,019
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Amounts specifically for new or upgraded assets		-	-
Sale of surplus assets		-	21
Distributions received from equity accounted Joint Venture	15	900	490
Payments			
Expenditure on renewal/replacement of assets		(759)	(256)
Expenditure on new/upgraded assets		(2,490)	(120)
Capital contributed to equity accounted Joint Venture	15	-	-
Net Cash provided by (or used in) Investing Activities		(2,349)	135
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments			
Distribution to Member Councils		-	-
Net Cash provided by (or used in) Financing Activities		-	-
Net Increase (Decrease) in cash held		(1,991)	1,154
Cash & cash equivalents at beginning of period		17,497	16,343
Cash & cash equivalents at end of period	8 (a)	15,506	17,497

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 2020

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 9.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2020

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 are shown below. Depreciation of Landfill Construction and Future Capping, Rehabilitation and Restoration costs 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 estimated.

Plant, Furniture & Equipment	3-10 years
Buildings	30-50 years
Waste Facility	10-15 years
Landfill construction	Amortised proportionately to rate of filling
Future capping costs	Amortised proportionately to rate of filling
Future rehabilitation and restoration costs	Amortised proportionately to rate of filling

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2020

Note 1 - Significant Accounting Policies (cont)

6 Payables

6.1 Goods & Services

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

7 Employee Benefits

7.1 Salaries, Wages & Compensated Absences

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

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

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

7.2 Superannuation

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

Accumulation Fund Members

Accumulation fund members receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in accordance with Superannuation Guarantee Legislation 9.5% in 2019/20 (9.5% in 2018/19). 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.

Salarylink (Defined Benefit Fund) Members

Defined benefit scheme is 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. The Authority makes employer contributions as determined by the scheme's Trustee based on advice from the Scheme's Actuarial. The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willie Towers Watson as at 30 June 2020. 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.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2020

Note 1 - Significant Accounting Policies (cont)

8 Provisions for Landfill Capping, Rehabilitation and Restoration Costs

The Authority's provision for landfill capping, post closure rehabilitation costs and restoration costs are calculated based on the net present value of the future cash outflows expected to be incurred to remediate the landfill which will include the costs of capping, rehabilitating and restoring the landfill site. The measurement of the provisions requires significant estimates and assumptions such as discount rate, inflation rate, assessment of the requirements of the Environment Protection Authority (EPA) or other government authorities, the timing, extent and costs of activities required and the area of the landfill to be remediated, which is determined by volumetric aerial surveys. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Expenditure relating to ongoing rehabilitation and restoration will reduce any provision previously established.

The Authority monitors the remaining airspace, the airspace consumption efficiency (compaction) ratio, the discount rate and the inflation rate used to calculate the net present value of the future landfill capping, rehabilitation and restoration costs on an annual basis and makes adjustments to the liability as required to ensure an accurate projected cost of the liability is showing in the balance sheet.

A complete review of all future capping, rehabilitation and restoration costs including a review of all the key assumptions and estimates in relation to the measurement of these costs is performed on a regular basis with the assistance of external consultants to ensure all projected costs have been independently verified.

The dates of the last review of the key assumptions and estimates in relation to the measurement of the future capping, rehabilitation and restoration costs are shown below:

Costs	Effective Date	Independent Assessor
Capping costs	30 June 2019	Golder Associates
Restoration costs	30 June 2018	Golder Associates
Rehabilitation costs	30 June 2016	Katalyse Pty Ltd

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.

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.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2020

Note 1 - Significant Accounting Policies (cont)

12 New Accounting Standards

As a result of the introduction of AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income of Not-for-Profit Entities* which came into effect as from 1 July 2019 for the Authority, an assessment of these new accounting standards determined that these standards do not have an impact on the existing accounting policies of the Authority. The Authority has no deferred revenue arrangements nor entered into any long-term lease arrangements.

13 Valuation of Land and Building Assets

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 highest and best use. All purchases made post 30 June 2014 have been recorded at cost.

Land assets held by the Authority were valued by AssetVal with an effective valuation date of 30 June 2020 applied for financial reporting purposes. Where there is an active and liquid market as evidenced by sales transactions of similar property types, a Market approach by way of Direct Comparison or Income methods were utilised. Some parcels of land are subject to restrictions as to use and sale and the value of these land assets has been determined after considering suitable market evidence and making necessary adjustment to account for these restrictions.

14 Valuation of Landfill Assets

Landfill assets comprise the acquisition of landfills, cell development costs, landfill improvements costs and the assets related to future landfill capping, rehabilitation and restoration costs.

Assets related to future landfill capping, rehabilitation and restoration costs are valued based on the net present value of the future cash outflows expected to remediate the landfill which will include the costs of capping, rehabilitating and restoring the landfill asset. The assumptions used to estimate these costs and details of their regular review are described in item 8 – Provision for Landfill Capping, Rehabilitation and Restoration Costs.

All landfill assets are amortised proportionately to the rate of filling as described in item 5.3 Depreciation of Non-Current Assets.

15 COVID-19

Given the nature of the business activities undertaken by the Authority, there has been no restrictions imposed on waste processing operations of the Authority due to government enforced restrictions introduced as a result of the COVID-19 pandemic event.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2020

Note 2 - INCOME

	Notes	2020 \$'000	2019 \$'000
USER CHARGES			
Landfill Operations		10,746	10,578
		<u>10,746</u>	<u>10,578</u>
INVESTMENT INCOME			
Interest on investments			
Local Government Finance Authority		249	421
Banks & other		12	18
investment property rental income		240	208
		<u>501</u>	<u>647</u>
OTHER INCOME			
Other Income		204	63
Southern Recycling Centre		289	401
		<u>493</u>	<u>464</u>

Note 3 - EXPENSES

EMPLOYEE COSTS			
Salaries and Wages		1,151	1,146
Employee leave expense		10	12
Superannuation		102	95
Workers' Compensation Insurance		58	48
Less: Capitalised and distributed costs		(73)	-
Total Operating Employee Costs		<u>1,248</u>	<u>1,301</u>
Total Number of FTE Employees		13	13
MATERIALS, CONTRACTS & OTHER EXPENSES			
Prescribed Expenses			
Auditor's Remuneration		19	19
Board Expenses		39	41
Subtotal - Prescribed Expenses		<u>58</u>	<u>60</u>
Other Materials, Contracts & Expenses			
Contractors		271	418
Fuel		161	132
Equipment Hire		18	-
Maintenance		217	270
Legal Expenses		32	16
Levies paid- EPA Levy		8,542	8,010
Professional services		12	36
Southern Recycling Centre		183	255
Sundry		225	248
Subtotal - Other Materials, Contracts & Expenses		<u>9,661</u>	<u>9,385</u>
		<u>9,719</u>	<u>9,445</u>

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2020

Note 3 - EXPENSES (cont)

	Notes	2020 \$'000	2019 \$'000
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Landfill Construction		439	374
Buildings & Waste Facility		138	143
Plant & Equipment		283	351
Impairment	6	-	-
		<u>860</u>	<u>868</u>
OTHER EXPENSES			
Transfer to Provision of Cell 3-1 & 3-2 Capping		-	-
		<u>-</u>	<u>-</u>

Note 4 - ASSET DISPOSALS

PROPERTY, PLANT & EQUIPMENT			
Proceeds from disposal		-	21
Less: Carrying amount of assets sold		-	(30)
Gain (Loss) on disposal		<u>-</u>	<u>(9)</u>

Note 5 - CURRENT ASSETS

CASH & EQUIVALENT ASSETS			
Cash on Hand and at Bank		1,601	1,755
Short Term Deposits & Bills, etc		13,905	15,742
		<u>15,506</u>	<u>17,497</u>
TRADE & OTHER RECEIVABLES			
Accrued Revenues		23	37
Debtors - general		2,207	1,626
Prepayments		-	3
		<u>2,230</u>	<u>1,666</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 2020

Note 6 - PROPERTY, PLANT & EQUIPMENT

	2019				2020			
	\$'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	2,556	-	3,983	5,205	-	-	5,205
Buildings	560	4,044	(634)	3,970	560	4,081	(772)	3,869
Plant & Equipment	-	4,600	(2,980)	1,620	-	5,350	(3,252)	2,098
Office Equipment	-	153	(123)	30	-	160	(133)	27
Super Cell	-	7,565	(5,195)	2,370	-	8,202	(5,391)	2,811
Super Cell Capping	5,269	-	(2,183)	3,086	5,426	-	(2,395)	3,031
Post Closure Rehabilitation	6,064	-	(5,774)	290	6,143	-	(5,799)	344
Future Restoration Costs	4,196	-	(4,161)	35	4,228	-	(4,165)	63
Work in Progress	-	56	-	56	-	1,871	-	1,871
TOTAL PROPERTY, PLANT & EQUIPMENT	17,516	18,974	(21,050)	15,440	21,562	19,664	(21,907)	19,319
Comparatives	1,987	33,787	(20,194)	15,580	17,516	18,974	(21,050)	15,440

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2020

Note 6 - PROPERTY, PLANT & EQUIPMENT

	2019 \$'000	CARRYING AMOUNT MOVEMENTS DURING YEAR										2020 \$'000
		\$'000										
		Additions		Disposals	Depreciation	Revaluation	Adjustments	Transfer	CARRYING AMOUNT			
Capital	Renewals											
Land Buildings Plant, Equipment & Motor Vehicles Office Equipment Super Cell Super Cell Capping Post Closure Rehabilitation Future Restoration Costs Work in Progress	3,983	-	-	-	-	1,222	-	-	-	-	5,205	
	3,970	37	-	-	(138)	-	-	-	-	-	3,869	
	1,620	-	752	-	(274)	-	-	-	-	-	2,098	
	30	-	7	-	(9)	-	(1)	-	-	-	27	
	2,370	637	-	-	(196)	-	-	-	-	-	2,811	
	3,086	157	-	-	(215)	-	3	-	-	-	3,031	
	290	79	-	-	(24)	-	(1)	-	-	-	344	
	35	32	-	-	(4)	-	-	-	-	-	63	
	56	1,851	-	-	-	-	1	(37)	-	-	1,871	
	TOTAL PROPERTY, PLANT & EQUIPMENT	15,440	2,793	759	-	(860)	1,222	2	(37)	-	19,319	
Comparatives	15,580	629	256	(30)	(868)	-	(127)	-	-	15,440		

