Our Vision

A City which values its heritage, cultural diversity, sense of place and natural environment.

A progressive City which is prosperous, sustainable and socially cohesive, with a strong community spirit.
To all Members of the Audit Committee

Committee Members
- Mayor Robert Bria
- Cr John Minney (Presiding Member)
- Cr Mike Stock
- Mr Peter Holmes (Independent Member)

Staff
- Mario Barone (Chief Executive Officer)
- Sharon Perkins (General Manager, Corporate Services)
- Andrew Alderson (Financial Services Manager)

NOTICE OF MEETING

I wish to advise that pursuant to Sections 87 and 88 of the Local Government Act 1999, the next Ordinary Meeting of the Audit Committee, will be held in the Mayors Parlour, Norwood Town Hall, 175 The Parade, Norwood, on:

Monday 25 February 2019, commencing at 7.00pm

Please advise Sharon Perkins on 83664585 or email sperkins@npsp.sa.gov.au, if you are unable to attend this meeting or will be late.

A light meal will be available from 6.45pm.

Yours faithfully

Mario Barone
CHIEF EXECUTIVE OFFICER
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VENUE Mayors Parlour, Norwood Town Hall

HOUR

PRESENT
Committee Members
Staff

APOLOGIES Mayor Robert Bria

ABSENT

TERMS OF REFERENCE:
The Audit Committee is responsible to facilitate:
- the enhancement of the credibility and objectivity of internal and external financial reporting;
- propose and provide information relevant to a review of the Council’s Strategic Management Plans and Annual Business Plan;
- the review and reporting on any matter relating to financial management or the efficiency and economy with which the Council manages its resources;
- effective management of financial and other risks and the protection of the Council’s assets;
- compliance with laws and regulations related to financial and risk management as well as use of best practice guidelines;
- the provision of an effective means of communication between the external auditor, management and the Council;
- proposing and reviewing the exercise of powers under Section 130A of the Local Government Act 1999;
- review Annual Financial Statements to ensure that they present fairly the state of affairs of the Council;
- liaising with the Council’s Auditor; and
- reviewing the adequacy of accounting, internal control reporting and other financial management systems and practices of the Council on a regular basis.

1. CONFIRMATION OF MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON OCTOBER 2018

2. PRESIDING MEMBER’S COMMUNICATION

3. QUESTIONS WITHOUT NOTICE

4. QUESTIONS WITH NOTICE
   Nil

5. WRITTEN NOTICES OF MOTION
   Nil

6. STAFF REPORTS
6.1 2019-2020 ANNUAL BUSINESS PLAN AND BUDGET PROCESS, PARAMETERS AND OBJECTIVES

REPORT AUTHOR: Financial Services Manager
GENERAL MANAGER: General Manager, Corporate Services
CONTACT NUMBER: 8366 4585
FILE REFERENCE: S/5042
ATTACHMENTS: Nil

PURPOSE OF REPORT

The purpose of this report is to provide the Audit Committee with an outline of the 2019-2020 Annual Business Plan and Budget Process.

BACKGROUND

Legislative Requirements

Pursuant to Section 123 of the Local Government Act 1999 (the Act), each financial year, the Council is required to prepare an Annual Business Plan and Annual Budget. The Annual Business Plan and Annual Budget are to be adopted by the Council after 31 May for the ensuing financial year and except in a case involving extraordinary administrative difficulty, before 31 August for the financial year.

Pursuant to Section 123(2) of the Act and in Regulation 6 of the Local Government (Financial Management) Regulations 2011 (the Regulations), each Annual Business Plan of a Council must—

(a) include a summary of the Council's long-term objectives (as set out in its strategic management plans); and

(b) include an outline of—
   (i) the Council's objectives for the financial year; and
   (ii) the activities that the Council intends to undertake to achieve those objectives; and
   (iii) the measures (financial and non-financial) that the Council intends to use to assess the performance of the Council against its objectives over the financial year; and

(c) assess the financial requirements of the Council for the financial year and, taking those requirements into account, set out a summary of its proposed operating expenditure, capital expenditure and sources of revenue; and

(d) set out the rates structure and policies for the financial year; and

(e) assess the impact of the rates structure and policies on the community based on modelling that has been undertaken or obtained by the Council; and

(f) take into account the Council's long-term financial plan and relevant issues relating to the management and development of infrastructure and major assets by the Council; and

(g) address or include any other matter prescribed by the Regulations.

Pursuant to Section 123 (3) of the Act, prior to adoption of the Annual Business Plan, a twenty-one (21) day public consultation period is required to be undertaken. During the public consultation period, the Council must make available copies of the draft Annual Business Plan at its Principle place of business. At the conclusion of the public consultation period, a Public Meeting is to be held where members of the community can ask questions and make submissions regarding the draft Annual Business Plan.
RELEVANT STRATEGIC DIRECTIONS & POLICIES

The Council’s Strategic Management Plan, CityPlan 2030: Shaping Our Future, the long-term financial plan and Whole-of-Life Asset and Infrastructure Management Plans, provide the basis and framework upon which the Council’s Annual Business Plan and Budget is based.

FINANCIAL AND BUDGET IMPLICATIONS

The Council’s Long-Term Financial Plan (LTFP), sets out the Councils’ financial goal as, “A City which delivers on our Strategic Outcomes by managing our financial resources in a sustainable and equitable manner”, in short, the Council’s ongoing goal is to be financially sustainable.

The Local Government Association of South Australia defines financial sustainability as:

“A Council’s long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.”

• The key elements to the definition are:
  – ensuring the maintenance of a Council’s high priority expenditure programs, both operating and capital;
  – ensuring a reasonable degree of stability and predictability in the overall rate burden; and,
  – promoting a fair sharing in the distribution of Council resources and the attendant taxation between current and future ratepayers.

In simple terms, financial sustainability means positioning the Council so that it can continue to provide quality services, programs and facilities and maintain the Council’s infrastructure to a defined service standard, with stable rate increases (removal of sudden increases) and ensuring inter-generational equity.

The Council will need to ensure that its Annual Business Plan and Budget, contains objectives and financial parameters which will deliver a responsible budget and meet the reasonable needs of the community on an equitable and “value for money” basis. For the 2019-2020 Financial year, the LTFP projects an Operating Surplus of $0.964 million, based on a Rate Revenue increase of 2.42%.

It should be noted that as in previous years, in order to ascertain the true cost of providing the various services, programs and facilities which are provided by the Council and the required increase in Rate Revenue, Grant Income of $0.260m which is expected to be received in the 2018-2019 Financial Year under the Federal Governments Roads-to-Recovery Program, has been excluded from the Operating Surplus target of $1.224 million, to determine the target Operating Surplus of $0.964 million as Roads-to-Recovery funding is spent on Capital Road Projects.

EXTERNAL ECONOMIC IMPLICATIONS

The Annual Business Plan and Budget will have an economic impact on property owners and suppliers of goods and services to the Council, the level of which will be dependent on the final decisions taken in respect to the level of income required to meet proposed expenditure.

SOCIAL ISSUES

Nil.

CULTURAL ISSUES

Nil.

ENVIRONMENTAL ISSUES

Nil.
RESOURCE ISSUES

Nil.

RISK MANAGEMENT

Financial Management issues and Annual Business Plan preparation processes are governed by the *Local Government Act 1999* and Regulation 6 of the Local Government (Financial Management) Regulations 2011. All budget documentation will need to be prepared in accordance with the relevant statutory requirements.

CONSULTATION

- **Elected Members**
  Not Applicable.

- **Community**
  Not Applicable.

- **Staff**
  Not Applicable.

- **Other Agencies**
  Not applicable.

DISCUSSION

As stated in the Financial and Budget Implications Section of this report, the 2019-2020 Annual Budget should be developed with reference to and within the framework of the LTFP, which sets out an Operating Surplus of $0.964 million for the 2019-2020 Financial Year, excluding Grant Income of $0.260m, which will be received through the Federal Governments Roads-to-Recovery Program.

To ensure that the financial targets are achieved, the 2019-2020 Annual Budget must be set with reference to similar key influences and assumptions.

At its meeting held on 21 January 2019, the Council adopted “in principle” the following Budget Parameters and assumptions for the purposes of preparing the adopted 2019-2020 Annual Business Plan and Budget:

- the Recurrent Operating Budget be prepared on a “business as usual” basis;
- the continuation of previously recognised ongoing operational savings;
- maximum Material, Contracts and Other Expenses cost escalation be set at 2.5%;
- wages and salaries increases be set in line with the Council’s Enterprise Bargaining Agreements;
- maximum combined increase in overall budget be based on salary increase and 2.4% non-salary increase;
- fees and charges not set by Legislation be increased by 2.4% at a minimum;
- new Capital Projects to be considered and approved within the context of the LTFP;
- new services and one off projects to be funded through Rate Revenue increases or by expenditure savings; and
- new capital projects being funded through long term borrowings.

A timetable for the preparation of the 2019-2020 Budget, as set out in Table 1 below, has been adopted by the Council to ensure that the Council is in a position to adopt the 2019-2020 Annual Business Plan and Annual Budget at the Council meeting to be held on 1 July 2019.
# TABLE 1: KEY BUDGET PROCESS ACTIVITIES 2018-2019

<table>
<thead>
<tr>
<th>KEY STEPS</th>
<th>DATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget process, parameters and objectives adopted</td>
<td>Monday 21 January 2019 (Council Meeting)</td>
</tr>
<tr>
<td>Fees and charges adopted in principle by the Council</td>
<td>Monday 4 March 2019 (Council Meeting)</td>
</tr>
<tr>
<td>Recurrent Budget Workshop with Elected Members</td>
<td>Wednesday 27 March 2019</td>
</tr>
<tr>
<td>Recurrent Budget considered</td>
<td>Wednesday 10 Apr 2019 (Special Meeting)</td>
</tr>
<tr>
<td>Operating and Capital Projects considered</td>
<td>Wednesday 17 April 2019 (Special Meeting)</td>
</tr>
<tr>
<td>Draft Annual Business Plan, rating model and projects carried forward</td>
<td>Monday 6 May 2019 (Council Meeting)</td>
</tr>
<tr>
<td>Infrastructure Whole of Life endorsed</td>
<td></td>
</tr>
<tr>
<td>Draft Annual Business Plan available for viewing or purchase by the public</td>
<td>Wednesday 8 May 2019</td>
</tr>
<tr>
<td>Meeting to receive Public submissions on the Annual Business Plan</td>
<td>Wednesday 29 May 2019</td>
</tr>
<tr>
<td>Consideration of public submissions</td>
<td>Wednesday 12 June 2019 (Special Council Meeting)</td>
</tr>
<tr>
<td>Adoption of Annual Business Plan and Budget</td>
<td>Monday 1 July 2019 (Council Meeting)</td>
</tr>
</tbody>
</table>

With respect to the public consultation on the Annual Business Plan, a Public Meeting is proposed to be held on 29 May 2019, to allow members of the community to present any comments which they wish to make on the 2019-2020 Annual Business Plan and Budget, to the Council.

**OPTIONS**

Not Applicable.

**CONCLUSION**

Nil.

**COMMENTS**

Nil.

**RECOMMENDATION**

That the report be received and noted.
6.2 2018-2019 MID YEAR BUDGET REVIEW

REPORT AUTHOR: Financial Services Manager
GENERAL MANAGER: General Manager, Corporate Services
CONTACT NUMBER: 8366 4585
FILE REFERENCE: S/5075
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of this report is to provide the Audit Committee with a summary of the forecast Budget position for the year ended 30 June 2019, following the Mid-Year Budget Review. The forecast is based on the year-to-date November 2018 results.

BACKGROUND

Pursuant to Section 123 (13) of the Local Government Act 1999, the Council must, as required by the Regulations, reconsider its Annual Business Plan or its Budget during the course of a financial year and, if necessary or appropriate, make any revisions.

The Budget Reporting Framework set out in Regulation 9 of the Local Government (Financial Management) Regulations 2011 (“the Regulations”), comprises two (2) types of reports, namely:

1. the Budget Update; and
2. the Mid-year Budget Review.

Budget Update

The Budget Update Report sets outs a revised forecast of the Council’s Operating and Capital investment activities compared with the estimates for those activities set out in the Adopted Budget. The Budget Update is required to be presented in a manner consistent with the note in the Model Financial Statements titled Uniform Presentation of Finances.

The Budget Update Report must be considered by the Council at least twice per year between 30 September and 31 May (both dates inclusive) in the relevant financial year, with at least one (1) Budget Update Report being considered by the Council prior to consideration of the Mid-Year Budget Review Report.

The Regulations requires a Budget Update Report to include a revised forecast of the Council’s operating and capital investment activities compared with estimates set out in the Adopted Budget, however it is recommended by the Local Government Association that the Budget Update Report should also include at a summary level:

- the year to date result;
- any variances sought to the Adopted Budget or the most recent Revised Budget for the financial year; and
- a revised end of year forecast for the financial year.