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 2020

Note 7 - LIABILITIES

		2020 \$'000		2019 \$'000	
	Notes	Current	Non-current	Current	Non-current
TRADE & OTHER PAYABLES					
Goods & Services		2,323	-	2,139	-
Payments received in advance		16	-	16	-
Accrued expenses - other		-	-	46	-
		2,339	-	2,201	-
PROVISIONS					
Annual Leave		80	-	66	-
Long Service Leave		65	17	60	25
Super Cell Capping		-	7,980	-	7,823
Post Closure Rehabilitation		-	4,064	-	3,985
Future Restoration Costs		-	1,674	-	1,642
		145	13,735	126	13,475

Movements in Provisions	Opening Balance	Additional Amounts Recognised/ (Derecognised)	Transfers	Closing Balance
Super Cell Capping	7,823	157	-	7,980
Post Closure Rehabilitation	3,985	79	-	4,064
Future Restoration Costs	1,642	32	-	1,674
Total	13,450	268	-	13,718

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2020

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 Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Notes	2020 \$'000	2019 \$'000
Total cash & equivalent assets	5	15,506	17,497
Less: Short-term borrowings		-	-
Balances per Cash Flow Statement		<u>15,506</u>	<u>17,497</u>

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

Net Surplus (Deficit)	658	503
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	860	868
Net (Gain) loss in Equity Movement Joint Venture	(745)	(437)
Movement in Landfill Provisions	-	-
Work in Progress Write-Off	-	127
Net (Gain) Loss on Disposals	-	9
	<u>773</u>	<u>1,070</u>
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	(564)	173
Net increase (decrease) in trade & other payables	138	(235)
Net increase (decrease) in other provisions	11	11
Net Cash provided by (or used in) operations	<u>358</u>	<u>1,019</u>

(c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:

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

Amounts recognised in Income Statement

- Finance Leases

	-	-
	-	-
	-	-
	-	-
	-	-

(d) Financing Arrangements

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

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

The Authority has no bank overdraft facility.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2020

Note 9 - FINANCIAL INSTRUMENTS

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits	<p>Accounting Policy: Carried at lower of cost and net realisable value; Interest is recognised when earned.</p> <p>Terms & conditions: Deposits are returning fixed interest rates of 0.25 - 1.15% (2019: 1.25 - 2.25%). Short term deposits have an average maturity of 90 days (2019: 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 2020

Note 9 (cont) - FINANCIAL INSTRUMENTS

Liquidity Analysis

		≤ 1 year	Maturity > 1 year ≤ 5 years	> 5 years	Non- interest bearing	Total
	2020	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets						
Cash & Equivalents		15,506	-	-	-	15,506
Receivables		-	-	-	2,230	2,230
Total		15,506	-	-	2,230	17,736
Financial Liabilities						
Payables		-	-	-	2,339	2,339
Total		-	-	-	2,339	2,339

		≤ 1 year	Maturity > 1 year ≤ 5 years	> 5 years	Non- interest bearing	Total
	2019	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets						
Cash & Equivalents		17,497	-	-	-	17,497
Receivables		-	-	-	1,666	1,666
Total		17,497	-	-	1,666	19,163
Financial Liabilities						
Payables		-	-	-	2,201	2,201
Total		-	-	-	2,201	2,201

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the financial year ended 30 June 2020

Note 10 - COMMITMENTS FOR EXPENDITURE

	2020 \$'000	2019 \$'000
Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Committed Projects	12,580	-
	<u>12,580</u>	<u>-</u>
Other Expenditure Commitments		
Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:		
Audit Services	-	19
	<u>-</u>	<u>19</u>
These expenditures are payable:		
Not later than one year	-	19
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
	<u>-</u>	<u>19</u>

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

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 2020 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 2020

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.

	2020 \$'000	2019 \$'000
Income	12,485	12,126
less Expenses	(11,827)	(11,614)
Operating Surplus / (Deficit)	<u>658</u>	<u>512</u>
Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	(759)	(256)
Depreciation, Amortisation, Impairment and Movement in Landfill Provisions	860	868
Proceeds from Sale of Replaced Assets	-	-
	<u>101</u>	<u>612</u>
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets	(2,490)	(120)
Amounts received specifically for New and Upgraded Assets	-	-
Proceeds from Sale of Surplus Assets	-	21
	<u>(2,490)</u>	<u>(99)</u>
Net Lending / (Borrowing) for Financial Year	<u>(1,731)</u>	<u>1,025</u>

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2020

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:

	2020 \$'000
Salaries, allowances & other short term benefits	404
Post-employment benefits	-
Long term benefits	-
Termination Benefits	37
TOTAL	441

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	5,329	747	Provision of waste disposal services
City of Holdfast Bay	969	101	Provision of waste disposal services
City of Marion	2,409	339	Provision of waste disposal services
Southern Recycling Centre	7,030	591	Provision of waste disposal services

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

The Authority has a total amount outstanding of \$0.303m to the Southern Recycling Centre as at 30 June 2020

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 2020

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.

	2020 \$'000	2019 \$'000
The Authority's respective interests are:		
- interest in operating result:	50.00%	50.00%
- 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	832	885
New Capital Contributions	-	-
Share in Operating Result	745	437
Equity Adjustment	-	-
Distributions Received	(900)	(490)
Share in Equity of Joint Operation	677	832

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 2020

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.

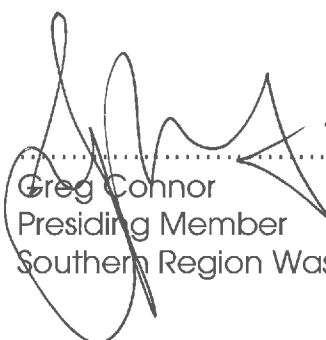


Southern Region Waste Resource Authority

Audit Committee – Auditor Independence

Presiding Member Certification

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 21 (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 the scope of the audit functions under the Local Government Act 1999.



 Greg Connor
 Presiding Member
 Southern Region Waste Resource Authority Audit Committee

26/8/2020

 Dated

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
Daniel Moon CA



CHARTERED ACCOUNTANTS™
AUSTRALIA • NEW ZEALAND

Mount Gambier

233 Commercial Street West
PO Box 246, Mount Gambier SA 5290
P: (08) 8725 3068
F: (08) 8724 9553
E: admin@galpins.com.au

Stirling

Unit 4, 3-5 Mount Barker Road
PO Box 727, Stirling SA 5152
P: (08) 8339 1255
F: (08) 8339 1266
E: stirling@galpins.com.au

Norwood

3 Kensington Road, Norwood SA 5067
PO Box 4067, Norwood South SA 5067
P: (08) 8332 3433
F: (08) 8332 3466
E: norwood@galpins.com.au

W: www.galpins.com.au

ABN: 30 630 511 757

Liability limited by a scheme approved
under Professional Standards Legislation

SOUTHERN REGION WASTE RESOURCE AUTHORITY

GENERAL PURPOSE FINANCIAL STATEMENTS

For the year ended 30 June 2020

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 2020, I have maintained my independence in accordance with the requirements of APES 110 – *Code of Ethics for Professional Accountants (including Independence Standards)*, Part 4A, 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

08 / 09 / 2020

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
Daniel Moon CA



CHARTERED ACCOUNTANTS™
AUSTRALIA • NEW ZEALAND

Mount Gambier

233 Commercial Street West
PO Box 246, Mount Gambier SA 5290
P: (08) 8725 3068
F: (08) 8724 9553
E: admin@galpins.com.au

Stirling

Unit 4, 3-5 Mount Barker Road
PO Box 727, Stirling SA 5152
P: (08) 8339 1255
F: (08) 8339 1266
E: stirling@galpins.com.au

Norwood

3 Kensington Road, Norwood SA 5067
PO Box 4067, Norwood South SA 5067
P: (08) 8332 3433
F: (08) 8332 3466
E: norwood@galpins.com.au

W: www.galpins.com.au

ABN: 30 630 511 757

Liability limited by a scheme approved
under Professional Standards Legislation

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

Opinion

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 2019 to 30 June 2020 have been conducted properly and in accordance with law.

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 in relation 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 period 1 July 2019 to 30 June 2020.

Basis for Opinion

We conducted our engagement in accordance with applicable Australian Standards on Assurance Engagement ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE 3150 *Assurance Engagement on Controls*, 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 2019 to 30 June 2020. ASAE 3000 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

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

The Authority's Responsibility for Internal Control

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.

Our Independence and Quality Control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, and applied Auditing Standard ASQC 1 *Quality Control for Firms that Performs Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this assurance engagement.

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 receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Information* and ASAE 3150 *Assurance Engagements on Controls*, 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 2019 to 30 June 2020. ASAE 3000 also requires us to comply with the relevant ethical requirements for the Australian professional accounting bodies.

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved so that fraud, error, or non-compliance with laws and regulations may occur and not 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.

Limitations 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.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS



Simon Smith FCPA, Registered Company Auditor

Partner

08 / 09/ 2020

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
 Daniel Moon CA



CHARTERED ACCOUNTANTS™
 AUSTRALIA • NEW ZEALAND

Mount Gambier

233 Commercial Street West
 PO Box 246, Mount Gambier SA 5290
 P: (08) 8725 3068
 F: (08) 8724 9553
 E: admin@galpins.com.au

Stirling

Unit 4, 3-5 Mount Barker Road
 PO Box 727, Stirling SA 5152
 P: (08) 8339 1255
 F: (08) 8339 1266
 E: stirling@galpins.com.au

Norwood

3 Kensington Road, Norwood SA 5067
 PO Box 4067, Norwood South SA 5067
 P: (08) 8332 3433
 F: (08) 8332 3466
 E: norwood@galpins.com.au

W: www.galpins.com.au

ABN: 30 630 511 757

Liability limited by a scheme approved
 under Professional Standards Legislation

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 2020, 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 2020, 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 (including Independence Standards)* (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 of the financial report 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 the audit of the financial report in order to design procedures that are appropriate in the circumstances, but for the purpose of expressing an opinion on the effectiveness of the Authority'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.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

08 / 09 / 2020



Southern Region Waste Resource Authority Board Chairperson – Auditor Independence

I, Mark Booth, the person occupying the position of Chairperson 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
 Chairperson
 Southern Region Waste Resource Authority Board

7 / 9 / 20
 Dated

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

I, Scott Ashby 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*.



Scott Ashby
Chief Executive Officer
City of Onkaparinga

15/9/20
Dated



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

Noarlunga office
Ramsay Place
Noarlunga Centre
Telephone (08) 8384 0666
Facsimile (08) 8382 8744

Aberfoyle Park office
The Hub
Aberfoyle Park
Telephone (08) 8384 0666
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



PO Box 21, Oaklands Park
South Australia 5046

245 Sturt Road, Sturt
South Australia 5047

T (08) 8375 6600

F (08) 8375 6699

E council@marion.sa.gov.au

**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

3/9/2020
...../...../.....
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.



holdfast.sa.gov.au

Brighton Civic Centre 24 Jetty Road, Brighton SA 5048

PO Box 19 Brighton SA 5048

P 08 8229 9999 F 08 8298 4561

Glenelg Customer Service Centre and Library

2 Colley Terrace, Glenelg SA 5045

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

I, Roberto Bria, 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.


.....
Roberto Bria
Chief Executive Officer
City of Holdfast Bay

4.9.2020
.....
Dated

ATTENDANCE AT BOARD MEETINGS

BOARD MEMBERS	MEETINGS HELD WHILST MEMBER	MEETINGS ATTENDED
CHAIRMAN Mark Booth	8	7
CITY OF ONKAPARINGA Kirk Richardson	8	8
CITY OF ONKAPARINGA Richard Peat	8	5
CITY OF MARION Adrian Skull	8	3
CITY OF MARION Ian Crossland	8	4
CITY OF HOLDFAST BAY Roberto Bria	8	8
CITY OF HOLDFAST BAY John Smedley	8	7
DEPUTY BOARD MEMBERS		
Please Note: Deputy Members are only required to attend a Meeting when the Member is an apology		
CITY OF ONKAPARINGA Heidi Greaves	8	2
CITY OF MARION Bruce Hull	8	1
CITY OF MARION Ray Barnwell	8	4
CITY OF MARION Sorana Dinmore <i>Proxy Representative for Adrian Skull</i>	3	3
CITY OF HOLDFAST BAY Clare Lindop	8	5

ATTENDANCE AT AUDIT COMMITTEE MEETINGS

	MEETINGS HELD WHILST MEMBER	MEETINGS ATTENDED
Please Note: Deputy Members are only required to attend a Meeting when the Member is an apology		
PRESIDING MEMBER Greg Connor	4	4
David Powell	4	4
Sam Spadavecchia	4	4
Mark Booth	4	4
John Smedley <i>Deputy SRWRA Representative</i>	4	0

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, OBJECTIVES AND KEY MEASURES	STATUS
RESOURCE RECOVERY OBJECTIVES	
Complete recycling shed extension	Achieved
Progress Materials Recovery Facility and Solar Farm	Achieved
Identify and assess the feasibility of advanced waste treatments opportunities as they arise	Achieved
Assess the feasibility of a bio-pad for either 'organics' from SRC or clean greens	Achieved
Identify and support potential markets/business opportunities for recovered resources	Achieved
Seek expert advice regarding the impact of planning and zoning to determine the best use of the buffer land	Achieved
RESOURCE RECOVERY KEY MEASURES	
Diversion of incoming waste material from landfill >25%	Achieved 39%
Future landfill airspace = 30 years	Achieved
Carbon emission offset >100,000 tonnes pa	Achieved
Deliver agreed projects on time and on budget	Achieved
STAKEHOLDER RELATIONSHIPS OBJECTIVES	
Establish and maintain consistent communication with stakeholders and communities to ensure SRWRA's role and capabilities are understood	Achieved
Provide information to Constituent Councils to support them with waste avoidance and positive waste behaviours and initiatives	Achieved
Identify industry initiatives and outcomes that are locally relevant and provide to Constituent Councils	Achieved



AIMS, OBJECTIVES AND KEY MEASURES	STATUS
STAKEHOLDER RELATIONSHIPS KEY MEASURES	
One presentation to Elected Members in each Constituent Council per annum	Achieved
Bi-monthly communication with Constituent Councils	Achieved
OPERATIONAL EXCELLENCE OBJECTIVES	
EPA Licence is renewed by 31 July 2019	Achieved
Update LEMP to reflect new EPA Licence	In Progress
Conduct review of Charter (due 2019)	In Progress
Review and update Governance Manual	In Progress
Review and update Policies and Procedures	Achieved
Implement 2019 Risk Evaluation Action Plan (WHS&IM)	Achieved
Future landfill rehabilitation and capping is assessed and funded over the lifetime of the site	Achieved
Deliver operating surplus	Achieved
Review fill plan and program supercell construction	Achieved
Establish strategic and operational KPI's	In Progress
OPERATIONAL EXCELLENCE MEASURES	
Maintain EPA Licence	Achieved
Reduction in the number of lost time injuries from the previous year	Achieved
Achieve or surpass operating surplus budget	Achieved

WORK HEALTH AND SAFETY

LOST TIME INJURIES

At SRWRA safety is part of our culture, a value considered with each decision made by management and staff. SRWRA is committed to providing a healthy and safe work environment that minimises the risk of injury or illness arising from work activities.

SRWRA's Key Measure for lost time injuries for 2019-2020 is a reduction in the number of lost time injuries from the previous year.

SRWRA recorded zero lost time injuries in 2019-2020 which represents a 100% reduction over the previous twelve months which meets the Annual Business Plan Key Measure for 2019-2020.

ANNUAL LOST TIME INJURIES

(Lost time injuries represent one complete shift or more of lost time)

2018-2019	2019-2020
1	0

INJURY MANAGEMENT

SRWRA received one new workers compensation claim during 2019-2020. This is a 66.67% decrease in claims lodged this year compared to the previous year.



PROCUREMENT

SRWRA is committed to a fair, transparent and accountable process when acquiring goods and services, consistent with Section 49 of the Local Government Act 1999.

Each year goods and services are procured to support the delivery of the Annual Business Plan and Budget. The SRWRA Board has adopted the Procurement Policy to govern all procurement activities, excluding the purchase and disposal of land and other assets owned by the Authority.

In certain circumstances, the Authority may, after approval from its Board, waive application of this Policy and pursue a method which will bring the best outcome for the SRWRA. The Authority must record its reasons in writing for waiving application of this Policy.

Annual procurement performance:

NUMBER OF PROCUREMENT EVENTS	NUMBER OF PROCUREMENT POLICY WAIVERS
393	5

Key reasons for the granting of Procurement Policy waivers in the last 12 months include:

- the best value for money outcome for SRWRA
- the limited size of the market and the number of credible suppliers
- the proprietary nature of specialised products
- expert knowledge and technical capability in a specific field
- leveraging existing infrastructure owned by third parties





SRWRA CONSTITUENT
COUNCILS



SRWRA

112 Bakewell Drive
Seaford Heights SA 5169

T 08 8327 0304

E info@srwra.com.au

W srwra.com.au/contact

**COUNCIL SOLUTIONS REGIONAL AUTHORITY
GENERAL PURPOSE FINANCIAL REPORTS
for the period 1 July 2019 to 28 February 2020**

TABLE OF CONTENTS

	<u>Page</u>
Certification of Financial Statements	2
Principal Financial Statements	
Statement of Comprehensive Income	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	5
Notes to, and forming part of, the Principal Financial Statements	
Note 1 - Significant Accounting Policies	6
Note 2 - Income	8
Note 3 - Expenses	8
Note 4 - Current Assets	9
Note 5 - Liabilities	9
Note 6 - Reconciliation to Cash Flow Statement	10
Note 7 - Financial Instruments	11
Note 8 - Related Party Disclosures	12
 Council Solutions Regional Authority's Certificate of Audit Independence	
Audit Certificate of Audit Independence	
Audit Report	

**COUNCIL SOLUTIONS REGIONAL AUTHORITY
CERTIFICATION OF FINANCIAL STATEMENTS
for the period 1 July 2019 to 28 February 2020**

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 28 February 2020 and the results of its operations and cash flows for the period 1 July 2019 to 28 February 2020.
- 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.



.....
Jeff Tate
Chair of The Board

Date: 17 February 2020

COUNCIL SOLUTIONS REGIONAL AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
for the period 1 July 2019 to 28 February 2020

	Notes	2020 \$'000	2019 \$'000
INCOME			
Investment Income	2	2	7
Management Fees	2	218	1,056
Other Income	2	81	270
Total Income		301	1,333
EXPENSES			
Materials, contracts & other expenses	3	386	960
Total Expenses		386	960
OPERATING SURPLUS / (DEFICIT)		(86)	373
NET SURPLUS / (DEFICIT)		(86)	373
Total Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME		(86)	373

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

COUNCIL SOLUTIONS REGIONAL AUTHORITY
BALANCE SHEET
as at 28 February 2020

	Notes	2020 \$'000	2019 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	-	539
Receivables	4	743	342
Total Current Assets	4,7	743	881
Total Assets		743	881
LIABILITIES			
Current Liabilities			
Trade & Other Payables		743	37
Other Current Liabilities		-	15
Total Current Liabilities	5,7	743	52
Total Liabilities	5,7	743	52
NET ASSETS		-	829
EQUITY			
Accumulated Surplus		-	686
Share Capital		-	143
TOTAL EQUITY		-	829

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

COUNCIL SOLUTIONS REGIONAL AUTHORITY
STATEMENT OF CHANGES IN EQUITY
for the period 1 July 2019 to 28 February 2020

	Initial Contribution by Owners \$'000	Accumulated Surplus \$'000	Total \$'000
2020			
Opening Balance	143	686	829
Net Surplus for Year	-	(86)	(86)
Distribution of Capital on winding up	(143)	(600)	(743)
Balance at end of period	-	-	-
	Initial Contribution by Owners \$'000	Accumulated Surplus \$'000	Total \$'000
2019			
Opening Balance	143	313	456
Net Surplus for Year	-	373	373
Balance at end of period	143	686	829

COUNCIL SOLUTIONS REGIONAL AUTHORITY

Notes to and forming part of the Financial Statements for the period 1 July 2019 to 28 February 2020

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 28 February 2020

Note 1 - Significant Accounting Policies, con't

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 2019 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.