Mid-Year Review

The Mid-Year Budget Review must be considered by the Council between 30 November and 15 March (inclusive) in the relevant financial year. The Mid-Year Budget Review Report sets out a revised forecast of each item shown in its Budgeted Financial Statements compared with estimates set out in the Adopted Budget presented in a manner consistent with the Model Financial Statements. The Mid-Year Budget Review Report must also include revised forecasts for the relevant financial year of the Council’s Operating Surplus Ratio, Net Financial Liabilities Ratio and Asset Sustainability Ratio compared with estimates set out in the budget presented in a manner consistent with the note in the Model Financial Statements titled Financial Indicators.
The Mid-year Budget Review is a comprehensive review of the Council’s Budget and includes the four principal financial statements, as required by the Model Financial Statement, detailing:

- the year to date result;
- any variances sought to the Adopted Budget; and
- a revised full year forecast of each item in the budgeted financial statements compared with estimates set out in the Adopted budget.

The Mid-year Budget Review Report should also include information detailing the revised forecasts of financial indicators compared with targets established in the Adopted Budget and a summary report of operating and capital activities consistent with the note in the Model Financial Statements entitled *Uniform Presentation of Finances.*

**RELEVANT STRATEGIC DIRECTIONS & POLICIES**

The Council’s Strategic Management Plan and associated directions are set out in *City Plan 2030 – Shaping our Future.* The 2018-2019 Annual Business Plan Budget, sets out the proposed services, programs and initiatives for the 2018-2019 Financial Year and explains how the Council intends to finance its continuing services, programs and initiatives which are to be undertaken during the financial year.

The Council’s Long Term Financial Plan (LTFP), is a key document in the Council’s Planning Framework. It is the primary financial management tool which links the Council’s Strategic Plan, *City Plan 2030 – Shaping our Future,* Whole-of-Life Assets Management Plans, the Annual Business Plan and Budget.

The 2018-2019 Adopted Budget estimates an Operating Surplus of $1.430 million.

**FINANCIAL AND BUDGET IMPLICATIONS**

The Mid-Year Budget Review for the 2018-2019 Financial Year, provides the opportunity to reflect any changes in projections based on the actual year-to-date results to November 2018 and forecast the 2018-2019 Operating result.

Details of material movements in the forecast from the Adopted Budget are contained in the Discussion section of this Report.

**EXTERNAL ECONOMIC IMPLICATIONS**

This report provides information on the planned financial performance of the Council for the year ended 30 June 2019 and has no direct external economic impacts.

**SOCIAL ISSUES**

Not Applicable.

**CULTURAL ISSUES**

Not Applicable.

**ENVIRONMENTAL ISSUES**

Not Applicable.

**RESOURCE ISSUES**

Not Applicable.
RISK MANAGEMENT

There are no risk management issues arising from this issue. All documents have been prepared in accordance with the statutory requirements.

CONSULTATION

- **Elected Members**
  The Council considered the Mid-Year Budget as its meeting held on 21 January 2019.

- **Community**
  Not Applicable.

- **Staff**
  Responsible Officers and General Managers.

- **Other Agencies**
  Not Applicable.

DISCUSSION

**Budget Review**

The 2018-2019 Adopted Budget, budgeted for an Operating Surplus of $1.430 million. At the Council meeting held on 3 December 2018, the Council considered the First Budget Update, which reported a forecast Operating Surplus of $1.374 million.

Following the Mid-Year Budget Review, the Operating Surplus is forecast to be $1.767 million, an increase of $338,000 on the Adopted Budget.

The material movements in the components that make up the Operating Surplus following the Mid-Year Budget Review are detailed below.

**Recurrent Budget**

For 2018-2019, the Recurrent Budget forecast a Recurrent Operating Surplus of $1.943 million. Following the First Budget Update, the Recurrent Budget Surplus increased to $2.098 million.

As a result of the Mid-Year Budget Review, the Recurrent Operating Surplus is forecast to be $2.532 million, an increase of $434,000 on the First Budget Update. The major reasons for the movement in Operating Surplus are detailed in Table 1.
TABLE 1: MAJOR VARIANCES IN RECURRENT OPERATING BUDGET - MID-YEAR BUDGET REVIEW

<table>
<thead>
<tr>
<th>Favourable/ (Unfavourable) $</th>
<th>TABLE 1: MAJOR VARIANCES IN RECURRENT OPERATING BUDGET - MID-YEAR BUDGET REVIEW</th>
</tr>
</thead>
<tbody>
<tr>
<td>191,500</td>
<td>In the second quarter of the 2018-2019 Financial Year the Council received a number</td>
</tr>
<tr>
<td></td>
<td>of special income distributions from Local Government Risk Services (LGRS). These</td>
</tr>
<tr>
<td></td>
<td>distributions represent a return to member Councils of funds resulting from improved</td>
</tr>
<tr>
<td></td>
<td>performance of the individual insurance schemes. Due to the uncertain nature of these</td>
</tr>
<tr>
<td></td>
<td>distributions, estimates are not incorporated in the Adopted Budget.</td>
</tr>
<tr>
<td>69,000</td>
<td>The premium charged for the Council’s Workers Compensation Insurance was less</td>
</tr>
<tr>
<td></td>
<td>than anticipated, resulting in a budget saving.</td>
</tr>
<tr>
<td>210,285</td>
<td>In the first half of the 2018-2019 Financial Year a number of budgeted positions have</td>
</tr>
<tr>
<td></td>
<td>been unfilled. The Mid-Year Budget Review proposes that the budget for these</td>
</tr>
<tr>
<td></td>
<td>positions be decreased to reflect the savings generated by these vacancies. The</td>
</tr>
<tr>
<td></td>
<td>majority of these vacancies have now been or are currently being recruited.</td>
</tr>
<tr>
<td>(25,000)</td>
<td>In line with the Council’s Asset Valuation Program, the Council’s Civil Infrastructure</td>
</tr>
<tr>
<td></td>
<td>Condition Assessment and Valuation is being undertaken. The data collection is being</td>
</tr>
<tr>
<td></td>
<td>undertaken by Engineering Interns, who are being supervised by Tonkin Consulting.</td>
</tr>
<tr>
<td></td>
<td>The supervision and quality assurance of the data collection is being administered via</td>
</tr>
<tr>
<td></td>
<td>the Council’s general consulting contract. The increase in funding allocation for the</td>
</tr>
<tr>
<td></td>
<td>General Consulting Contract will be offset by a reduction in the Civil Infrastructure</td>
</tr>
<tr>
<td></td>
<td>Asset Condition Audit and Valuation (Operating Project Budget).</td>
</tr>
<tr>
<td>(11,472)</td>
<td>The budget increase relates to the installation cost of Christmas decorations. The</td>
</tr>
<tr>
<td></td>
<td>Capital Budget allocation of $75,000 included both the initial purchase and installation</td>
</tr>
<tr>
<td></td>
<td>of the Christmas Decorations adjacent to Norwood Town Hall. Due to the nature of the</td>
</tr>
<tr>
<td></td>
<td>installation costs which cannot be capitalised, the installation costs have been re-</td>
</tr>
<tr>
<td></td>
<td>allocated to the Recurrent Budget. The Capital Budget for the Norwood Christmas</td>
</tr>
<tr>
<td></td>
<td>Decorations has been reduced accordingly.</td>
</tr>
</tbody>
</table>

Operating Projects

The Adopted Budget includes an estimate of operating project expenditure for the year under review and:

- previously approved and carried forward projects from the prior financial years; less
- an allowance for current year approved projects projected to be carried forward to subsequent budget years.

Taking into account the carried forward Operating Project expenditure and new projects which have been endorsed by the Council, the 2018-2019 Adopted Operating Projects Budget forecast a cost to the Council of $765,000.

Carried Forward Operating Project expenditure was estimated as part of the Adopted Budget to be $205,000. Following the First Budget Update, the value of Carried Forward expenditure is $347,000. The increase in the Carried Forward Budget, is due to projects not progressing as anticipated or the commencement being deferred.

The First Budget Update forecast the cost of Operating Projects at $985,000, the Mid-Year Budget Update is estimating a slight increase in this figure to $1.026 million. The major reasons for the movement are detailed in Table 2.
TABLE 2: MAJOR VARIANCES IN OPERATING BUDGET - MID-YEAR BUDGET REVIEW

<table>
<thead>
<tr>
<th>Description</th>
<th>Favourable/ (Unfavourable) $</th>
</tr>
</thead>
<tbody>
<tr>
<td>The budget for the Civil Infrastructure Assets Condition Audit &amp; Valuation Project has been reduced by $25,000 due to part of the project being undertaken by Engineering Interns under the supervision of Tonkin Consulting.</td>
<td>25,000</td>
</tr>
<tr>
<td>Implementation of the NPSP Bicycle Strategy Project commenced in the 2012-2013 Financial Year as a State Government funding program to encourage people to cycle. In the past several years, the Council has hosted several workshops and undertaken promotions to encourage people to cycle rather than drive. There are no plans to host any further workshops or undertake promotions as part of strategy during 2018-2019 Financial Year and is therefore the funding is being surrendered. Any future cycling education programs will be funded through the Recurrent Budget.</td>
<td>13,000</td>
</tr>
<tr>
<td>The budget for Development Plan Amendment has been reduced due to the Council having limited responsibilities to amend Development Plan under new Planning System.</td>
<td>7,000</td>
</tr>
<tr>
<td>With the introduction of the smoking ban on The Parade and a pending change in State Government regulations, temporary smoke free signs were installed leading up to the ban. The budget increase which has been requested is for the installation of permanent signs which include reference to the new regulations.</td>
<td>(10,000)</td>
</tr>
<tr>
<td>As its meeting held on 22 May 2018, the Council resolved to participate in the proposed Antiques Walkabout series. With the confirmation received by the Council recently, the Council will participate the series which is scheduled in April 2019. The Budget increase is the participation fee.</td>
<td>(25,000)</td>
</tr>
</tbody>
</table>

A review of the status of the Operating Projects will be undertaken as part of the Third Budget Update, which will be considered by the Council at its Meeting scheduled for May 2019.

The following Operating Projects have been completed as at 30 November 2018:

- Review of Animal Management Plan (carry forward);
- Review of By Laws (carry forward);
- Sustainable Garden Awards;
- Children's Book Week;
- International Film Festival;
- Enotice Portal Upgrade; and
- Colliver Street Urban Design Review.

Capital Projects

The Council adopted a Capital Budget of $29.142 million for 2018-2019, which comprised funding allocations for New Capital Projects involving the construction of new or the upgrading of existing assets ($12.199 million), the renewal/replacement of existing assets ($6.654 million) and Carried Forward Projects from 2017-2018 ($10.289 million).

The First Budget Update forecast the cost of Capital Projects to be $34.294 million. The increase is predominately due to a number of projects which were initially anticipated to be completed by 30 June 2018 not being finalised. Following the Mid-Year Budget Review, the Capital Project expenditure is forecast to increase to $35.335 million by $1.041 million. The increase in the Capital Budget is predominately due to the purchase of a property at 88 Sixth Avenue, St. Peters. The budget variations identified in the Mid-Year Review are detailed in Table 3 below:
TABLE 3: MAJOR VARIANCES IN CAPITAL PROJECT BUDGET - MID-YEAR BUDGET REVIEW

<table>
<thead>
<tr>
<th>Capital Project</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>The budget increase reflects the purchase of property located on 88 Sixth Avenue St Peters.</td>
<td>$956,000</td>
</tr>
<tr>
<td>As part of the City-Wide Schools Traffic, Parking and Safety Review, the Council endorsed an increase of $55,000 to the Budget (total residual Budget is $90,000), as the tendered prices for the remain works at Marryatville High School and Saint Ignatius College came in higher than estimated.</td>
<td>$55,000</td>
</tr>
<tr>
<td>The budget increase requested is for the Payneham Oval Clubroom Upgrade to cover the additional construction cost due to the condition of the Clubroom being worse than anticipated and unplanned landscaping costs.</td>
<td>$50,000</td>
</tr>
<tr>
<td>The budget increase requested is for landscape and amenities improvements surrounding the new location of “All Things are One” art work. The adopted budget of $23,000 allowed for the installation and relocation of the artwork.</td>
<td>$27,900</td>
</tr>
<tr>
<td>The budget for the project of Council Intranet Enhancement is reduced due to the project being deferred. Once the Council’s Electronic Document Management System is completed, the new budget for intranet enhancements may be requested as required.</td>
<td>$(40,600)</td>
</tr>
<tr>
<td>Payneham Oval cricket pitch renewal has been completed with the final costs under budget.</td>
<td>$(15,300)</td>
</tr>
</tbody>
</table>

At the Council Meeting held on 21 January 2019, the Council endorsed the utilisation of $300,000 from the Open Space Fund, combined with long-term borrowings (20 years) to the value of $656,000, to fund the purchase of property located on 88 Sixth Ave, St Peters.

As at the Mid-Year Budget Review, the Capital Projects not expected to be completed in the 2018-2019 Financial Year is $12.830 million. The table 5 lists the major carried forward Capital Projects to 2019-2020 Financial Year.