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

AASB 16 Leases, which will commence from 1 July 2019, requires that the right of use conveyed by leasing contracts - except leases with a maximum term of 12 months and leases for non-material amounts - be recognised as a form of Infrastructure, Property, Plant and Equipment, and that the lease liability be disclosed as a liability.

At 28 February 2020, Council has no leases to which this treatment will need to be applied.

COUNCIL SOLUTIONS REGIONAL AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period 1 July 2019 to 28 February 2020

Note 2 - INCOME

	2020 \$'000	2019 \$'000
INVESTMENTS		
Interest Income	2	7
	<u>2</u>	<u>7</u>
REBATES		
Management Fees	218	1,056
	<u>218</u>	<u>1,056</u>
OTHER INCOME		
Reimbursements	81	270
	<u>81</u>	<u>270</u>

Note 3 - EXPENSES

	2020 \$'000	2019 \$'000
MATERIALS, CONTRACTS & OTHER EXPENSES		
Advertising	-	-
Audit Fees	2	4
Catering	0	1
Contractors	24	40
Consultant Fees	1	92
Insurance	11	28
IT Expenses	-	23
Legal Fees	24	35
Membership Fees & Subscriptions	32	5
Motor Vehicle	2	2
Reimbursements - Salary & Wages	247	665
Rent	25	27
Sitting Fees	14	19
Sundry	0	13
Telephone	2	2
Training and Development	2	4
	<u>386</u>	<u>960</u>

COUNCIL SOLUTIONS REGIONAL AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period 1 July 2019 to 28 February 2020

Note 4 - CURRENT ASSETS

	2020 \$'000	2019 \$'000
CASH & CASH EQUIVALENTS		
Cash at Bank	-	539
	<u>-</u>	<u>539</u>
RECEIVABLES		
Accounts Receivables	33	226
Accrued Income	-	116
City of Adelaide	710	-
	<u>743</u>	<u>342</u>
TOTAL CURRENT ASSETS	<u>743</u>	<u>881</u>

Note 5 - LIABILITIES

	2020 \$'000	2019 \$'000
TRADE & OTHER PAYABLES		
Creditors	743	28
Expenses Accrued	-	9
	<u>743</u>	<u>37</u>
OTHER CURRENT LIABILITIES		
Payable to Adelaide City Council	-	15
	<u>-</u>	<u>15</u>
TOTAL LIABILITIES	<u>743</u>	<u>52</u>

COUNCIL SOLUTIONS REGIONAL AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period 1 July 2019 to 28 February 2020

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.

	2020	2019
	\$'000	\$'000
Cash at Bank	-	539
Balances per Cash Flow Statement	-	539

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

Net Surplus	(86)	373
Net (increase)/decrease in Receivables	(401)	222
Net increase/(decrease) in Current Liabilities	(52)	(230)
Net Cash provided by (or used in) operations	(539)	365

COUNCIL SOLUTIONS REGIONAL AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period 1 July 2019 to 28 February 2020

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;

2019-20	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%	-	-	-	-	-
Receivables	0.0%	-	-	-	-	743
Total Financial Assets		-	-	-	-	743
Financial Liabilities:						
Creditors and Provisions	0.0%	-	-	-	-	743
Total Financial Liabilities		-	-	-	-	743

2018-19	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%	539	-	-	-	539
Receivables	0.0%	-	-	-	-	342
Total Financial Assets		539	-	-	-	881
Financial Liabilities:						
Creditors and Provisions	0.0%	-	-	-	-	52
Total Financial Liabilities		-	-	-	-	52

(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 period 1 July 2019 to 28 February 2020**

Note 8 - RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL

The Key Management Personnel of the Council include the Chair of the Board, the Board, Independent Members of the Audit Committee and the General Manager.

Salaries, allowances & other short term benefits paid by Council Solutions to KMP were \$49k (2018-19) and \$232k (2018-19)

The following qualifying related party disclosures have been identified:

Related Party Entity	Amounts received from related parties during the period 1 July 2019 to 28 February 2020	Amounts outstanding from related parties as at 28 February 2020	Amounts outstanding to related parties as at 28 February 2020
	\$ '000	\$ '000	\$ '000
City of Adelaide	22	-	-
City of Charles Sturt	22	-	-
City of Marion	22	-	-
City of Salisbury	-	-	-
City of Tea Tree Gully	-	-	-
City of Onkaparinga	-	-	-

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 period 1 July 2019 to 28 February 2020

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 period 1 July 2019 to 28 February 2020, 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.

.....
Jeff Tate
CHAIR - Council Solutions

Date: 17 February 2020

.....
Kirk Richardson
ACTING CHIEF EXECUTIVE OFFICER
City of Onkaparinga

Date: 28/01/2020

.....
Paul Sutton
CHIEF EXECUTIVE OFFICER
City of Charles Sturt

Date: 24/01/2020

.....
John Harry
CHIEF EXECUTIVE OFFICER
City of Salisbury

Date: 3/2/2020

.....
Tanya Johnston
Presiding Member of Audit Committee

Date: 06 FEB 2020

.....
Mark Goldstone
CHIEF EXECUTIVE OFFICER
Adelaide City Council

Date: 29/1/2020

.....
Adrian Skull
CHIEF EXECUTIVE OFFICER
City of Marion

Date: 24 January 2020

.....
John Moyle
CHIEF EXECUTIVE OFFICER
Tea Tree Gully Council

Date: 24th January 2020

Ian G McDonald FCA



Council Solutions Regional Authority

ANNUAL FINANCIAL STATEMENTS For the period 1/7/2019 to 28/2/2019

STATEMENT BY AUDITOR

We confirm that, for the audit of the financial statements of the Council Solutions Regional Authority for the period ended 28 February 2020, 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 4th day of February 2020

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 period 1/7/2019 to 28/2/2020.

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 28 February 2020 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.

Ian G McDonald FCA
Registered Company Auditor

Dated at Grange this 18th day of February 2020



Corporation of the City of Marion Report to the Finance and Audit Committee and Elected Members for the year ended 30 June 2020

Emma Hinchey
Chair, Finance & Audit Committee
Corporation of the City of Marion
245 Sturt Road
STURT SA 5047

6 October 2020

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 2020.

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 2020 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 13 October 2020 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



Lee Girolamo
Audit Partner

Contents

Executive Summary



A. Audit focus areas



B. Other audit focus areas



C. Internal control



D. Summary of uncorrected misstatements and disclosure deficiencies



E. Independence

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 2020.

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 2020 ("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 2019 to 30 June 2020 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 2020.

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. I

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.

Summary of uncorrected misstatements

We have not identified any uncorrected misstatements for the year ended 30 June 2020.

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 control

Misstatements and deficiencies

Independence

Our audit procedures were focused on those areas of the City of Marion'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

Other Focus areas

Internal control

Misstatements and deficiencies

Independence

Areas of Audit Focus

The majority of Infrastructure, Property, Plant & Equipment gets re-valued on an annual basis at a value equal to depreciated replacement cost per City of Marion policy. In the 2020 financial year the revaluation resulted in a net decrease in revaluation surplus of \$9.13m.

Summary of response and findings

Deloitte performed the following:

Evaluation of the assumptions made by your independent expert (APV) in their valuation report, by comparing the assumptions they have made with prior year valuation reports and understanding any material variances. We also performed testing around the key controls in the property, plant and equipment business cycle.

Our detail testing covered the following areas:

- Existence of fixed assets
- Additions of fixed assets
- Disposal of fixed assets

We have also performed the following procedures:

- Developing an expectation of depreciation expenditure in accordance with policy.
- Review of the reconciliation of the fixed asset register to the financial statements.

We noted no issues through our testing for the year ending 30 June 2020.

A. Audit focus areas

Rates Revenue and Grant Income

Audit focus areas

Other Focus areas

Internal control

Misstatements and deficiencies

Independence

Areas of Audit Focus

Rate revenue has been identified as a significant transaction cycle given the size of the account balance. 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:

- The Council has a right to receive the revenue, or
- The Council has control over the grant funding.

Summary of response and findings

Deloitte performed the following:

Rate Revenue

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.

No issues in relation to rate revenue were noted.

Grant Income

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.

We noted no issues through our testing for the year ending 30 June 2020.

A. Audit focus areas

Rates Revenue and Grant Income

Audit focus areas

Areas of Audit Focus

Implementation of new accounting standard (AASB 15 & AASB 1058)

Other Focus areas

Summary of response and findings

Deloitte performed the following:

We made enquiries with management of the process for implementation of new accounting standards

We reviewed management's position paper with respect to the first time adoption of the two new standards impacting revenue and other income:

- AASB 15 "Revenue from Contracts with Customers"; and
- AASB 1058 "Income of Not-for-Profit Entities".

We obtained an understanding of the business process for accounting for revenue and other income and whether the requirements of AASB 15 or AASB 1058 apply to the transactions; and ensured appropriate impacts, restatements and disclosure are made for the new Accounting Standards.