TABLE 4: CAPITAL PROJECTS NOT EXPECTED TO BE INCURRED IN 2018-2019

<table>
<thead>
<tr>
<th>Project</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norwood Oval Clubrooms &amp; Member Facilities Projects (Inc. Member Facility, Women’s Facility &amp; Streetscape) – The project commencement was delayed due to additional design work required to accommodate changes requested by the Norwood Football Club. The construction of the facility is forecast at this stage to be 50% completed by June 2019 and fully completed by December 2019.</td>
<td>$4,798,843</td>
</tr>
<tr>
<td>Drainage Program for Third Creek ($3,046,456) and Hackney Road ($1,000,000) will be carried forward. The design and early construction work for Third Creek will start in the 2018-2019 Financial Year and the project is expected to be completed by June 2020. The design for the Hackney Road Project will be undertaken in 2018-2019. The construction time frame will be determined as part of the Drainage Program following the finalisation of the Flood Plain Review.</td>
<td>$4,046,456</td>
</tr>
<tr>
<td>Payneham Swimming Centre main pool pipework and refurbishment. The commencement of the Main Pool refurbishment has been deferred until the completion of the Concept Design for the entire Swimming Centre Site. Construction is anticipated to commence during the 2020-2021 off season.</td>
<td>$1,649,983</td>
</tr>
<tr>
<td>The design for Payneham Oval Tennis Courts Reconstruction will be completed in 2018-2019 Financial Year with the construction budget being carried forward to 2019-2020 Financial Year.</td>
<td>$829,515</td>
</tr>
</tbody>
</table>

A review of status of the Capital Projects will be undertaken as part of the Third Budget Update, which will be considered by the Council at the Council Meeting scheduled for May 2019.
As at November 2018, the following Capital projects were completed:

- Core Switch upgrade;
- Quadrennial Public Art Project;
- Point of Sale upgrade;
- Automatic Vacuum for Norwood Swimming Centre;
- RFID Security System Installation at Libraries (carried forward);
- Kent Town Streetscape upgrade (carried forward); and
- Remplan Economy Software.

Regulation 9 (1) (b) of the Regulations states the Council must consider:

“between 30 November and 15 March (both dates inclusive) in the relevant financial year—a report showing a revised forecast of each item shown in its budgeted financial statements for the relevant financial year compared with estimates set out in the budget presented in a manner consistent with the Model Financial Statements.”

Further Regulation 9 (2) of the Regulations states the Council must consider:

“revised forecasts for the relevant financial year of the council's operating surplus ratio, net financial liabilities ratio and asset sustainability ratio compared with estimates set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.”

The revised Budgeted Financial Statements and Financial Indicators as a result of the Mid-Year Budget Update are included in Attachment A.

OPTIONS
Not Applicable.

CONCLUSION
Nil

COMMENTS
Nil

RECOMMENDATION
That the Mid-Year Budget Update Report be received and noted.
## STATEMENT OF COMPREHENSIVE INCOME

<table>
<thead>
<tr>
<th></th>
<th>2017-2018 Actual</th>
<th>Adopted Budget 2018-2019</th>
<th>Revised Budget Mid-Year Review</th>
<th>Variance</th>
<th>YTD Actual November 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rates</td>
<td>33,946,929</td>
<td>34,782,219</td>
<td>34,800,219</td>
<td>18,000</td>
<td>14,493,893</td>
</tr>
<tr>
<td>Statutory charges</td>
<td>1,818,906</td>
<td>1,730,000</td>
<td>1,730,000</td>
<td>-</td>
<td>944,046</td>
</tr>
<tr>
<td>User charges</td>
<td>3,443,269</td>
<td>3,609,636</td>
<td>3,637,886</td>
<td>28,250</td>
<td>1,541,135</td>
</tr>
<tr>
<td>Grants, subsidies and contributions</td>
<td>3,197,533</td>
<td>2,691,139</td>
<td>2,747,639</td>
<td>56,500</td>
<td>853,048</td>
</tr>
<tr>
<td>Investment income</td>
<td>251,439</td>
<td>119,344</td>
<td>169,344</td>
<td>50,000</td>
<td>91,747</td>
</tr>
<tr>
<td>Other revenues</td>
<td>1,071,505</td>
<td>743,511</td>
<td>974,711</td>
<td>231,200</td>
<td>613,436</td>
</tr>
<tr>
<td>Net gain - joint ventures &amp; associates</td>
<td>42,208</td>
<td>7,295</td>
<td>7,295</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>43,771,789</td>
<td>43,683,144</td>
<td>44,067,094</td>
<td>383,950</td>
<td>18,537,305</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee costs</td>
<td>13,074,241</td>
<td>15,338,029</td>
<td>15,085,938</td>
<td>(252,091)</td>
<td>6,329,775</td>
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<tr>
<td>Materials, contracts &amp; other expenses</td>
<td>17,527,047</td>
<td>17,057,689</td>
<td>17,356,144</td>
<td>298,455</td>
<td>6,856,686</td>
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<tr>
<td>Finance costs</td>
<td>600,416</td>
<td>1,031,326</td>
<td>1,031,326</td>
<td>-</td>
<td>270,847</td>
</tr>
<tr>
<td>Depreciation, amortisation &amp; impairment</td>
<td>8,285,295</td>
<td>8,699,443</td>
<td>8,699,443</td>
<td>-</td>
<td>4,000,000</td>
</tr>
<tr>
<td>Net loss joint ventures and associates</td>
<td>193,013</td>
<td>127,029</td>
<td>127,029</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>39,680,012</td>
<td>42,253,516</td>
<td>42,299,880</td>
<td>46,364</td>
<td>17,457,308</td>
</tr>
<tr>
<td><strong>OPERATING SURPLUS / (DEFICIT)</strong></td>
<td>4,091,777</td>
<td>1,429,628</td>
<td>1,767,214</td>
<td>337,586</td>
<td>1,079,997</td>
</tr>
<tr>
<td>(Net gain (loss) on disposal or revaluation of assets)</td>
<td>(910,387)</td>
<td>20,000</td>
<td>20,000</td>
<td>-</td>
<td>26,872</td>
</tr>
<tr>
<td>Amounts specifically for new or upgraded assets</td>
<td>1,741,279</td>
<td>3,415,193</td>
<td>3,715,193</td>
<td>-</td>
<td>370,680</td>
</tr>
<tr>
<td>Physical resources received free of charge</td>
<td>-</td>
<td>5,341,426</td>
<td>5,341,426</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>NET SURPLUS (DEFICIT)</strong></td>
<td>4,922,670</td>
<td>10,206,247</td>
<td>10,843,833</td>
<td>337,586</td>
<td>1,477,549</td>
</tr>
<tr>
<td>Other Comprehensive Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in revaluation Surplus- infrastructure, property, plant &amp; equipment</td>
<td>(150,420,808)</td>
<td>2,000,000</td>
<td>2,000,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Share of Other comprehensive Income - joint ventures and associates</td>
<td>(11,973)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL OTHER COMPREHENSIVE INCOME</strong></td>
<td>(150,432,781)</td>
<td>2,000,000</td>
<td>2,000,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL COMPREHENSIVE INCOME</strong></td>
<td>(145,510,111)</td>
<td>12,206,247</td>
<td>12,843,833</td>
<td>337,586</td>
<td>1,477,549</td>
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</table>
## STATEMENT OF FINANCIAL POSITION

### 2017-2018

<table>
<thead>
<tr>
<th>Actual</th>
<th>Adopted Budget 2018-2019</th>
<th>Revised Budget Mid-Year Review</th>
<th>Variance</th>
<th>YTD Actual November 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

### ASSETS

#### Current Assets

- Cash and cash equivalents: $4,031,750
- Trade & other receivables: $2,196,732

#### Non-current Assets

- Financial Assets: $2,827,870
- Equity accounted investments in Council businesses: $3,544,295
- Infrastructure, Property, Plant & Equipment: $621,889,155
- Other Non-current Assets: $1,270,839

### LIABILITIES

#### Current Liabilities

- Trade & Other Payables: $3,726,181
- Borrowings: $3,715,749
- Short-term Provisions: $2,593,614

#### Non-current Liabilities

- Long-term Borrowings: $13,975,404
- Liability - Equity accounted Council businesses: $1,689,083

### NET ASSETS

- Total Current Assets: $6,228,482
- Total Non-current Assets: $629,532,159
- Total Assets: $635,760,642
- Total Liabilities: $26,838,018
- Net Assets: $608,922,624

### EQUITY

- Accumulated Surplus: $52,886,101
- Asset Revaluation Reserve: $545,047,670

## STATEMENT OF CHANGES IN EQUITY

### 2017-2018

<table>
<thead>
<tr>
<th>Actual</th>
<th>Adopted Budget 2018-2019</th>
<th>Revised Budget Mid-Year Review</th>
<th>Variance</th>
<th>YTD Actual November 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

### ACCUMULATED SURPLUS

- Balance at end of previous reporting period: $47,975,405
- Balance at end of period: $52,886,102

### OTHER COMPREHENSIVE INCOME

- Share of other Comprehensive income - joint ventures and associates: $(11,973)

### ASSET REVALUATION RESERVE

- Gain on revaluation of infrastructure, property, plant & equipment: $2,000,000
- Balance at end of period: $390,626,861
# STATEMENT OF CASH FLOWS

## 2017-2018

<table>
<thead>
<tr>
<th></th>
<th>Adopted Budget 2018-2019</th>
<th>Revised Budget Mid-Year Review</th>
<th>Variance</th>
<th>YTD Actual November 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rates - general &amp; other</td>
<td>34,782,219</td>
<td>34,782,219</td>
<td>-</td>
<td>16,959,959</td>
</tr>
<tr>
<td>Fees &amp; other charges</td>
<td>1,730,000</td>
<td>1,730,000</td>
<td>-</td>
<td>944,046</td>
</tr>
<tr>
<td>User Charges</td>
<td>3,609,636</td>
<td>3,943,586</td>
<td>333,950</td>
<td>1,541,135</td>
</tr>
<tr>
<td>Grants utilised for operating purposes</td>
<td>2,691,139</td>
<td>2,741,139</td>
<td>50,000</td>
<td>853,048</td>
</tr>
<tr>
<td>Investment receipts</td>
<td>119,344</td>
<td>119,344</td>
<td>-</td>
<td>91,747</td>
</tr>
<tr>
<td>Other Income</td>
<td>743,511</td>
<td>743,511</td>
<td>-</td>
<td>613,436</td>
</tr>
<tr>
<td><strong>Payments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(13,667,633) Employee Costs</td>
<td>(15,338,029)</td>
<td>(15,338,029)</td>
<td>-</td>
<td>(6,193,533)</td>
</tr>
<tr>
<td>(15,380,780) Contractual services &amp; materials</td>
<td>(17,057,689)</td>
<td>(17,104,053)</td>
<td>(46,364)</td>
<td>(8,372,307)</td>
</tr>
<tr>
<td>(614,732) Finance Payments</td>
<td>(1,031,326)</td>
<td>(1,031,326)</td>
<td>-</td>
<td>(270,847)</td>
</tr>
<tr>
<td><strong>Net Cash provided by (or used in) Operating Activities</strong></td>
<td>10,248,805</td>
<td>10,586,391</td>
<td>337,586</td>
<td>6,166,684</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants specifically for new or upgraded assets</td>
<td>8,756,619</td>
<td>9,557,599</td>
<td>800,980</td>
<td>370,680</td>
</tr>
<tr>
<td>Sale of replaced assets</td>
<td>20,000</td>
<td>20,000</td>
<td>-</td>
<td>26,892</td>
</tr>
<tr>
<td>Repayments of loans by community groups</td>
<td>82,983</td>
<td>82,983</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sale of surplus assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Payments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenditure on renewal/replacement of assets</td>
<td>(11,926,374)</td>
<td>(13,316,879)</td>
<td>(1,390,505)</td>
<td>(1,719,119)</td>
</tr>
<tr>
<td>Loans made to community groups</td>
<td>(2,820,000)</td>
<td>(2,820,000)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital contributed to associated entities</td>
<td>(96,000)</td>
<td>(96,000)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Cash provided by (or used in) Investing Activities</strong></td>
<td>(22,548,352)</td>
<td>(27,640,718)</td>
<td>(5,092,366)</td>
<td>(5,555,195)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from Borrowings</td>
<td>9,320,000</td>
<td>9,320,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Payments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayments of Borrowings</td>
<td>(1,857,874)</td>
<td>(1,857,874)</td>
<td>-</td>
<td>(410,970)</td>
</tr>
<tr>
<td><strong>Net Cash provided by (or used in) Financing Activities</strong></td>
<td>7,462,126</td>
<td>7,462,126</td>
<td>-</td>
<td>(410,970)</td>
</tr>
<tr>
<td><strong>Net Increase (Decrease) in cash held</strong></td>
<td>(4,837,420)</td>
<td>(9,592,200)</td>
<td>(4,754,780)</td>
<td>200,519</td>
</tr>
<tr>
<td><strong>Cash &amp; cash equivalents at beginning of period</strong></td>
<td>8,869,171</td>
<td>15,812,392</td>
<td>6,943,221</td>
<td>15,812,392</td>
</tr>
<tr>
<td><strong>Cash &amp; cash equivalents at end of period</strong></td>
<td>4,031,750</td>
<td>6,220,192</td>
<td>2,188,441</td>
<td>16,012,911</td>
</tr>
</tbody>
</table>
### BUDGETED UNIFORM PRESENTATION OF FINANCES