Management has elected to adopt the modified retrospective method on transition to the new standards with an application date of 1 July 2019.

For opening balance as at 1 July 2019 testing:

The opening balance adjustment recorded by management totalled \$5.6 million. We obtained the listings of grants received but not expended in full during prior years and tested a sample to ensure the opening balance adjustment was calculated appropriately.

For closing balance as at 30 June 2020 testing:

\$9.4 million of grant funding has been recorded as Payments received in advance (current liability). We have obtained the grant register and tested a sample of grants by tracing back to the grant deeds to ensure it is recognised per the new accounting standard.

We noted no issues on the adoption of new accounting standard (AASB 15 & AASB 1058) for the year ended 30 June 2020.

A. Audit focus areas

Rates Revenue and Grant Income

Audit focus areas

Other Focus areas

Internal control

Misstatements and deficiencies

Independence

Areas of Audit Focus

Implementation of new accounting standard (AASB 16)

Summary of response and findings

Deloitte performed the following:

We made enquiries with management of the process for implementation of new accounting standards and reviewed management's position paper with respect to the first time adoption of AASB 16 "Leases".

We obtained the lease workings from the management and reviewed the ROU asset and lease liability workings and noted they were made up of a number of low value leases. We reviewed management's calculation and ensured the leases are appropriately accounted for.

We noted no issues on the adoption of new accounting standard (AASB 16) for the year ended 30 June 2020.

A. Audit focus areas

Expenditure

Audit focus areas

Other Focus areas

Internal control

Misstatements and deficiencies

Independence

Areas of Audit Focus

Given the volume, magnitude and public accountability of City of Marion expenditures the preventative and detective controls over expenditures, including the budgetary cycle were given consideration.

Summary of response and findings

Deloitte performed the following:

Detailed testing has been performed over operating expenditure.

For employee costs, an expectation was developed using staff numbers, average pay and known increases awarded.

Depreciation expenditure was analysed for each asset category for compliance with the City of Marion approved policy which also included an assessment of the useful lives and residual values of the fixed assets.

No issues in relation to these account balances were noted.

B. Other audit focus areas

Key audit matters

Other focus areas

Internal control

Misstatements
and deficiencies

Independence

Non-compliance with applicable laws and regulations

In performing our audit of the City of Marion for the year ended 30 June 2020 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.

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.

COVID-19 Impact Assessment

We performed an inquiry with management and reviewed the financial performance of the year. The impact of COVID-19 has been limited due to the nature of the Council. The only minor impacts include an immaterial decrease in income from parking fines, admission fees due to the slightly earlier closure of the Marion Outdoor Pool and revenue from the temporary closure of the libraries, neighbourhood centres and cultural centres for a number of months offset by the reduction in related expenditure. No employees were made redundant as a result of COVID-19.

We did not note any significant issues to the City of Marion due to COVID-19.

C. Internal controls

Key audit matters

Other Focus areas

Internal controls

Misstatements
and deficiencies

Independence

Objective

We were engaged to perform a compliance audit of the City of Marion with the requirements of Section 125 of the Local Government Act 1999 in relation to the Internal Controls established by the City of Marion to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2019 to 30 June 2020 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 2020, 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 City of Marion for the year ended 30 June 2020 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 2020, 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



Future Considerations

The City of Marion 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 City of Marion.

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.

Key audit matters

Other Focus areas

Internal controls

Misstatements
and deficiencies

Independence

D. Summary of uncorrected misstatements and disclosure deficiencies



Key audit matters

Other Focus areas

Internal control

Misstatements
and deficiencies

Independence

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 2020.

Summary of disclosure deficiencies

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

E. Independence Declaration

Key audit matters

Other Focus areas

Internal control

Misstatements
and deficiencies

Independence

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

27 October 2020

Dear Members

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

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

I confirm that, for the audit of the financial statements of the Corporation of the City of Marion for the 30 June 2020 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

Lee Girolamo
Partner

E. Independence Letter

Key audit matters Emma Hinchey
Chair, Finance and Audit Committee
Corporation of the City of Marion

Other Focus areas 245 Sturt Road
STURT SA 5047

Internal controls 6 October 2020

Misstatements and deficiencies Dear Emma

Independence

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 1999* or of any applicable code of professional conduct in relation to the audit for the financial year ended 30 June 2020.

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 7070.

Yours faithfully
Deloitte Touche Tohmatsu

Lee Girolamo
Partner



About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities. DTTL (also referred to as "Deloitte Global") and each of its member firms and their affiliated entities are legally separate and independent entities. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

About Deloitte Australia

In Australia, the Deloitte Network member is the Australian partnership of Deloitte Touche Tohmatsu. As one of Australia's leading professional services firms, Deloitte Touche Tohmatsu and its affiliates provide audit, tax, consulting, and financial advisory services through approximately 8000 people across the country. Focused on the creation of value and growth, and known as an employer of choice for innovative human resources programs, we are dedicated to helping our clients and our people excel. For more information, please visit our web site at <https://www2.deloitte.com/au/en.html>.

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



The Corporation of the City of Marion

Management letter

Year ended 30 June 2020

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

6 October 2020

Dear Sir

Matters arising from the Audit of the Corporation of the City of Marion for the year ended 30 June 2020

We have completed our audit of the Corporation of the City of Marion ("the Council") for the year ended 30 June 2020, and our Report to the Finance and Audit Committee and Elected Members was discussed at the Finance and Audit Committee meeting on 13 October 2020. That report included the most significant internal control, accounting and other matters which came to our attention during the 30 June 2020 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 2020 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

Lee Girolamo
Partner

Contents

1	Introduction and scope of work	4
2	Audit Findings – Internal Controls	5
	Risk Matrix	6
2.1.1	Authority Exception Reports – Masterfile Changes	7
2.1.2	Council Grant Funding	8
2.1.3	Asset Database Maintenance	8

DRAFT

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 2020. The scope of our audit was set out in our audit engagement letter dated 14 May 2020 and the audit service plan dated 19 May 2020.

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 2020.

DRAFT

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	9	26	36	11	2	0	3	87
Findings	0	1	0	1	0	0	0	2
No Findings	9	25	36	10	2	0	3	85

Risk Matrix

The Risk Ratings provided in this report were based on the criteria below and have been determined in accordance with the Local Government Act –Better Practice model.

Likelihood	5 (almost certain)					
	4 (likely)					
	3 (possible)					
	2 (unlikely)					
	1 (rare)	2.1.1, 2.1.2, 2.1.3				
		1 (insignificant)	2 (minor)	3 (moderate)	4 (major)	5 (critical)
		Consequence				

Key

Extreme

High

Moderate

Low

Findings Raised in Prior Year

Observation	Implication	Recommendation	Management Update - 30 June 2020
2.1.1 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 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>Deficiency in this control means there is no formal way of monitoring changes to the debtors master file data.</p>	<p>Deloitte recommends that changes to the debtor master file are reviewed and supported with documented evidence of review.</p>	<p>Management has decided that the removal of a control is not appropriate. As the system remains to not be able to generate a report that shows changes to the Masterfile, this will continue to be a finding.</p> <p>Management is finalising its requirements to go to market for a finance system as part of its Financial Transformation project. This requirement will be considered as part of that process.</p>

Findings Raised in Current Year

Observation	Implication	Recommendation	Management Response
2.1.2 Council Grant Funding			
<p>REV-GRA-0001</p> <p>It is noted that there is no clear policy on grant funding detailing the assessment process, recognition, treatment, claim collection, community expectations and funding period and, disclosure of any conflicts of interest.</p> <p>To mitigate the control deficiency, management have implemented a process to report monthly to the Council with regard to the tracking of grants received by Council and grant applications submitted.</p>	<p>Deficiency in this control means there is no formal way of monitoring grant funding not claimed by council on a timely basis or not claimed at all.</p>	<p>Deloitte recommends that Council implement a formal policy with respect to grant funding, detailing the assessment process, recognition, treatment, claim collection, community expectations, funding period and disclosure of any conflicts of interest.</p>	<p>Management have an action plan to implement a formal policy by December 2020.</p>
2.1.3 Asset Database Maintenance			
<p>ASS-FIX-0031</p> <p>It was noted that no formal reconciliation is currently performed on the asset listings that are provided to the valuers at year end. As the listings are not integrated and reconciled to the general ledger, the completeness of these listings cannot be ensured.</p>	<p>Deficiency in this control means there is no way of ensuring the completeness of the asset listings that are maintained by the asset team.</p>	<p>Deloitte recommends that the asset listings are integrated with the general ledger system and reconciliation be supported with documented evidence of review.</p>	<p>Management is aware of this issue and are in the process of assessing options for the replacement of its Asset Management System. This will extend to include that all control requirements can be met including links back to the general ledger.</p>



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities. DTTL (also referred to as "Deloitte Global") and each of its member firms and their affiliated entities are legally separate and independent entities. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

About Deloitte

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 150 countries and territories serves four out of five Fortune Global 500® companies. Learn how Deloitte's approximately 286,000 people make an impact that matters at www.deloitte.com.

About Deloitte Asia Pacific

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which are separate and independent legal entities, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Osaka, Shanghai, Singapore, Sydney, Taipei and Tokyo.

About Deloitte Australia

In Australia, the Deloitte Network member is the Australian partnership of Deloitte Touche Tohmatsu. As one of Australia's leading professional services firms, Deloitte Touche Tohmatsu and its affiliates provide audit, tax, consulting, and financial advisory services through approximately 8000 people across the country. Focused on the creation of value and growth, and known as an employer of choice for innovative human resources programs, we are dedicated to helping our clients and our people excel. For more information, please visit our web site at <https://www2.deloitte.com/au/en.html>.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte Network

© 2020 Deloitte Touche Tohmatsu.