<table>
<thead>
<tr>
<th></th>
<th>2017-2018 Actual</th>
<th>Adopted Budget 2018-2019</th>
<th>Revised Budget Mid-Year Review</th>
<th>Variance</th>
<th>YTD Actual November 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues</strong></td>
<td>$43,771,789</td>
<td>$43,683,144</td>
<td>$44,067,094</td>
<td>$383,950</td>
<td>$18,537,305</td>
</tr>
<tr>
<td><strong>less Operating Expenses</strong></td>
<td>$(39,680,012)</td>
<td>(42,253,516)</td>
<td>(42,299,880)</td>
<td>(46,364)</td>
<td>(17,457,308)</td>
</tr>
<tr>
<td><strong>Operating Surplus / (Deficit) before Capital Amounts</strong></td>
<td>$4,091,777</td>
<td>1,429,628</td>
<td>1,767,214</td>
<td>337,586</td>
<td>1,079,997</td>
</tr>
<tr>
<td><strong>less Net Outlays on Existing Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6,589,222 Capital Expenditure on renewal and replacement of Existing Assets</td>
<td>11,926,374</td>
<td>13,316,879</td>
<td>1,390,505</td>
<td>1,719,119</td>
<td></td>
</tr>
<tr>
<td>(8,285,295) less Depreciation, Amortisation and Impairment</td>
<td>(8,699,443)</td>
<td>(8,699,443)</td>
<td>-</td>
<td>(4,000,000)</td>
<td></td>
</tr>
<tr>
<td>(4,229) less Proceeds from Sale of Replaced Assets</td>
<td>(20,000)</td>
<td>(20,000)</td>
<td>-</td>
<td>(26,892)</td>
<td></td>
</tr>
<tr>
<td><strong>(1,700,302)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>less Net Outlays on New and Upgraded Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2,672,589 Capital Expenditure on New and Upgraded Assets (including investment property &amp; real estate developments)</td>
<td>16,565,579</td>
<td>21,068,420</td>
<td>4,502,841</td>
<td>4,233,648</td>
<td></td>
</tr>
<tr>
<td>(1,741,885) less Amounts received specifically for New and Upgraded Assets</td>
<td>(5,436,619)</td>
<td>(6,237,599)</td>
<td>(800,980)</td>
<td>(370,680)</td>
<td></td>
</tr>
<tr>
<td>- less Assets received Free of Charge</td>
<td>(5,341,426)</td>
<td>(5,341,426)</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>(786,093) less Proceeds from Sale of Surplus Assets</td>
<td>(786,093)</td>
<td>(786,093)</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>144,610</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>5,647,469 Net Lending / (Borrowing) for Financial Year</strong></td>
<td>(7,564,837)</td>
<td>(12,319,617)</td>
<td>(4,754,780)</td>
<td>(475,198)</td>
<td></td>
</tr>
</tbody>
</table>
### Operating Surplus Ratio

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Surplus</td>
<td>1,767,214</td>
<td></td>
<td>3%</td>
<td>9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Operating Revenue</td>
<td>44,067,094</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

### Net Financial Liabilities Ratio

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Financial Liabilities</td>
<td>18,584,568</td>
<td>42%</td>
<td>41%</td>
<td>15%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Operating Revenue</td>
<td>44,067,094</td>
<td>42%</td>
<td>41%</td>
<td>15%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Asset Sustainability Ratio

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Asset Renewals</td>
<td>13,236,879</td>
<td></td>
<td>145%</td>
<td>62%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>8,234,062</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.

### Recommended for disclosure by Local Government Association

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Cover Ratio</td>
<td>861,982</td>
<td>2%</td>
<td>2%</td>
<td>3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Operating Revenue less Investment Income</td>
<td>43,706,250</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

### Asset Consumption Ratio

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying value of depreciable assets</td>
<td>467,394,679</td>
<td>61%</td>
<td>82%</td>
<td>77%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross value of depreciable assets</td>
<td>765,718,518</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total carrying value of depreciable assets divided by total reported value of depreciable assets before accumulated depreciation.

### Requested by Council

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt to Total Income Ratio</td>
<td>43,875,594</td>
<td>278%</td>
<td>247%</td>
<td>175%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Borrowings</td>
<td>15,833,280</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Debt to Total Income Ratio measures the number of times total income exceeds borrowing outstanding.
6.3 FINANCE POLICIES

REPORT AUTHOR: Financial Services Manager
GENERAL MANAGER: General Manager, Corporate Services
CONTACT NUMBER: 8366 4585
FILE REFERENCE: S/01823
ATTACHMENTS: A - C

PURPOSE OF REPORT

The purpose of this report is to provide the Audit Committee with a number of finance policies for consideration and endorsement prior to being presented to the Council for consideration and adoption.

BACKGROUND

Pursuant to Section 125 of the Local Government Act 1999, the Council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the Council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the Council’s assets, and to secure (as far as possible) the accuracy and reliability of the Council’s records.

The 2018-2019 Audit Committee Work Program requires the Committee to review the appropriateness of the range and content of the Council’s finance related policies and practices.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable.

EXTERNAL ECONOMIC IMPLICATIONS

Nil

SOCIAL ISSUES

Nil

CULTURAL ISSUES

Nil

ENVIRONMENTAL ISSUES

Nil

RESOURCE ISSUES

Nil

RISK MANAGEMENT

Documentation of finance policies relating to the Council’s financial transactions improves transparency and subject to changes in Accounting Standards or Legislation, ensures consistent treatment over subsequent reporting periods.
CONSULTATION

- Committee Members
  Nil

- Community
  Nil

- Staff
  Nil

- Other Agencies
  Nil

DISCUSSION

In accordance with the Finance Policy Timetable, a review a number of policies, as contained in Attachments A, B and C, has been undertaken and minor amendments to the policies, as detailed in Table 1 below, are presented for consideration and recommendation to the Council for adoption, subject to any amendment which may be considered appropriate by the Audit Committee.

<table>
<thead>
<tr>
<th>Policy</th>
<th>Details of Proposed amendment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure Policy (Attachment A)</td>
<td>The following amendments are recommended for the Delegation of Authority:</td>
</tr>
<tr>
<td></td>
<td>• reclassify the Manager, Governance, Legal &amp; Property to the category of Responsible Officers Level 2 with no change to the authorisation limit;</td>
</tr>
<tr>
<td></td>
<td>• remove the Senior Community Care Assessment Officer from the list; and</td>
</tr>
<tr>
<td></td>
<td>• include the General Manager, Corporate Services to approve the Insurance Renewals transactions with authorisation limit less than $50,000.</td>
</tr>
<tr>
<td>Budget Policy &amp; Guidelines (Attachment B)</td>
<td>Only administrative updates have been made and no major amendments recommended.</td>
</tr>
<tr>
<td>Funding Policy (Attachment C)</td>
<td>Only administrative updates have been made and no major amendments recommended.</td>
</tr>
</tbody>
</table>

OPTIONS

The adoption of the policies can be recommended to the Council with or without amendment.

CONCLUSION

To ensure compliance with Section 125 of the Act, the Council must have in place appropriate policies, practices and procedures which assist the Council to carry out its activities in an efficient and orderly manner. It is important to ensure that the policies adopted by the Council are regularly reviewed to ensure that they reflect the current operating environment and continue to meet the Council’s overall objectives.

COMMENTS

Nil
RECOMMENDATION

1. That the Audit Committee notes that the suite of Finance Policies (as set out below) have been reviewed and notes that minor amendments have been proposed:
   - Expenditure Policy;
   - Budget Policy & Guidelines; and
   - Funding Policy.

2. That the Audit Committee recommends to the Council that the Financial Policies (as set out below) and as amended be approved:
   - Expenditure Policy (Attachment A);
   - Budget Policy & Guidelines (Attachment B); and
   - Funding Policy (Attachment C).
NAME OF POLICY: Expenditure

POLICY MANUAL: Finance

BACKGROUND

Section 44 (2) of the Local Government Act 1999, provides that delegations may be made to:

- an employee of the Council; or
- the employee of the Council for the time being occupying a particular office or position.

In respect to approval of expenditure, the delegation is limited to the expenditure of money on works, services and operations which are contained in the Annual Budget Plan as adopted by the Council. Expenditure in excess of the approved budget, are to be authorised in line with the Council Budget Review Policy and Guidelines.

DISCUSSION

The City of Norwood Payneham & St Peters operates in an environment which is subject to public scrutiny and legislative requirements. The Council is required to ensure that financial resources are allocated in an effective and efficient manner to ensure that “best value” is achieved and the continuation of service provision to the City in the most efficient and cost effective manner.

When purchasing goods and services to support the operations of the Council, consideration is required to be given to:

- obtaining value for money consistent with specified standards of quality and service;
- minimising risks to the Council and Staff; and
- ensuring transparency in all decision making.

KEY PRINCIPLES

This Policy applies to all expenditure which is incurred by the Council. Expenditure must be properly authorised before the Council is to be committed to the expenditure.

The general guidelines to be followed for all expenditure, which should be paid for only after:

- purchase of goods and/or services has been properly authorised;
- the services provided and or a goods received, have been checked for quality, quantity and performance criteria agreed at the time the purchase was approved; and
- the invoice details have been verified;
  - against purchase requisition / order / approval;
  - to evidence receipt of goods / services;
  - for correct pricing, extensions and additions; and
  - to ensure all available discounts and incentives have been availed.

The Delegation of Authority sets out a list of staff with the authority to approve the purchase of goods and services. The Delegation level is based on the position and the value of the purchase.

At the time of expenditure commitment, authorised signatories must satisfy themselves that the general guidelines have been followed.
POLICY

All invoices and commitment of expenditure must be authorised for payment in line with the Delegation of Authority listed in;

Schedule 1: Delegation of Authority; and
Schedule 2: Delegation of Authority – Specified Transactions.

If repairs associated with for Work Health, Safety or Security are required to be attended to after normal working hours, the Responsible Officer is authorised to purchase whatever goods or services are required to carry out the repair or secure the situation until the next working day. However, the Responsible Officer is required to use discretion regarding the level of repair affected.

REVIEW PROCESS

This Policy will be reviewed within 12 months of the adoption date of the Policy.

INFORMATION

The Contact Officer for further information at the City of Norwood Payneham & St Peters is Council’s Financial Services Manager, telephone 8366 4548.

ADOPTION OF THE POLICY

This Policy was endorsed by the Audit Committee on 26 March 2012.
This Policy was adopted by the Council on 2 April 2012.
This Policy was endorsed by the Audit Committee on 25 February 2013.
This Policy was adopted by the Council on 4 March 2013.
This Policy was endorsed by the Audit Committee on 24 February 2014.
This Policy was adopted by the Council on 3 March 2014.
This Policy was endorsed by the Audit Committee on 25 May 2015.
This Policy was adopted by the Council on 1 June 2015.
This Policy was endorsed by the Audit Committee on 29 February 2016.
This Policy was adopted by the Council on 7 March 2016.
This Policy was endorsed by the Audit Committee on 27 February 2017.
This Policy was adopted by the Council on 6 March 2017.
This Policy was endorsed by the Audit Committee on 26 February 2018.
This Policy was adopted by the Council on 5 March 2018.
This Policy was endorsed by the Audit Committee on    February 2019.
This Policy was adopted by the Council on    March 2019.
**SCHEDULE 1: DELEGATION OF AUTHORITY**

<table>
<thead>
<tr>
<th>Nature &amp; Level</th>
<th>Limits (per transaction)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Invoices within adopted budget (excludes Specified Transactions)</td>
<td></td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td>As per Council Delegation</td>
</tr>
<tr>
<td>General Managers</td>
<td>$100,000</td>
</tr>
<tr>
<td>Managers – Level 1</td>
<td>$50,000</td>
</tr>
<tr>
<td>Manager – Level 2</td>
<td>$20,000</td>
</tr>
<tr>
<td>Responsible officers – Level 1</td>
<td>$10,000</td>
</tr>
<tr>
<td>Responsible officers – Level 2</td>
<td>$5,000</td>
</tr>
<tr>
<td><strong>Other Specified Positions</strong></td>
<td></td>
</tr>
<tr>
<td>• Building Maintenance Officer</td>
<td>$5,000</td>
</tr>
<tr>
<td>• Senior Mechanic</td>
<td>$5,000</td>
</tr>
<tr>
<td>• Clerical Officer – City Services</td>
<td>$5,000</td>
</tr>
<tr>
<td>• Executive Assistants to General Managers and CEO</td>
<td>$2,500</td>
</tr>
<tr>
<td>• Corporate Card holders (not Responsible Officers)</td>
<td>$2,500</td>
</tr>
<tr>
<td>• Planning Assistants</td>
<td>$5,000</td>
</tr>
<tr>
<td>• Admin Assistant – Child Care Centre</td>
<td>$2,500</td>
</tr>
<tr>
<td>• Assistant Manager - Swim Centre</td>
<td>$2,000</td>
</tr>
<tr>
<td>• Cook - Child Care Centre</td>
<td>$1,000</td>
</tr>
<tr>
<td><strong>Managers</strong></td>
<td></td>
</tr>
<tr>
<td>• Level 1</td>
<td></td>
</tr>
<tr>
<td>Manager, City Services</td>
<td></td>
</tr>
<tr>
<td>Manager, Community Care Services</td>
<td></td>
</tr>
<tr>
<td>Manager, Information Systems</td>
<td></td>
</tr>
<tr>
<td>Manager, Development Assessment</td>
<td></td>
</tr>
<tr>
<td>Manager, Urban Planning &amp; Sustainability</td>
<td></td>
</tr>
<tr>
<td>Manager, Library Services and Lifelong Learning</td>
<td></td>
</tr>
<tr>
<td>Manager, Economic Development &amp; Strategic Projects</td>
<td></td>
</tr>
<tr>
<td>Manager, Organisational Development</td>
<td></td>
</tr>
<tr>
<td>Financial Services Manager</td>
<td></td>
</tr>
<tr>
<td><strong>Managers</strong></td>
<td></td>
</tr>
<tr>
<td>Team Leader, Customer &amp; Regulatory Services</td>
<td>Co-ordinator, Volunteer Services</td>
</tr>
<tr>
<td>Assets and Special Projects Manager</td>
<td>Youth Development Officer</td>
</tr>
<tr>
<td>Project Manager, Civil</td>
<td>Event Co-ordinator</td>
</tr>
<tr>
<td>Project Manager, Buildings</td>
<td>Community Art Officer</td>
</tr>
<tr>
<td>Works Co-ordinator - Civil</td>
<td>City Arborist</td>
</tr>
<tr>
<td>Works Co-ordinator – Parks &amp; Garden</td>
<td>Corporate Records Co-ordinator</td>
</tr>
<tr>
<td>Technical Officer Field Services</td>
<td>Economic Development Co-ordinator</td>
</tr>
<tr>
<td>Manager, Norwood Concert Hall</td>
<td>Collections Development Team Leader</td>
</tr>
<tr>
<td>Director, Child Care Centre</td>
<td>Lifelong Learning Team Leader</td>
</tr>
<tr>
<td>Manager, Swimming Centres</td>
<td>Manager, WHS &amp; Risk</td>
</tr>
<tr>
<td>Communications Officer</td>
<td>Manager, Governance, Legal and Property</td>
</tr>
</tbody>
</table>

Where the relevant General Manager/Department Manager is not available, other General Managers, Department Managers and Chief Executive Officer can authorise invoices for payment in their absences, up to their respective delegation.
<table>
<thead>
<tr>
<th>Nature &amp; Level</th>
<th>Limits (per transaction)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contracted Purchase/Lease Agreements (once negotiated)</strong></td>
<td>Relevant General Manager (as per contracted amounts only) Manager, City Services (consumable/stores purchases) &lt;$100,000</td>
</tr>
<tr>
<td><strong>Project Approval</strong></td>
<td>Council &gt;$250,000 Chief Executive Officer &lt;$250,000</td>
</tr>
<tr>
<td><strong>Project Spend (approved project)</strong></td>
<td>Relevant General Manager &lt;$250,000 Project Manager Capital &lt;$25,000 Operating Projects &lt;$10,000</td>
</tr>
<tr>
<td><strong>IT Hardware &amp; Software &amp; Maintenance</strong></td>
<td>Manager, Information Systems</td>
</tr>
<tr>
<td><strong>Communications Equipment</strong></td>
<td>Manager, Information Systems</td>
</tr>
<tr>
<td><strong>Payroll (including employee deductions)</strong></td>
<td>General Manager, Corporate Services</td>
</tr>
<tr>
<td><strong>Encashment of Leave Entitlements</strong></td>
<td>Manager, Organisational Development</td>
</tr>
<tr>
<td><strong>Recruitment (placing of advertisement etc)</strong></td>
<td>Human Resource Consultant &lt; $5,000</td>
</tr>
<tr>
<td><strong>Taxation related payments (GST, FBT, PAYG etc)</strong></td>
<td>Financial Services Manager</td>
</tr>
<tr>
<td><strong>Reimbursement of personal expenditure</strong></td>
<td>Chief Executive Officer Immediate Manager</td>
</tr>
<tr>
<td>- General Manager</td>
<td>General Manager, Corporate Services &lt;$50,000</td>
</tr>
<tr>
<td>- Other employees</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td><strong>Insurance Renewals</strong></td>
<td>Chief Executive Officer General Manager, Corporate Services &lt;$50,000</td>
</tr>
<tr>
<td><strong>Insurance Claim Settlements</strong></td>
<td>Chief Executive Officer General Manager, Corporate Services &lt;$5,000</td>
</tr>
<tr>
<td><strong>Rates Related Transactions</strong></td>
<td>General Manager, Corporate Services &lt;$5,000 Rate &amp; Revenue Officer &lt;$5,000</td>
</tr>
<tr>
<td><strong>Corporate Stationary</strong></td>
<td>Team Leader, Customer &amp; Regulatory Services $5,000</td>
</tr>
<tr>
<td><strong>Provision for Doubtful Debts</strong></td>
<td>Council &gt;$5,000 Chief Executive Officer &lt;$5,000</td>
</tr>
<tr>
<td><strong>Write off bad debt against provision</strong></td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td><strong>Asset sales &amp; write offs</strong></td>
<td>Council &gt;$250,000 Chief Executive Officer &lt;$250,000</td>
</tr>
<tr>
<td><strong>Initiate, settle or abandon any legal action in Council name</strong></td>
<td>Council All action</td>
</tr>
<tr>
<td><strong>Salary Increases</strong></td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>- General Managers</td>
<td>In line with re-classification policy</td>
</tr>
<tr>
<td>- GM Direct Reports</td>
<td>In line with re-classification policy</td>
</tr>
<tr>
<td>- Other employees</td>
<td>In line with re-classification policy</td>
</tr>
</tbody>
</table>
Attachment B

Finance Policies

Budget Policy and Guidelines
NAME OF POLICY: Budget Policy

POLICY MANUAL: Finance

BACKGROUND

The purpose of this Policy is to document the agreed process to be used for the preparation of the Council’s Annual Budget and to provide guidance to Elected Members and staff on their respective roles in the process.

A budget expresses the Council’s Annual Business Plan in financial terms, by providing a one year forecast of revenues and expenses. The budget is also used as part of the process to determine the level of income required to fund the services and projects outlined in the Annual Business Plan.

DISCUSSION

Pursuant to Section 123 (1) of the Local Government Act 1999 ("the Act"), the following is required:

“A council must have for each financial year—
(a) an annual business plan; and 
(b) a budget.”

Regulation 5B of the Local Government (Financial Management) Regulations 1999, states that each budget of a Council must:

“(a) include a budgeted income statement, balance sheet, statement of changes in equity and statement of cash flows, presented in a manner consistent with the Model Financial Statements; and 
(b) state whether projected operating income is sufficient to meet projected operating expenses for the relevant financial year; and 
(c) include a summary of operating and capital investment activities presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances; and 
(d) include estimates with respect to the council’s operating surplus ratio, asset sustainability ratio and net financial liabilities ratio presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.”

Pursuant to the Act, the Annual Business Plan and Budget must be adopted by the Council after 31 May, for the ensuing financial year and before 31 August for the financial year.

Regulation 7 of the Local Government (Financial Management) Regulations 1999, states that each budget of Council must:

(1) A council, council subsidiary or regional subsidiary must reconsider its budget at least three times, at intervals of not less than three months, between 30 September and 31 May (both dates inclusive) in the relevant financial year.
KEY PRINCIPLES

A number of factors are to be taken into consideration when undertaking the annual budget process, including:

- commitment to financial sustainability by taking into consideration the adopted financial indicator targets;
- consistency with Council’s strategic direction, Annual Business Plan and Long Term Financial Plan (LTFP);
- accountability and transparency in the decision making process; and
- providing value for money for the services provided.

POLICY

1. The Council’s Annual Budget will be prepared to ensure compliance to the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011.

2. In preparing the Annual Budget, reference must be given to the Council’s Strategic Plan, CityPlan 2030: Shaping Our Future, the Council’s Long Term Financial Plan and the various Infrastructure and Asset Management Plans which have been adopted by the Council.

3. In January each year, the Council will set the budget parameters and assumptions which will form the basis for the Annual Budget which have been adopted by the Council.

4. The Annual Budget will encompass a Recurrent Operating Budget and Projects Budget.

5. The Annual Budget, will be presented to the Council for consideration and adoption at the July Ordinary Council Meeting (or as scheduled by the Council).

6. The Annual Budget will be reviewed and considered by the Council at least three (3) times during the Financial Year between September and May of the relevant budget year.

REVIEW PROCESS

The Council will review this Policy within 24 months of the adoption date of the Policy.

INFORMATION

The contact officer for further information at the City of Norwood Payneham & St Peters is Council’s Financial Services Manager on telephone 8366 4548.

ADOPTION OF THE POLICY

This Policy was endorsed by the Audit Committee on 25 October 2010.
This Policy was adopted by the Council on 1 November 2010.
This Policy was endorsed by the Audit Committee on 25 February 2013.
This Policy was adopted by the Council on 4 March 2013.
This Policy was endorsed by the Audit Committee on 26 October 2015.
This Policy was adopted by the Council on 2 November 2015.
This Policy was endorsed by the Audit Committee on 27 February 2017.
This Policy was adopted by the Council on 6 March 2017.
This Policy was endorsed by the Audit Committee on February 2019.
This Policy was adopted by the Council on March 2019.
To be read and applied in conjunction with the Council Budget Policy

BACKGROUND

The purpose of this Policy Guideline is to provide assistance to staff who have responsibility for determining the revenue and expenditure components of the Council’s Annual Budget.

A budget expresses the Council’s Annual Business Plan in financial terms, by providing a one year forecast of revenues and expenses. The budget is also used as part of the process which is used to determine the level of revenue which is required to fund the services, programs and projects which are outlined in the Annual Business Plan.

POLICY GUIDELINES

1. In preparing the Annual Budget, reference must be given to the Council’s Long Term Financial Plan and the various Infrastructure and Asset Management Plans which have been adopted by the Council.

2. In January each year, the Council will approve the budget parameters and assumptions which will form the basis for the Annual Budget. Budget Parameters and Assumption comprise of:
   - Business Objectives;
   - Fees and Charges;
   - Rates revenue;
   - Salary and Wages; and
   - Project Carry Forwards.

   When determining Fees and Charges, reference shall be given to the Council’s Fees and Charges Policy.

3. The Annual Budget encompasses a Recurrent Operating Budget and Projects Budget. These are defined below.

   Recurrent Budget

   The Recurrent Budget includes income and expenses which are required to fund and deliver the "business as usual" service levels which are set by the Council.

   Examples include but are not limited to, the ongoing operation of Council’s Swimming Centres, Child Care Centre, Libraries, Community Centres, as well as regular reserve maintenance and waste collections.
Projects Budget

Project Budgets are classified into the following categories;

- Operating Projects - New Initiatives; and
- Capital Projects - New asset purchases, asset renewal & replacement.

Operating Projects

New initiatives are services which are provided for the first time that may have consequences on future recurrent budgets, or are one-off or short term in nature. This income and expenditure affects the Council’s income statement, as these components comprise recurrent operating expenses and income.

Where new initiatives are of an ongoing nature, the budget will be included in the Operating Projects budget for a period of three (3) years, subject to review, before being transferred permanently to the Recurrent Budget.

New initiatives will only be considered for inclusion in the Annual Budget upon;

a) Completion of the Funding Submission; and
b) New initiatives being consistent with the four Outcomes outlined in the CityPlan 2030: Shaping Our Future and or the Council’s Organisational Strategy.

The Executive Leadership Team which comprises Chief Executive Officer and General Managers will determine the new initiatives to be presented to the Council for consideration.

Elected Members will be provided with a listing and an explanation of new initiatives/projects for consideration. New initiatives and projects will be grouped and linked to the relevant sections of CityPlan 2030.

Elected Members will be provided the opportunity to put forward funding submissions for new initiatives for consideration by the Council.

Capital Projects

New Asset Purchases

New capital expenditure occurs where assets are added to the Council’s existing complement or where an existing asset is replaced with an asset that provides additional capabilities or services.

Capital Renewal & Replacement

Renewal and replacement expenditure occurs where an asset’s service life is extended, but its service capability is not improved.