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

Originating Officer	Manager Corporate Governance - Kate McKenzie
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager City Services - Tony Lines
Report Reference	FAC201013R11

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 Mr Lee Girolamo and Richard Wong 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:**

-

Finance and Audit Committee Annual Report to Council 2019/20

Originating Officer	Manager Corporate Governance - Kate McKenzie
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager City Services - Tony Lines
Report Reference	FAC201013R12

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 2019/20 in accordance with the Committee's Terms of Reference, prior to being presented to General Council on 27 October 2020.

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 2019/20 provided at Attachment 1 to this report, subject to amendments as required, prior to being presented to the General Council meeting on 27 October 2020.**

Attachment

#	Attachment	Type
1	FAC Annual Report 2019-20	PDF File

REPORT TO THE CITY OF MARION COUNCIL ON THE OPERATIONS OF THE FINANCE AND AUDIT COMMITTEE FOR 2019/20

INTRODUCTION

This report provides an overview of the City of Marion Finance and Audit Committee (The Committee) operations for 2019/20 financial year.

Clause 4.21 of the Finance and Audit Committee Terms of Reference provides that the Finance and Audit Committee shall report annually to the Council summarising the activities of the Committee during the previous 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;
 - Risk and internal control,
 - Financial reporting and prudential requirements,
 - Service reviews and internal audit.
- Meeting statistics;
- Future work scheduled for 2020/21

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 risk management framework.

During this financial year, the Committee reviewed the Risk Management Policy and Framework with the inclusion of a risk appetite statement and alignment to the new ISO 31000 2018 Risk Management Standards. This review enhanced the leadership commitment, provided better defined governance roles and responsibilities and further embedded the risk management systems and processes across the Council.

The City of Marion is operating with a solid organisational culture of integrity and ethical values. The Committee recognises that it has a mature and planned internal and external audit program. They are both outsourced, creating an increased level of independency to review the Council's control environment. The audits take a risk approach and a small number of high-risk recommendations have been identified. Majority of the recommendations identified sit below Council's risk tolerance.

The Committee met with both Auditors in confidence with no issues reported. The Council continues to benefit from the audit programs which assist test control environments and mitigate organisational risks.

It is evident that the Council's governance, prudential obligations and risk management culture continues to improve and reduce risk to acceptable levels.

SUMMARY OF WORK PERFORMED DURING THE FINANCIAL YEAR (2019/20)

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

COVID19 and Business Continuity

The unprecedented impacts of COVID-19 were experienced during the 2019/20 financial year and the City of Marion enacted a Business Continuity level 3 response which was reported to the Committee. The current Management had not enacted the Business Continuity Plan at this scale before, however it was the Committee's view that they were well trained and prepared for managing the main impacts to the business.

It was timely that the Committee had reviewed the Business Continuity Management Policy and Framework in August 2019. The Policy and Framework were both subsequently adopted by Council. The Committee also noted that the next planned exercise would not take place due to the real-life incident of COVID-19 still being underway.

The Committee is expecting further reporting on the impacts on COVID 19 through both the external audit for 2019/20 and the internal audit program. This work will be presented to the Committee in 2020/21.

External Audit 2018/19 (considered in October 2019)

- The 2018/19 external audit was completed by Deloitte Touch Tohmatsu in accordance with the Australian Auditing Standards and the requirements of the Local Government Act 1999. No contraventions of the *Local Government Act 1999* were identified, and an unmodified audit opinion was given by Deloitte's identifying that:
 - The financial statements provide a true and fair view of the Council's financial position for the year ended 30 June 2019.
 - No misstatements with a material impact were noted.
 - The audit focused on Infrastructure, Property, Plant and Equipment (IPPE), rates and revenue and grant income.
 - The Council reflected a strong financial position and demonstrated good performance by reporting an Operating Surplus of \$12.134m.
 - Total Operating income for 2018/19 was \$95.637m compared to \$92.566m in 2017/18. The increase of \$3.071m predominantly results from an increase in Rates of \$2.3m (from an adopted rate increase of 1.8% + growth) in addition to the advance receipt of 2019/20 and 2020/21 Supplementary Road grant funding of \$0.963m.
 - Other key variances reported on the Statement of Comprehensive Income are Amounts Received Specifically for New or Upgraded Assets (up \$3.117m) predominantly relating to State Government Grants received for the Sam Willoughby International BMX Track (\$1.3m) and Birch Crescent Streetscape (\$1.8m). Physical resources received free of charge has increased by \$5.189m primarily due to contributed assets relating to the Tinsley redevelopment. Depreciation has dropped by 11%.
- The Committee did note that the financial ratios are conflicting, as the Council is in a strong position but is keeping a lot in reserves. The Committee noted at the time that the Council's capital works program for 2019/20 was \$44m which was an ambitious program to deliver.
- 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 Committee recommended the adoption of the Audited Financial Statements for 2018/19 to Council 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 2020/21*. The Committee noted the large capital works program and several major projects are due to commence.
- The Committee was supportive of the original 1.6% proposed rate increase however after the impacts of COVID-19, Council adopted a 0% rate increase which the Committee concurred with.
- The Committee reviewed three Section 48 Prudential Reports, for Mitchell Park, BMX and the Southern Football (soccer) Facility. The Committee recommended that further design work, costs estimates, and financial analysis was required for Mitchell Park before Council progressed the project. Both section 48 reports for BMX and Southern Football Facility were recommended to Council to progress.

Internal Audit

- The Committee endorsed a new two-year Internal Audit program for 2019-2021 with audits aligned to Council's high risks. This internal audit program was developed in conjunction with the Council's collaborative partner (City of Charles Sturt) and any identified collaborative audits were undertaken across both Councils.
- The internal audits undertaken and presented to the Committee during the financial year included:
 - Payroll (Collaborative)
 - ITT Governance
 - Metrics that Matter
 - Leasing
- Each of these audits had various findings and the Committee continues to monitor closely the implementation of recommendations.
- The Internal Audit Program was 2020/21 was set, with reviews being undertaken on:
 - COVID-19 Business Continuity Response
 - Stores Management (Collaborative)
 - Asset Inspections and Schedules
 - Control Assurance Mapping
 - Project Carry Overs
 - Sport Management Models (TBC)

Internal Controls and Risk Management

- A Risk Management Maturity Assessment was completed to identify the 'current' and 'desired' state of risk management maturity. The results being working into a 3-year Strategic Risk Management Plan.
- Risks continue to be reviewed and assessed on a quarterly basis or as required. All high risks are reviewed by the Risk Working Group and then reported to Council quarterly. This year has seen the introduction of this report also coming to the Committee.
- The Committee noted the changed risk profile during the COVID-19 response which was documented within the corporate risk register.
- Committee considered the corporate risk profile at its meeting in May 2020. This report identified 109 risks with ten (10) risks being rated as high, 78 as medium and 21 as low (after consideration of controls). The 10 high risks come from the following categories:

- | | |
|--------------------------------|---------------------------------------------|
| 1. Property and Infrastructure | 6. Business Continuity and Community Safety |
| 2. WHS Management | 7. Environment Management/ Climate Change |
| 3. Governance and Risk | 8. Human Resources |
| 4. ICT/Cyber Security | |
| 5. Contractor Management | |

- The Committee requested further work to occur the assessment of risk ratings including the current and forecasted risk ratings.

Service Reviews

- The Council continues to deliver a service review program however it is now set as a cross council program with Charles Sturt and Port Adelaide Enfield.
- Key reviews that were completed and presented to the Committee included the Utilities Management Review (Collaboration) and the Neighbourhood Centre Review.

Asset Management

- The Committee provided feedback on the Asset Management Strategy in August 2019 and reviewed eight Asset Management Plans in preparation for public consultation. The Committee noted that the Plans span 10 years to support the long-term asset planning for the Council.

Other

Other reports considered by the Committee in 2019/20 included;

- WHS – Annual Performance Report 2019
- Project Management Framework Update
- Asset Valuation Process and Outcomes
- Fraud and Corruption Management Annual Performance Report 2019
- Debtors Report
- Investment Performance 2018/19
- Claims and Insurance Report 2018/19
- FAC Annual Report to Council 2018/19
- Southern Region Waste Resources Authority (SRWRA) Update
- Ombudsman's Annual Report 2018/19
- Framework and Key Assumptions for the preparation of the 2020/21 ABP&B and LTFP
- Confidential report relating to an incident
- The Committee's work program and meeting schedule for 2020

DETAILS OF MEETINGS

During 2019/20, five meetings were convened;

- 20 August 2019 (joint Council and FAC Forum)
- 8 October 2019
- 10 December 2019
- 25 February 2020
- 19 May 2020

The Committee went into confidence on five (5) occasions to consider the following reports;

- Service Review - Corporate Information and Communication Technology (FAC190820F01)
- Meeting with the External Auditors in Confidence (without management present) (FAC191008R05)
- Meeting with the Internal Auditors in Confidence (without management present) (FAC191008R06)
- Southern Region Waste Resource Authority (SRWRA) Materials Recovery Facility (MRF) (FAC191210F01)
- Disclosure Incident (FAC200225F01)

Committee Member attendance at meetings overview		
Member	Eligible to attend	Attended
Mr Greg Connor (Chairperson til November 2019)	2	2
Ms Emma Hinchey (Chairperson from December 2019)	5	4
Ms Natalie Johnston	5	5
Mr David Papa	3	3
Councillor Tim Gard	5	4
Councillor Kendra Clancy	3	2
Councillor Ian Crossland	1	0
Councillor Matthew Shilling	1	0

FUTURE WORK PROGRAM PROPOSAL

Major items for the Committee to review and provide comment / feedback for 20/21 include:

- Development of a Risk Management Plan 2020-23
- Continued work on Council's Risk Profile
- Internal Audit Program
- Business Continuity and impacts of COVID-19
- Annual Business Plan and Budget 2021/22
- Committee Effectiveness Review
- ITT and Cyber Risks

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 currently and previously involved in the Committee being my fellow Finance and Audit Committee Members and the Council's Elected Members. I would also like to thank the management team for their hard work in the production of quality reporting that allows robust and fruitful discussions and for their open-minded approach to working collaboratively with the Committee and inviting and welcoming constructive feedback from the committee.