It is unlikely that the level of depreciation and therefore rates raised in a budget year, will match the required renewal and replacement expenditure. The timing and level of renewal and replacement expenditure, will be governed by the Council’s Infrastructure and Asset Management Plans, while rate revenue will be raised in a consistent manner to avoid large fluctuations in the annual rate increase, and will be based on the annual depreciation expense.

Capital Projects will only be considered for inclusion in the Annual Budget upon;

a) Completion of Funding Submission; and
b) Capital Projects being consistent with the Four Outcomes outlined in the CityPlan 2030: Shaping Our Future and the Whole-of-Life Infrastructure and Asset Management Strategy.
The Executive Leadership Team will determine which new capital projects will be recommended to the Council for approval.

Elected Members will be provided with Funding Submissions for those Projects/New initiatives which are recommended for approval of new Capital Projects/Initiatives for consideration. Capital Projects will be grouped on the basis of the Four Pillars contained in CityPlan 2030: Shaping Our Future.

Elected Members will be provided the opportunity to put forward proposals for Capital Projects for consideration by the Council.

Project Carry Forwards

The Annual Budget will include an estimate (based on the Third Quarter Budget Review) of project expenditure:
- previously approved and carried forward from the prior budget years less
- current year approved projects carried forward to subsequent budget years.

Carry forward estimates (from prior budget years) will be revised, updated and approved at the First Budget Review.

4. In conjunction with the Annual Business Plan, the Annual Budget will be made available for public consultation for at least 21 days prior to the meeting set for the Council adoption of the Annual Business Plan and Annual Budget.

5. A Public Meeting will be held following the 21 day consultation Period to allow your verbal representation of the Annual Business Plan and Budget.

6. Upon adoption by the Council, the Annual Budget, together with the Annual Business Plan and Schedule of Fees and Charges, will be posted on the Council’s Website and copies will be made available at the Council’s Principal Office and Libraries.

7. The Annual Budget will be reviewed at least three (3) times during the Financial Year between September and May of the relevant budget year.

REVIEW PROCESS

The Council will review this Policy within 24 months of the adoption date.

INFORMATION

The contact officer for further information at the City of Norwood Paynemah & St Peters is the Council’s, Financial Services Manager on telephone 8366 4548.

ADOPTION OF THE POLICY

This Guideline was endorsed by the Audit Committee on 26 October 2015.
This Guideline was adopted by the Council on 2 November 2015.
This Guideline was endorsed by the Audit Committee on 27 February 2017.
This Guideline was adopted by the Council on 6 March 2017
This Guideline was endorsed by the Audit Committee on February 2019.
This Guideline was adopted by the Council on March 2019.
Attachment C

Finance Policies

Funding Policy
NAME OF POLICY: Funding

POLICY MANUAL: Finance

BACKGROUND

Pursuant to Chapter 9 of Local Government Act 1999 (the Act), the Council may obtain funds;

(a) as permitted by or under this or another Act; and
(b) as may otherwise be appropriate in order to carry out its functions under this or another Act.

The following are examples of ways in which a council may raise funds:

- by imposing rates and charges in accordance with the Act;
- by obtaining grants and other allocations of money;
- by carrying out commercial activities;
- by recovering fees, charges, penalties or other;
- by leasing or hiring out property;
- by borrowing money and obtaining other forms of financial accommodation; or
- by selling property.

DISCUSSION

Financial sustainability implies equity between generations (intergenerational equity), to ensure that today’s ratepayers pay only for their share of the City’s assets. Intergenerational equity is primarily achieved by funding the cost of renewing and replacing assets through revenue sources, including rates.

The Council’s Long Term Financial Plan (LTFP) sets out four (4) financial outcomes to ensure that financial sustainability is achieved. These outcomes are set out below:

Outcome 1: A balanced budget
Council’s services and programs, including depreciation of infrastructure and assets, is fully funded and the costs are shared equitably between current and future ratepayers

Outcome 2: Rate Stability
Annual rate collections are fair and equitable for our residents and ratepayers with the aim to keep rate revenue increases stable over the medium term

Outcome 3: Infrastructure and Asset Management
Maintain Infrastructure and Assets in line with the Council’s Whole-of-Life Infrastructure Framework to achieve the outcomes and objectives, as set out in CityPlan 2030 – Shaping our Future

Outcome 4: Debt Management
Prudent use of debt to invest in new long term assets to ensure intergenerational equity between current and future users

This Policy sets out the Council’s approach to the funding of services, programs and facilities. The Policy is based on an assessment of the beneficiaries of all of the services, programs and facilities which are provided by the Council and how these should be funded. It provides the framework within
which the Council will raise the revenue necessary to fund expenses of programs set out in its long-term financial plan.

KEY PRINCIPLES
The Funding Policy reflects the Council’s determined balance between the principles of:

- user or beneficiary pays and capacity to pay of different sections of the community;
- costs of provision of services, programs and facilities and, where relevant, prices charged by others for provision of similar services;
- maximising sourcing of external funding;
- accommodating individual circumstances of financial hardship; and
- achieving and preserving reasonable “inter-generational equity”.

POLICY

Long-term Financial Plan

The Council will adopt a 10 year Long-term Financial Plan (LTFP) that sets out the funding (revenue raising) and financing (paying for outlays) requirements for services, programs and facilities to be provided to equitably meet the outputs and outcomes set out in its Strategic Management Plan City Plan 2030: Shaping our Future and the Council’s Infrastructure and Asset Management Plans.

The LTFP is to be based on the achievement of the targets set by the Council for each of its Financial Sustainability Indicators and in particular those relating to its Operating Result. Unless special circumstances exist, the recommended target for the Council’s Operating Result is a Surplus (in dollar terms) equivalent to between 0% and 10% of general and other rate revenue over any five (5) year period.

In line with the requirements of the Act, the LTFP will be reviewed, within two years after the Local Government Election.

Budget Management and Review

The Council will manage its Long-term Financial Plan through its Budget process to ensure that its planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.

General and Other Rates

The Council will raise general and other rates from its community in accordance with its Rating Policy and Rebate Policy.

The Council’s Rating Policy and Rebate Policy sets out its application of the following rating provisions contained in the Act:

- minimum rates or fixed charges;
- separate rates;
- service rates and charges;
- differential rates;
- rate rebates; and
- postponement of rates.

The Council will review both its Rating Policy and its Rebate Policy annually to ensure that it has appropriate regard for the Council’s Funding Policy Key Principles and in particular, any material changes in:

- the capacity within sections of the community to pay; and
- the extent of opportunity of access to, use of, and benefit from, services, programs and facilities provided by the Council by various groupings of service users and ratepayers.
Financial Assistance and Other Discretionary Grants

The Council values the ongoing Commonwealth Financial Assistance Grants that it receives through the SA Local Government Grants Commission (LGGC). Similarly, Roads-to-Recovery Grants from the Federal Government are an important source of funding.

The Council will continue to provide timely and accurate information which is requested by the LGGC to ensure that it receives its appropriate funding allocation as determined by the LGGC’s methodology for allocating Financial Assistance Grants. Timely and accurate information also will be provided to the Federal Government in respect of Roads-to-Recovery Grants.

Special Purpose Grants

The Council recognises that opportunities arise from time to time to secure grants or funding for specific projects or purposes.

The Council will pursue such opportunities where the funding objectives support the directions of its Strategic Management Plan and its financial sustainability objectives.

The Council will assess the whole-of-life costs of a project considered for a special purpose grant or funding application (including maintenance and other operating costs over the life of the project) and will consider the impact of these costs on the Council’s financial sustainability indicators over the life of the project when considering a special purpose grant or funding opportunity.

User Charges

To reduce dependence on rate revenue, the Council will apply user charges to meet the cost of providing its services, programs and facilities where this is equitable, efficient and practical. Charges which are set will have regard to the Council’s Fees and Charges Policy.

Statutory Charges

All Councils have responsibilities under the Local Government Act 1999, and other relevant legislation. Where applicable, the Council will charge fees and fines levied in accordance with the relevant legislation and the Council’s Fees and Charges Policy.

Borrowings

The Council recognises that borrowings are not a recurrent funding source but are nevertheless likely to be required at times, particularly as a result of decisions to add to or enhance the Council’s stock of assets. If the Council sets revenue raising targets at levels that not only meet the full cost of existing services, programs and facilities but also enable it to accumulate funds to finance net asset acquisition it could create significant “inter-generational” inequity between beneficiaries of the Council’s services, programs and facilities. Therefore, the Council will only use Long Term Borrowing to fund new asset investment.

The Council will manage decisions about when to borrow and what type of borrowings to take out in accordance with its Treasury Management policy.

Private Sector Contributions/Partnerships

The Council will seek private sector funding for projects (e.g. through joint ventures, grants or provision of infrastructure, etc.) where this is considered beneficial to the community. In assessing the community benefit of such arrangements, the Council will take account of its financial exposure through an analysis of the whole-of-life costs of the project.

REVIEW PROCESS
The Council will review this Policy within 24 months of the adoption date of the Policy.

INFORMATION

The contact officer for further information at the City of Norwood Payneham & St Peters is Council’s Financial Services Manager, telephone 8366 4548.

ADOPTION OF THE POLICY

This Policy was endorsed by the Audit Committee on 21 July 2011.
This Policy was adopted by the Council on 4 August 2011.
This Policy was endorsed by the Audit Committee on 25 February 2013.
This Policy was adopted by the Council on 4 March 2013.
This Policy was endorsed by the Audit Committee on 24 February 2014.
This Policy was adopted by the Council on 3 March 2014.
This Policy was endorsed by the Audit Committee on 25 May 2015.
This Policy was adopted by the Council on 1 June 2015.
This Policy was endorsed by the Audit Committee on 29 February 2016.
This Policy was adopted by the Council on 7 March 2016.
This Policy was endorsed by the Audit Committee on 27 February 2017.
This Policy was adopted by the Council on 6 March 2017.
This Policy was endorsed by the Audit Committee on February 2019.
This Policy was adopted by the Council on March 2019.
6.4 EXTERNAL AUDITORS REPORT 2017-2018

REPORT AUTHOR: Financial Services Manager
GENERAL MANAGER: General Manager, Corporate Service
CONTACT NUMBER: 8366 4585
FILE REFERENCE: S/00238
ATTACHMENTS: A - C

PURPOSE OF REPORT

The purpose of this report is to provide the Audit Committee with the Audit Opinion and Auditors report regarding the 2017-2018 Financial Statements.

BACKGROUND

Pursuant to Section 129 (3) of the Local Government Act 1999 (the Act), the Council’s Auditor must provide to the Council, an audit opinion with respect to:

- the Financial Statements; and
- whether the internal controls of the Council are sufficient to provide reasonable assurance that the financial transactions of the Council have been conducted properly and are in accordance with law.

Pursuant to Section 129 (4) of Act, the Council’s Auditor must provide written advice on any particular items that have arisen from the audit.

Pursuant to Section 129 (5b) (a) of the Act, the opinion and the advice must be presented to the Council at the next ordinary meeting of the Council. The Council considered the Audit Opinion and Management Letter at the Council Meeting held on 21 January 2019.

RELEVANT STRATEGIC DIRECTIONS AND POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable.

EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

SOCIAL ISSUES

Nil.

CULTURAL ISSUES

Nil.

ENVIRONMENTAL ISSUES

Nil.

RESOURCE ISSUES

Nil.
RISK MANAGEMENT

There are no risk management issues arising from this report which has been prepared in accordance with the statutory requirements.

CONSULTATION

- **Elected Members**
  The 2017-2018 Audit Completion Report was received and noted by the Council at its Meeting held on 21 January 2019.

- **Community**
  Not Applicable.

- **Staff**
  Not Applicable.

- **Other Agencies**
  Not Applicable.

DISCUSSION

The Council’s External Auditors, BDO Advisory (SA) Pty Ltd, have completed the statutory audit of the City of Norwood Payneham & St Peters for the 2017-2018 Financial Year.

As advised at the Audit Committee meeting held on 22 October 2018, the External Auditors have issued an unqualified Audit Report on the Annual Financial Statements for the financial year ended 30 June 2018. A copy of the unqualified Audit Opinion is contained in Attachment A.

In addition to the Audit Report on the Annual Financial Statements, the External Auditors are required to undertake an audit of the internal controls exercised by the Council during the respective financial year in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, so that they can form an opinion as to whether the internal controls established by the Council are sufficient to provide reasonable assurance that the financial transactions undertaken by the Council, have been conducted properly and are in accordance with the legislative requirements. A copy of the unqualified Internal Controls Audit Opinion is contained in Attachment B.

In summary, in the Auditors opinion the Council has complied, in all material aspects, with Section 129(1)(b) of the Act in relation to the internal controls which have been established by the Council relating to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Pursuant to Section 129 (4) of the Act, the Auditors are required to provide to the Council, in writing, details of any issues that arose from the statutory audit. A copy of the correspondence from the Auditors is contained in Attachment C.

OPTIONS

Not Applicable.

CONCLUSION

Nil.

COMMENTS

Nil.
RECOMMENDATION

1. That the Audit Opinion with respect to the 2017-2018 Financial Statements, as contained in Attachment A, be received and noted.

2. That the Audit Opinion with respect to the Council’s Internal Controls, as contained in Attachment B, be received and noted.

3. That the Auditor’s report to Council with respect to the 2017-2018 Financial Statements, as contained in Attachment C, be received and noted.
Attachment A

External Auditors Report 2017-2018
INDEPENDENT AUDITOR’S REPORT
TO THE PRINCIPAL MEMBER OF THE CITY OF NORWOOD PAYNEHAM & ST PETERS


Opinion

We have audited the financial report of the City of Norwood Payneham & St Peters (“the Council”), which comprises the statement of financial position as at 30 June 2018, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the certification of the financial statements.

In our opinion the financial report of the Norwood Payneham & St Peters, presents fairly, in all material respects, the Council’s financial position as at 30 June 2018 and its financial performance for the year ended on that date in accordance with Australian Accounting Standards, the Local Government Act 1999, and the Local Government (Financial Council’s officers) 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 Council in accordance with the Local Government Act 1999 and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Local Government Act 1999, which has been given to the Council, would be in the same terms if given to the Council as at the time of this auditor’s report.

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

Information Other than the Financial Report and Auditor’s Report Thereon

Management is responsible for the other information. The other information obtained are the general purpose financial reports of the regional subsidiaries, which we obtained prior to the date of this auditor’s report, and the Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.
When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

**Council’s responsibility for the Financial Report**

The Council’s officers are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the *Local Government Act 1999* and the *Local Government (Financial Council’s officers) Regulations 2011* and for such internal control as the Council’s officers determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Council’s officers are responsible for assessing the Council’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council’s officers either intend to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

**Auditor’s responsibilities 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 the 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.


This description forms part of our auditor’s report.

BDO Audit (SA) Pty Ltd

G K Edwards
Director

Adelaide, 21 November 2018
INDEPENDENT ASSURANCE REPORT
ON THE INTERNAL CONTROLS OF THE CITY OF NORWOOD PAYNEHAM & ST PETERS

Opinion
We have undertaken a reasonable assurance engagement on the design and the operating effectiveness of controls established by City of Norwood Payneham & St Peters (“the Council”) in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, throughout the period 1 July 2017 to 30 June 2018 relevant to ensuring such transactions have been conducted properly and in accordance with law.

In our opinion, in all material respects:
(a) The controls established by the Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities were suitably designed to ensure such transactions have been conducted properly and in accordance with law; and
(b) The controls operated effectively as designed throughout the period from 1 July 2017 to 30 June 2018.

Basis for opinion
We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3150 Assurance Engagements on Controls issued by the Auditing and Assurance Standards Board.

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

The Council’s responsibilities for the internal controls
The Council is responsible for:

a) The receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities;
b) Identifying the control objectives
c) Identifying the risks that threaten achievement of the control objectives
d) Designing controls to mitigate those risks, so that those risks will not prevent achievement of the identified control objectives; and
e) Operating effectively the controls as designed throughout the period.

Our independence and quality control
We have complied with the independence and other relevant ethical requirements relating to assurance engagements, and apply Auditing Standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements in undertaking this assurance engagement.
Assurance practitioner’s responsibilities

Our responsibility is to express an opinion, in all material respects, on the suitability of the design to achieve the control objectives and the operating effectiveness of controls established by the Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities. ASAE 3150 requires that we plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the control objectives and the controls operated effectively throughout the period.

An assurance engagement to report on the design and operating effectiveness of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the control objectives and the operating effectiveness of controls throughout the period. The procedures selected depend on our judgement, including the assessment of the risks that the controls are not suitably designed or the controls did not operate effectively. Our procedures included testing the operating effectiveness of those controls that we consider necessary to achieve the control objectives identified. An assurance engagement of this type also includes evaluating the suitability of the control objectives.

Limitations of controls

Because of the inherent limitations of an assurance engagement, together with 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 and so fraud, error, or non-compliance with laws and regulations may occur and not be detected.

An assurance engagement on operating effectiveness of 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.

BDO Audit (SA) Pty Ltd

G K Edwards
Director
Adelaide, 21 November 2018
Attachment C

External Auditors Report 2017-2018
CITY OF NORWOOD PAYNEHAM & ST PETERS
Audit Completion Report
Year ended 30 June 2018
KEY CONTACTS

Geoff Edwards
Engagement Partner
Tel: +61 8 7324 6061
geoff.edwards@bdo.com.au

Chelsea Aplin
Engagement Manager
Tel: +61 8 7324 6097
chelsea.aplin@bdo.com.au
AUDIT STATUS
We have set out in this document the significant matters arising from our audit for the year ended 30 June 2018. This summary covers those matters we believe to be material in the context of our work.

Our audit was conducted in accordance with Australian Auditing Standards, the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011, and is in the process of being completed.

Our audit will be concluded once we have completed the following outstanding audit procedures:

- Review of an updated final draft of Council’s financial statements including changes as requested;
- Review of events subsequent to 30 June 2018;
- Receipt of written management representations on various matters;
- Receipt of formally adopted financial statements and agreement of these to the drafts provided to us to date.

At the date of this completion report we anticipate issuing unqualified opinions on both the financial statements, and internal controls.
**KEY ACCOUNTING AND AUDIT MATTERS**

We have set out below the key accounting and audit matters that have arisen during the audit.

**Significant risks of material misstatement**

Our audit procedures were focused on areas that are considered to represent significant risk of material misstatement. We identified the risk areas as part of our risk assessment procedures undertaken during the planning phase and continued to be alert for risks during the course of the audit. We set out below the significant risks identified along with our findings and conclusions.

<table>
<thead>
<tr>
<th>Description</th>
<th>Findings and conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council’s infrastructure, property, plant and equipment are carried at valuation. There is a risk that these balances are misstated as a result of the application of inappropriate valuation methodologies, or incorrect underlying assumptions.</td>
<td>We have evaluated the competence, capability and objectivity of the independent valuers, obtained an understanding of their work, and evaluated its appropriateness. No exceptions were noted. The land revaluation has resulted in a net decrease in value of these assets of approximately $174M, largely in relation to the application of AASB 13 Fair Value for the first time in relation to the valuation of land which resulted in all of the Council’s land assets being classified as Level 3 due to the Community Land encumbrances and applied discount factors to the market value. This approach is consistent with our experience of the practice of other comparable South Australian councils.</td>
</tr>
</tbody>
</table>
### Key Accounting and Audit Matters

#### Cut-off of grant funding and accuracy of any amounts deferred at 30 June 2018

<table>
<thead>
<tr>
<th>Description</th>
<th>Findings and conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is a risk of error in the calculation of grant income recognised and deferred at year end by reference to grant agreements and Australian Accounting Standards.</td>
<td>Note 1.3 draws attention to an amount of $613,744 untied Financial Assistance Grant for the year ending 30 June 2019, received in advance during the year ended 30 June 2018. No exceptions were noted in this regard.</td>
</tr>
</tbody>
</table>

#### Accounting treatment of capital work in progress

<table>
<thead>
<tr>
<th>Description</th>
<th>Findings and conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is a risk that the accounting treatment of items captured within capital WIP may not be in accordance with Australian Accounting Standards.</td>
<td>We have obtained the WIP Schedule and reviewed in detail a sample of projects outstanding as at the end of the year for evidence they are likely to ultimately represent assets that can be capitalised. We performed sample testing of asset transfers out of capital WIP to confirm that categorisation and value allocated to assets are appropriate. No exceptions were noted.</td>
</tr>
</tbody>
</table>
### Management override of internal control

<table>
<thead>
<tr>
<th>Description</th>
<th>Findings and conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian Auditing Standards require that we presume there is a risk that management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively.</td>
<td>We have tested general journals posted during the year and at the end of the reporting period to consider whether they are appropriate. We considered accounting estimates for management biases or fraud. We sought to corroborate management explanations with independent supporting evidence whenever possible. There was no evidence of misstatement due to management override of controls.</td>
</tr>
</tbody>
</table>

### Accounting treatment Eastern Health Authority Inc; Eastern Waste Management Authority Inc; Highbury Landfill Authority; and ERA Water Inc

<table>
<thead>
<tr>
<th>Description</th>
<th>Findings and conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is a potential risk in relation to the accounting treatment and disclosure of amounts relating to Council’s interest in Eastern Health Authority Inc; Eastern Waste Management Authority Inc and ERA Water Inc, including any changes occurring during the year, may not be in accordance with Australian Accounting Standards.</td>
<td>We obtained the statutory financial statements for Eastern Health Authority Inc; Eastern Waste Management Authority Inc; Highbury Landfill Authority; and ERA Water Inc for the year ended 30 June 2018 and City of Norwood Payneham &amp; St Peters’ calculation of their proportional interest, and compared this to the amounts and disclosures in the draft financial statements. No exceptions were noted.</td>
</tr>
</tbody>
</table>
SUMMARY OF MISSTATEMENTS
SUMMARY OF MISSTATEMENTS

Uncorrected misstatements

We detail below the uncorrected misstatements which we have identified during the audit, and that were determined by management to be immaterial, both individually and in aggregate to the financial report taken as a whole.

Misstatements have not been included if they are considered to be clearly trivial which we have set at $35,000. Matters which are clearly trivial are regarded as clearly inconsequential when taken individually or in aggregate.

We will seek representation from management to acknowledge that:

• Uncorrected misstatements have been brought to their attention by us; and
• They have considered the effect of any uncorrected misstatements, aggregated during and pertaining to the latest period, on the financial report and consider the misstatements are immaterial individually and in aggregate to the financial report taken as a whole.

<table>
<thead>
<tr>
<th>Description</th>
<th>Assets</th>
<th>(Liabilities)</th>
<th>Reserves</th>
<th>(Profit)/Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase provision of doubtful debts to cover debts with an ageing greater</td>
<td>(122,285)</td>
<td>-</td>
<td>-</td>
<td>122,285</td>
</tr>
<tr>
<td>than 120 days in accordance with Council policy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net effect of uncorrected misstatements</td>
<td>(122,285)</td>
<td>-</td>
<td>-</td>
<td>122,285</td>
</tr>
</tbody>
</table>

Corrected misstatements

We have not identified any misstatements during the course of our audit which have been adjusted.
INTERNAL CONTROL
INTERNAL CONTROL

Current year

We have a responsibility to provide an audit report in which we express a conclusion on the Council’s compliance with Section 125 of the Local Government Act 1999 in relation to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities have been conducted properly and in accordance with law in all material respects.

In addition, in accordance with ASA 265 *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*, we are required to communicate in writing, any other significant deficiencies in internal controls identified during the audit.

The standard defines a deficiency in internal control as follows:

1. A control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial report on a timely basis; or

2. A control necessary to prevent, or detect and correct, misstatements in the financial report on a timely basis is missing.

Significant deficiency in internal control means a deficiency or combination of deficiencies in internal control that, in the auditor’s professional judgement, is of sufficient importance to merit the attention of those charged with governance. There are no significant deficiencies identified in internal controls during the course of the Council audits.

We intend providing an unqualified audit report in relation to compliance with Section 125 of the Local Government Act 1999. Details of matters identified in our testing of internal controls that were determined not to require qualification in our audit report are set out below.
**INTERNAL CONTROL**

**Internal control risk assessment**

We have completed the testing of internal controls for the purpose of providing an audit opinion on Council’s internal controls. Specifically that controls exercised by the Council in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law.

Our assessment of internal controls is based on the criteria in the Better Practice Model - Financial Internal Control for South Australian Councils as issued by the Local Government Association of South Australia.

We note that an updated version of the Better Practice Model was released during the year which emphasises a risk based approach to internal financial controls. The new version states that Council should design and implement internal financial controls activities and monitoring systems that prioritise extreme and high financial risk as identified by the Council’s risk tolerance framework.

As reported in our interim management letter, we have been advised by the management that no risk assessment is performed for this financial year. Instead, self-assessment is performed over all ‘core controls’ that are suggested per Better Practice Model.