Emma Hinchey
Chairperson
City of Marion Finance and Audit Committee

Corporate Risk Quarterly Report

Originating Officer	Unit Manager Risk - Sherie Walczak
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager City Services - Tony Lines
Report Reference	FAC201013R13

REPORT OBJECTIVE

To seek feedback from the Finance and Audit Committee (FAC) on the review of the Corporate Risk Register in line with the Risk Management Framework. This will provide assurance to FAC in accordance with their Terms of Reference to provide "*effective management of risk and the protection of Council assets*" and to provide assurance of the continued implementation of effective risk management initiatives across the organisation.

EXECUTIVE SUMMARY

The review for this quarter follows on from a comprehensive review undertaken last quarter through a supported partnership approach by the Risk Coordinator. As such, the relevant Senior Leadership Team members undertook a desktop review for this quarter.

The review resulted in the total number of risks identified in the Corporate Risk Register remaining static with 102 risks. The current risk ratings are: 6 high, 71 medium and 25 low. The summary of quarterly review outcomes for the last 12 months illustrates recent movement in our risk exposure are provided in **Attachment 1/Table 1**.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Provides feedback on the outcomes of the risk review undertaken.**

BACKGROUND

The Corporate Risk Register is reviewed and reported on a quarterly basis, with the Risk Unit offering support to risk owners (SLT members) and control owners (generally Unit Managers). This quarterly review process is well entrenched in the risk reporting schedule.

The Corporate Risk Register was last reported for Quarter 4 (April to June) 2020 at its meeting 18 August 2020 (FAC200818R08) and feedback positively endorsed the risk review process and methodology taken, the movement of risk and the future management and reporting of high risks.

REVIEW OUTCOMES

The review undertaken in the current reporting period being Quarter 1, July to September 2020, resulted in the total number of risks identified in the Corporate Risk Register remaining static with 102 risks. The current risk ratings are: 6 high, 71 medium and 25 low. The summary of quarterly review outcomes for the last 12 months illustrates recent movement in our risk exposure are provided in **Attachment 1/Table 1**.

Only one risk, relating to the unauthorised or inadvertent access to and amendment of confidential personnel records, was re-rated from a current and forecast rating of Low to Medium given the consequence was re-rated from minor to medium.

Given the introduction of the Digital Transformation program, the Manager ITT (the Risk Owner of ITT and Project Management risks) has requested that a comprehensive workshop be undertaken during the next quarter.

The Risk Unit has also identified further risks that may benefit from a comprehensive review, supported by the new Risk Coordinator. These include Waste, Contract/Contractor Management and LKCC.

ENVIRONMENTAL SCANNING

Every quarter, the organisation undertakes an environmental scan using the PESTLER model, focussing on the micro and macro environment. The latest environmental scan suggests areas for continued observation to be:

- Downturn in economic indicators from COVID-19 related restriction measures present the potential for an increase in the rate of financial distress and inability to pay rates.
- The recent and further potential COVID-19 0% rate increase have a compounding affect on the Long Term Budget and Business Plan.
- The effects of COVID-19 causing mental distress amongst the community, which may lead to an increase in demand on our facilities and services (which may be an opportunity). It may also lead to an increase in aggressive customer interaction and antisocial behaviour in the community.
- The increase in competing projects for potential grant funding.
- Workload pressures associated with the rate of change to the way we work, the internal and external initiatives in response to COVID-19 and the increasing amount of new and potential projects.

CONCLUSION

The quarterly risk review process, culminating in an updated Corporate Risk Register, provides assurance to the organisation and its stakeholders of an integrated approach to identifying and managing risks.

Attachment

#	Attachment	Type
1	Corporate Risk Quarterly Review - Risk Movement as at Q1 2020-21	PDF File

Risk Outcomes for Quarter 1 (July-September) 2020

Risk Profile Movement

The quarterly movement of risks identified in the Corporate Risk Register is outlined in Table 1 with the high risks being highlighted in red.

Table 1: Quarterly Movement During Quarterly Reporting Period

Period:	Qtr 2: Oct to Dec 2019			Qtr 3: Jan to Mar 2020			Qtr 4: Apr to Jun 2020			Qtr 1: Jul to Sep 2020			
Corporate Risk	I	C	F	I	C	F	I	C	F	I	C	F	Overall Impact*
Extreme	20	0	0	20	0	0	26	0	0	26	0	0	↔
High	71	8	0	71	10	0	62	6	0	62	6	0	↔
Medium	18	79	65	18	78	70	14	70	58	14	71	59	↑
Low	0	22	44	0	21	39	0	26	44	0	25	43	↓
Total	109	109	109	109	109	109	102	102	102	102	102	102	
Current High Risk %		7%			9%			6%			6%		

*Key: I = Inherent, C = Current, T = Target

*Overall impact from Inherent Risk Rating to Target Risk Rating

Re-rated Risks

As the Corporate Risk Register underwent a comprehensive review during last quarter, Risk Owners reviewed their risks however only one risk has been re-rated this quarter, outlined in Table 2.

Table 2: Risks Re-rated During Quarterly Reporting Period

Risk Ref	Work Area	Risk Description	Inherent Rating	Current Rating	Forecast Rating	Comment
PSU04	People & Culture	Unauthorised or inadvertent access to, and amendment of, confidential personnel records	High	Medium	Medium	Consequence rating revised from minor to medium resulting in Current and Forecast risk rising from Low to Medium

Risks Identified for Further Review

The desktop review identified risks that are recommended for a more comprehensive review be undertaken to seek more detailed input from their teams and other stakeholders (the Digital Transformation program may impact on several ITT risks) to better inform the risk assessment and proposed mitigation strategies and are outlined in Table 3.

Table 3: Risk Identified for Further Review

Risk Ref	Risk Description	Rationale
ITT01	Failure to optimise current and future ICT technologies to achieve strategic objectives and business outcomes	Review risk description (ie: Decentralised unsupported and unintegrated ICT systems) and associated causes, consequences risk ratings and further actions
ITT02	Poor data quality and information governance not supporting informed decision making	Review risk description (ie: Corrupted, Inaccurate, inaccessible data) and associated causes, consequences risk ratings and further actions
ITT03	Failure to maintain Cyber Security assurance across all CoM systems and worksites	Review risk description (ie: Cyber-attack compromises all or part of CoM Systems) and associated causes, consequences risk ratings and further actions
ITT04	Failure to deliver key corporate initiatives/projects as identified by the business	Review risk description (ie: Inability to meet ICT requirements of adopted Corporate projects and programs) and associated causes, consequences risk ratings and further actions
ITT05	Inability to deliver key Council services due to disruption or loss of critical business systems	Review risk description (ie: loss of critical business systems) and associated causes, consequences risk ratings and further actions
PMA01	Failure to manage projects and portfolio to deliver on strategic objectives and outcomes	Risk ownership of Project Management risk changed recently due to the restructure and the new manager has requested a supported review in collaborate with the new Risk Coordinator

Current High Rated Risks

Although the Risk Appetite outlined in the Risk Management Framework outlines varying tolerance levels for specific risk criteria, the reporting structure requires that risks with a current risk rating of extreme or high are to be reported to the Risk Working Group and therefore, to Council via its Finance and Audit Committee.

The current profile of risks identified with a High current risk rating is outlined in Table 4, with focus drawn to those circled in red, and a summary of all High current rated risks is provided in Table 5.