For the purpose of our internal control audit opinion, we have performed our own risk assessment to identify the key financial risks facing the Council, determine the inherent risk level and evaluate core controls activities to address this risk. Based on this work, we have not noted any material exceptions that would lead to a qualification to the audit report on internal controls. We will revisit the matter next year and report our findings on management’s risk assessment accordingly.
**INTERNAL CONTROL**

<table>
<thead>
<tr>
<th>Other deficiencies in internal control</th>
<th>Potential effects</th>
<th>Recommendation</th>
<th>Management comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 It was noted that the reconciliation of debtors were not always completed on a monthly basis in line with the “List of Reconciliations, Responsible Officers &amp; Frequencies” worksheet.</td>
<td>There is a risk that the general ledger does not contain accurate financial information, which could result in the financial statements and management reports being misstated.</td>
<td>It is recommended that reconciliations are performed at the frequency determined in the “List of Reconciliations, Responsible Officers &amp; Frequencies” worksheet.</td>
<td>Agreed. It is noted however, that as part of the month end process an AR Trial Balance must be printed and this is reviewed to ensure that it reconciles to the General Ledger. We have a practise of combining this report into an excel document on a monthly basis and it would be this step that was missed.</td>
</tr>
<tr>
<td>2 It was noted on one occasion that a timesheet was not authorised by a supervisor / manager.</td>
<td>There is the potential for staff to be paid for incorrect hours worked.</td>
<td>Ensure that all timesheets are appropriately authorised by a manager / supervisor</td>
<td>Noted</td>
</tr>
</tbody>
</table>

**Auditor: BDO**
**INTERNAL CONTROL**

**IT General Control Review**

As part of our audit we use one of our IT specialists to review the IT general controls relevant to the audit. IT general controls are policies and procedures that relate to many applications and support the effective functioning of application controls. IT general controls relevant to the audit include logical access controls, program change controls and data processing management. As a result of the review the following improvement opportunities were noted:

<table>
<thead>
<tr>
<th>Description of improvement opportunity</th>
<th>Management comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Disabling user access to Civica should be formalised with a request form and included as part of the staff termination procedure.</td>
<td>It is noted that users are not terminated in Civica however, our process terminates a users network access on departure.</td>
</tr>
<tr>
<td>2 Periodic review of user access should be scheduled every quarter.</td>
<td>Noted</td>
</tr>
<tr>
<td>3 The Change Process for upgrades and maintenance of Civica should be improved specifically for developing, storing and executing test plans, and the business manager signoff needs to be explicitly gained or denied.</td>
<td>Noted. Verbal acceptance is obtained from each functional unit representative prior to going live with the upgrade.</td>
</tr>
</tbody>
</table>
### IT General Control Review (Cont.)

<table>
<thead>
<tr>
<th>Description of improvement opportunity</th>
<th>Management comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>4</strong> Allowing staff read access directly to the database is not ideal, but unfortunately is required as part of the current software reporting mechanism. A review of the read access that each staff member holds should be performed, and if any sensitive data is highlighted or data to which they shouldn’t have access is identified, appropriate measures should be taken to provide other ways (or users) to generate the Crystal reports.</td>
<td>Noted.</td>
</tr>
<tr>
<td><strong>5</strong> Complete the transition to role-based user access in Civica.</td>
<td>Agreed. The formal documentation around the roles needs to be finalised.</td>
</tr>
<tr>
<td><strong>6</strong> Finalise the Civica support issue with Pitney Bowes and return to in-house maintenance.</td>
<td>Noted.</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITOR’S REPORT


Opinion

We have audited the financial report of City of Norwood Payneham & St Peters (the Council), which comprises the statement of financial position as at 30 June 2018, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the certification of the financial statements.

In our opinion the financial report of City of Norwood Payneham & St Peters, presents fairly, in all material respects, the Council’s financial position as at 30 June 2018 and its financial performance for the year ended on that date in accordance with Australian Accounting Standards, the Local Government Act 1999, and the 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 Council in accordance with the Local Government Act 1999 and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Local Government Act 1999, which has been given to the Council, would be in the same terms if given to the Council as at the time of this auditor’s report.

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

Council’s responsibility for the Financial Report

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

In preparing the financial report, the Council’s officers are responsible for assessing the Council’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council’s officers either intend to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities 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 the 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.


This description forms part of our auditor’s report.

BDO Audit (SA) Pty Ltd

G K Edwards
Director
Adelaide, XX October 2018
APPENDIX 1

Proposed audit report (continued)

DRAFT INDEPENDENT ASSURANCE REPORT
ON THE INTERNAL CONTROLS OF CITY OF NORWOOD PAYNEHAM & ST PETERS

Opinion

We have undertaken a reasonable assurance engagement on the design and the operating effectiveness of controls established by Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, throughout the period 1 July 2017 to 30 June 2018 relevant to ensuring such transactions have been conducted properly and in accordance with law.

In our opinion, in all material respects:

a) The controls established by Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities were suitably designed to ensure such transactions have been conducted properly and in accordance with law; and

b) The controls operated effectively as designed throughout the period from 1 July 2017 to 30 June 2018.

Basis for opinion

We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3150 Assurance Engagements on Controls issued by the Auditing and Assurance Standards Board.

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

The Council’s Responsibility for the Internal Controls

The Council is responsible for:

a) the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities:

b) identifying the control objectives;
Proposed audit report (continued)

a) identifying the risks that threaten achievement of the control objectives;
b) designing controls to mitigate those risks, so that those risks will not prevent achievement of the identified control objectives; and

c) operating effectively the controls as designed throughout the period.

Our Independence and Quality Control

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

Our responsibility is to express an opinion, in all material respects, on the suitability of the design to achieve the control objectives and the operating effectiveness of controls established by Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities. ASAE 3150 requires that we plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the control objectives and the controls operated effectively throughout the period.

An assurance engagement to report on the design and operating effectiveness of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the control objectives and the operating effectiveness of controls throughout the period. The procedures selected depend on our judgement, including the assessment of the risks that the controls are not suitably designed or the controls did not operate effectively. Our procedures included testing the operating effectiveness of those controls that we consider necessary to achieve the control objectives identified. An assurance engagement of this type also includes evaluating the suitability of the control objectives.
Limitations of controls

Because of the inherent limitations of an assurance engagement, together with 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 and so fraud, error, or non-compliance with laws and regulations may occur and not be detected.

An assurance engagement on operating effectiveness of 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.

BDO Audit (SA) Pty Ltd

G K Edwards
Director
Adelaide, XX October 2018
APPENDIX 2

Auditor independence declaration

We set out below our draft Auditor independence declaration.

CERTIFICATION OF AUDITOR INDEPENDENCE

I confirm that, for the audit of the financial statements of City of Norwood Payneham & St Peters for the year ended 30 June 2018, I have maintained my independence in accordance with the requirement 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 requirement of Regulation 22(5) Local Government (Financial Management) Regulations 2011.

G K Edwards
Director

BDO Audit (SA) Pty Ltd
Adelaide, XX October 2018
Other communications

Ethics and independence matters
In conducting our audit, we have complied with the independence requirements of the s290 of APES 110 Code of Ethics for Professional Accountants.

We have obtained independence declarations from all staff engaged in the audit. We also have policies and procedures in place to identify any threats to our independence, and to appropriately deal with and if relevant mitigate those risks.

We have not become aware of any issue that would cause any member of the engagement team, BDO or any BDO network firm to contravene any ethical requirement or any regulatory requirement that applies to the audit engagement.

BDO has not provided any other services during the audit to City of Norwood Payneham & St Peters.

Non-compliance with laws and regulations
We have made enquiries in relation to any non-compliance with laws and regulations during the course of our audit. We have not identified any instances of non-compliance with laws and regulations as a result of our enquiries, other than in relation to the failure to prepare financial statements by the prescribed day (being the second Friday in September) as required under section 127(2)(a) of the Local Government Act 1999.

We have not identified any reportable matters during the course of our audit.

Fraud
Management have confirmed that there were no matters of fraud identified for the period under audit, or subsequently. It should be noted that our audit is not designed to detect fraud however should instances of fraud come to our attention we will report them to you.

We have not identified any instances of fraud during the course of our audit.
APPENDIX 4

New developments

Supplementing this report is a summary of the new and emerging developments that may impact you in future years. We have provided a brief overview of the major changes relevant to you in the table below. Our Issues and Trends page on our website also includes resources regarding new and emerging areas.

Impairment testing

AASB 2016-4 simplifies impairment testing for not-for-profit entities (NFPs) with specialised, non-cash-generating assets by clarifying that ‘current replacement cost’ in AASB 13 Fair Value Measurement, and ‘depreciated replacement cost’ used as a proxy for ‘value in use’ (recoverable amount) in AASB 136 Impairment of Assets, mean the same thing.

The amendments delete the concept of ‘depreciated replacement cost’ as a proxy for ‘value in use’ for entities with specialised, non-cash-generating assets measured using the ‘cost model’. This means that recoverable amount for such assets must be determined using ‘fair value less costs of disposal’. ‘Fair value’ will be determined be reference to ‘current replacement cost’ in AASB 13. The amendments also clarify that disposal costs can be ignored when determining ‘fair value less costs of disposal’ as these types of assets are rarely sold and disposal costs would be negligible.

Such assets measured using the fair value model are not required to perform impairment testing under AASB 136 because ‘current replacement cost’ under AASB 13 (used to measure fair value) is the same as what would be used to determine ‘fair value less costs of disposal’.
New developments (continued)

New income recognition standard - AASB 1058

On 20 December 2016, the Australian Accounting Standards Board issued the highly anticipated new standard dealing with income recognition, **AASB 1058 Income of Not-for-Profit Entities**, which applies to annual reporting periods ending on or after 1 January 2019. The application date of the new revenue recognition standard, AASB 15 *Revenue from Contracts with Customers* has also been deferred to 1 January 2019 for NFPs.

AASB 1058 establishes principles and guidance when accounting for:
- Transactions where the consideration given to acquire an asset is significantly less than its fair value, in order to enable the entity to further its objectives, and
- The receipt of volunteer services.

Various practical examples are contained in the illustrative examples that accompany AASB 1058, and Application Guidance has been added to AASB 15 *Revenue from Contracts with Customers* to enable NFPs to be able to apply AASB 15 in a not-for-profit context.

On initial recognition of an asset received by a NFP, any related amounts, including contributions by owners, liabilities or revenue, are to be recognised in accordance with other Australian Accounting Standards. This includes the additional new accounting standards, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*.

The combined operation of AASB 1058, AASB 15 and AASB 16 provides specific guidance for NFPs on the principles for recognising various forms of income. For example:

- If the consideration given, or to be given, by an NFP for an asset is significantly less than the fair value of the asset, AASB 1058 addresses the accounting for the difference
- When government grants are received under an enforceable agreement, and there are sufficiently specific performance obligations imposed on the NFP, the components of the grant that relates to those performance obligations would potentially be deferred until the obligations are satisfied
- If the performance obligations are not sufficiently specific, the NFP is potentially faced with recognising the grant upon receipt
New developments (continued)

New income recognition standard - AASB 1058 (continued)

- If the NFP acquired the right to use a property by way of a lease, and the fair value of the right to use the property is significantly greater than the consideration to be given (e.g. a peppercorn lease), the NFP potentially will be required to recognise income for the difference.
- Certain government NFPs will be required to recognise the financial effect of volunteer services where the fair value of the services can be measured reliably, and the services would have been purchased if they had not been donated. This requirement is not mandatory for private sector NFP entities.

Key issues in implementing the new standard, together with other related amendments, will include:

- Determining the fair value of assets acquired, particularly where the transaction is on non-commercial terms.
- Determining whether contracts for government grants contain sufficiently specific performance obligations to allow deferral of any component of the grants.

In implementing the new requirements, NFPs will also need to:

- Review all significant income streams to determine the impact on the financial report.
- Consider the need to change accounting policies and internal financial reporting processes.
- Consider the impact on reporting to stakeholders regarding the NFP’s financial position and performance.
- Ensure proper guidance is provided to boards and audit committees.
AASB 16 How does it impact you?

The new leases standard, AASB 16 *Leases* is effective for annual periods beginning on or after 1 January 2019 and early adoption is permitted.

This new leases standard, which mainly impacts lessees, will therefore apply for the first time to your 31 December 2019 year end and supersedes existing standard, AASB 117 *Leases*, as well as related Interpretations. Although the transition date for full retrospective restatement is 1 January 2018, there is an option of selecting 1 January 2019 as the transition date if the cumulative effect of initial application is recognised as a single entry in opening retained earnings on 1 January 2019 (cumulative catch up method) and additional disclosures are made.

The core principle of AASB 16 is that all assets and liabilities arising under lease contracts are recognised in the statement of financial position as right-of-use assets, with a corresponding lease liability, and an annual expense reflecting depreciation on the leased asset and interest expense, which will vary from period to period, depending on the outstanding balance of the lease liability (i.e. front-end loaded expense).

Exceptions
There are optional exceptions for short-term leases (i.e. where lease term is for a period of less than 12 months, including extension options), and low value leases (i.e. where the value, as new, is less than approximately US $5,000).

Main implications
- There is no longer a distinction made between ‘operating’ and ‘finance’ leases, and no more straight-line expense for operating leases
- Non-cancellable lease payments are included when measuring the right-of-use asset, as well as payments for option periods which the entity is reasonably certain to exercise
- Contingent rentals (e.g. those linked to sales) are not capitalised into the right-of-use asset but are expensed in profit or loss when incurred.

For more information, please refer to BDO’s *Need to Know* and Accounting News *article*, as well as to the ‘Leasing’ section of our *Issues and Trends* page.

Please contact your partner to discuss implementation issues.
We have prepared this report solely for the use of City of Norwood Payneham & St Peters. As you know, this report forms part of a continuing dialogue between the company 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 of this report without prior consent, we would not accept any responsibility for any reliance they may place on it.

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7. CONFIDENTIAL REPORTS
   Nil

8. OTHER BUSINESS
   (Of an urgent nature only)

9. NEXT MEETING
   Monday 27 May 2019

10. CLOSURE