Table 4. Profile of Corporate Risks as at end September 2020

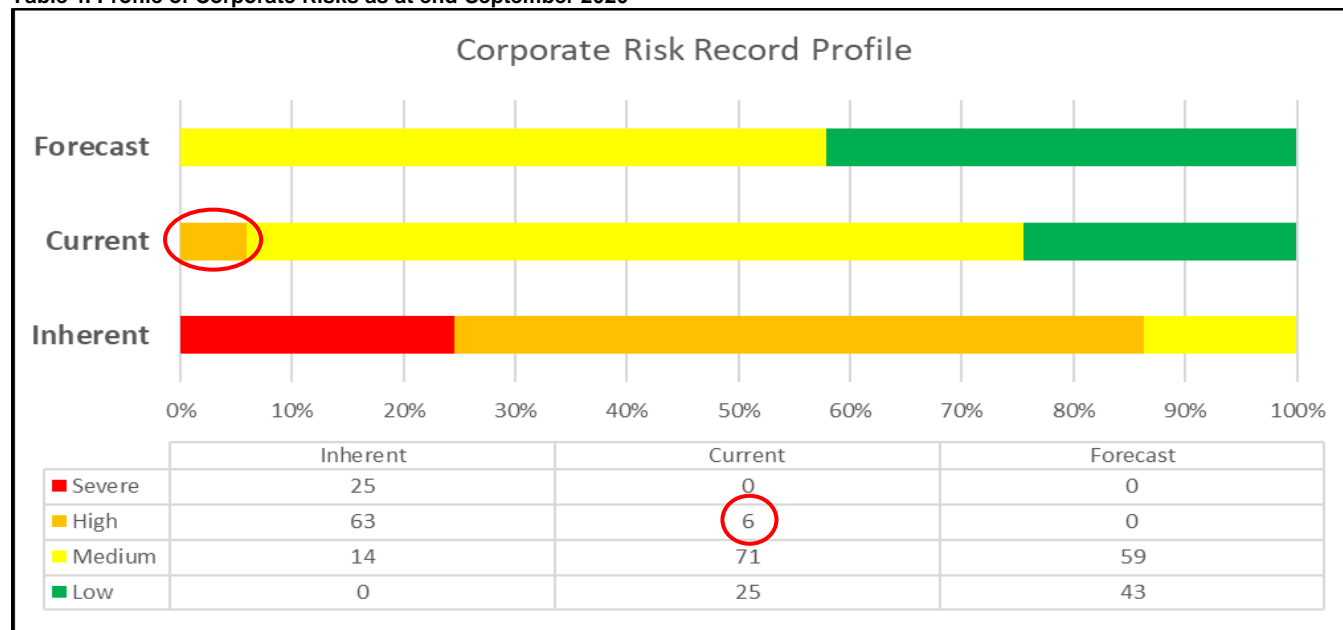


Table 5. Evaluation of High Risks in Quarter 4: July – September 2020

Risk Ref	Risk Description	Inherent Risk Rating	Current Risk Rating	Qtr Mvmnt	Ongoing treatments
ESU03	Failure to understand, plan and act to respond to the projected impacts of climate change.	Extreme	High	↔	<ol style="list-style-type: none"> 1. Update Review of climate change projections/observations & use of pathways approaches in adaptation planning as part of the Resilient South Regional Implementation Plan review. 2. Develop & implement a Climate Risk Governance program 3. Implement findings of Coastal Climate Adaption Plan 4. Undertake a skills/capability audit & document training gaps in the TNA 5. Implementation of CoM Climate Risk & Governance 2019 Assessment gap analysis recommendations 6. Development of a Carbon Neutral Plan to achieve carbon neutrality by 2030 for Council operations (includes development of ESD Guidelines for Council Buildings) 7. Integration of environmental impacts and climate change into AMPs
GOV02	Ineffective relationships between Elected Members or with Council Administration which does not facilitate or support good decision making	High	High	↔	<ol style="list-style-type: none"> 1. Implementation of LG reforms including introduction and application of revised behavioural standards code 2. Undertake a Council effectiveness survey
GOV10	Inability to prevent, prepare, respond to and promote resilience in the community in the event of an emergency ie pandemic (human disease), earthquake, flood, extreme heat, bushfire and terrorism	Extreme	High	↔	<ol style="list-style-type: none"> 1. Implementation of LGA Council Ready Action Plan 2. Implementation of IMT response to COVID19 for Elected Members, employees and the community
ITT02	Poor data quality and information governance not supporting informed decision making	Extreme	High	↔	<ol style="list-style-type: none"> 1. Implementation of the ICT Service Review recommendations 2. Develop a new Data Governance Framework 3. DTP – COM9 data analytics 4. Seek endorsement of Data Governance/Database Administrator to implement and oversee the Data Governance Framework 5. Move systems into Cloud
ITT04	Failure to deliver key corporate initiatives/projects as identified by the business	High	High	↔	<ol style="list-style-type: none"> 1. Align DT program with CoM change agenda 2. Recruit 2 x Project Managers to DT program 3. Finalise stabilisation of current operating environment for BAU activities 4. Develop and implement annual resource plan aligned to proposed Corporate programs 5. Engage external Program Director to report to DT
LPR02	Harm, injury, damage or near miss incident arising out of a failure of CoM contractors to comply with contract conditions and CoM HSE requirements	High	High	↔	<ol style="list-style-type: none"> 1. City Property staff to undertake Procurement & Contractor Management training 2. Establish a contractor management process for Property Maintenance

Monitoring of Further Mitigating Treatment Action

Risk Owners remain responsible for ensuring the timely delivery of further actions identified to mitigate and manage risk with progress being monitored and reported quarterly to Risk Working Group. To assist Risk Owners, the Risk Unit will commence monthly monitoring with overdue treatments reported to the relevant Risk Owners.

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

Originating Officer	Manager Corporate Governance - Kate McKenzie
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager City Services - Tony Lines
Report Reference	FAC201013R14

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 Eric Beere 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.**
- 2. Include the following comments within the minutes:**

-

Internal Audit Program 2020/21

Originating Officer	Manager Corporate Governance - Kate McKenzie
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager City Services - Tony Lines
Report Reference	FAC201013R15

REPORT OBJECTIVE

To provide the Finance and Audit Committee (the Committee) with a progress update of the Internal Audit Plan for 2020/21.

EXECUTIVE SUMMARY

At its meeting of 19 May 2020, the Committee considered and recommended that the following internal audits be completed in 2020/21.

- COVID-19 Business Continuity Response (Quarter 1) (in progress)
- Stores Management (Collaborative) (Quarter 2) (in progress)
- Assurance Mapping (Quarter 2/3) (commencing October 2020)
- Project carry-overs (Quarter 2) (scope meeting set for October 2020 - circulate scope out of session and present scope to FAC in December 2020)
- Asset Inspections Schedule (Quarter 3) (**Attachment 1**)
- Community Facilities Management Models (Quarter 4) (to be discussed, however scope to be presented in December 2020)

The Internal Audit Program is currently on track for completion within the 2020/21 financial year. The following status on each review is provided below:

COVID-19 Business Continuity Response - In progress

The field work on this review is well under way. A two hour workshop (Road to the Future) with Toni Jones occurred on 6 October 2020.

Stores Management (Collaborative) - In progress

The field work is complete. A close out meeting with City of Marion occurred on the 7th October. A collaborative workshop with both Councils occurred on Thursday, 8 October 2020. The report is being finalised.

Assurance Mapping (Quarter 2/3) - Scoping complete

The scope was presented to the FAC meeting in August. This internal audit is scheduled to commence in the week of 12 October 2020.

Project carry-over (Quarter 2) - Scoping

Currently discussing timing for a scope meeting. This will be circulated to the Committee out of session and presented in December 2020.

Asset Inspections Schedule (Quarter 3) - Scoping - Attachment 1

The scope for this audit is included at Attachment 1 for Committee review and feedback.

Community Facilities Management Models (Quarter 4) - yet to commence

This scope is due to be presented to the Committee in February 2021.

Integrity Framework Review

Outside the scope of the Internal Audit Program, Council has participated in a pilot Integrity Framework Review with Local Government Risk Services and Marsh Insurance. The review aimed to assist and support Councils to appropriately respond to the increased attention and inquiry into Council's operating environment. It focused on Finance, HR and Procurement to identify fraud risks and discuss the most appropriate fraud risk controls. The City of Marion was the first Council in SA to undertake the review, with the Cities of Charles Sturt and Port Adelaide Enfield also being part of the pilot. The field work has been completed, however the findings report has not yet been provided. Any recommendations from this review will be reported to the Committee and will be tracked within internal audit recommendations.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Notes the progress of the Internal Audit Program.**
- 2. Provide feedback on the Asset Inspections Schedule scope document.**

Attachment

#	Attachment	Type
1	CoM20_Asset Inspection Schedule Internal Audit_Scope_08Oct20	PDF File



City of Marion

Internal audit project scope: **Asset Inspection Schedule**

October 2020



Internal Audit Program 2020/21: Asset Inspection Schedule

In accordance with the 2020/21 Internal Audit Plan for the City of Marion (CoM), an internal audit project focussing on the CoM's Asset Inspection Schedule is to be performed. The objective, scope and approach are outlined below.

Objective

The objective of this internal audit will be to review the CoM's asset inspection processes, including the planning and scheduling of asset inspections and consideration to a risk-based assessment regime. This audit will also consider the extent to which all levels or types of Council assets are included in inspection regimes.

Scope of services

The scope of the Asset Inspection Schedule internal audit will consider the following areas:

- Review of documented policies and procedures which provide governance over asset inspections, including the CoM's Asset Management Plans.
- Understanding the CoM's planning, scheduling and delivery processes for asset inspections and ensuring the asset inspection program is fit for purpose and carried out in a timely and productive manner according to risk.
- Review and consideration of asset inspections undertaken for the following:
 - Level 1 and Level 3 asset inspections for high risk assets such as bridges and decks, coastal walkways, retaining walls and drainage assets
 - Fleet, Plant and Equipment asset inspections
 - Asset inspections undertaken by the City Property and Open Spaces teams, such as light towers, buildings and playgrounds.

- Management of identified issues and defects including consideration of the completion rates of actions (i.e. work orders are completed within the required timeframes).
- Monitoring and reporting mechanisms over asset inspections and issues and defects, with a view of identifying any opportunities for improvement.
- High level consideration of the appropriateness of asset inspection intervals against better practice.

Approach

The approach for the Asset Inspection Schedule internal audit project will include:

- Review of key documentation relating to asset inspections, including the CoM's Asset Management Plans.
- Consultation with key stakeholders to understand asset inspection processes at the CoM, including walkthroughs of key systems and processes.
- Testing over a sample of assets to assess whether inspections have been completed in line with Council requirements.
- Consideration of systems used in relation to asset inspection activities.
- Consideration of reporting and oversight of asset inspection activities.
- Preparation of an internal audit reporting detailing our findings, improvement opportunities and recommendations.



Stakeholders

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

Personnel	Position title
Kate McKenzie	Manager Corporate Governance
Tony Lines	General Manager City Services
Mathew Allen	Manager Engineering, Assets and Environment
Brendon Lyons	Unit Manager Asset Solutions
Brett Jaggard	Unit Manager Open Space Operations
Thuyen Vi-Alternetti	Manager City Property
Geoff Norris	Team Leader Community Assets
Roger Belding	Unit Manager Operational Support

Resources and Budget

The team members and proposed budget for the Asset Inspection Schedule internal audit project are listed in the following table:

Name	Position	Hourly rate (excl. GST)	Est. hours	Sub-total (excl. GST)
Eric Beere	Partner	\$355	12.0	\$4,260
Jonathan Giesecke	Associate Director (Subject Matter Expert)	\$260	22.5	\$5,850
Heather Martens	Associate Director	\$260	10.0	\$2,600
Scott Jeffree	Senior Consultant	\$155	70.0	\$10,850
Total (excl. GST)				\$23,560

Timing

The proposed timing for the Asset Inspection Schedule internal audit project is for the project to commence in January 2021 with a draft report completed for consideration by late-February 2021.



Approvals

We are in agreement with the scope document for the Asset Inspection Schedule internal audit project.

CoM Internal Audit Project Sponsor: KPMG Internal Audit Partner:

Name: Tony Lines

Name: Eric Beere

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 Finance and Audit Committee 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.

WORKSHOP / PRESENTATION ITEMS - Nil

OTHER BUSINESS

MEETING CLOSURE