Audit Committee Minutes

25 February 2019

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.
City of Norwood Payneham & St Peters  
Minutes of the Meeting of the Audit Committee held on 25 February 2019  
Index Page

<table>
<thead>
<tr>
<th>No.</th>
<th>Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1.</td>
<td>CONFIRMATION OF MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 22 OCTOBER 2018</td>
</tr>
<tr>
<td>2.</td>
<td>2.</td>
<td>PRESIDING MEMBER’S COMMUNICATION</td>
</tr>
<tr>
<td>3.</td>
<td>3.</td>
<td>QUESTIONS WITHOUT NOTICE</td>
</tr>
<tr>
<td>4.</td>
<td>4.</td>
<td>QUESTIONS WITH NOTICE</td>
</tr>
<tr>
<td>5.</td>
<td>5.</td>
<td>WRITTEN NOTICES OF MOTION</td>
</tr>
<tr>
<td>6.</td>
<td>6.</td>
<td>STAFF REPORTS</td>
</tr>
<tr>
<td>6.1</td>
<td>6.1</td>
<td>2019-2020 ANNUAL BUSINESS PLAN AND BUDGET PROCESS, PARAMETERS AND OBJECTIVES</td>
</tr>
<tr>
<td>6.2</td>
<td>6.2</td>
<td>2018-2019 MID YEAR BUDGET REVIEW</td>
</tr>
<tr>
<td>6.3</td>
<td>6.3</td>
<td>FINANCE POLICIES</td>
</tr>
<tr>
<td>6.4</td>
<td>6.4</td>
<td>EXTERNAL AUDITORS REPORT 2017-2018</td>
</tr>
<tr>
<td>7.</td>
<td>7.</td>
<td>CONFIDENTIAL REPORTS</td>
</tr>
<tr>
<td>8.</td>
<td>8.</td>
<td>OTHER BUSINESS</td>
</tr>
<tr>
<td>9.</td>
<td>9.</td>
<td>NEXT MEETING</td>
</tr>
<tr>
<td>10.</td>
<td>10.</td>
<td>CLOSURE</td>
</tr>
</tbody>
</table>
VENUE
Mayors Parlour, Norwood Town Hall

HOUR
7.00pm

PRESENT
Committee Members
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)

APOLOGIES
Mayor Robert Bria

ABSENT
Nil

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 22 OCTOBER 2018

Mr Peter Holmes moved that the minutes of the Audit Committee meeting held on 22 October 2018 be taken as read and confirmed. Seconded by Cr Stock and carried.

2. PRESIDING MEMBER’S COMMUNICATION
Nil

3. QUESTIONS WITHOUT NOTICE
Nil

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</td>
</tr>
<tr>
<td></td>
<td>(Council Meeting)</td>
</tr>
<tr>
<td>Fees and charges adopted in principle by the Council</td>
<td>Monday 4 March 2019</td>
</tr>
<tr>
<td></td>
<td>(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 April 2019</td>
</tr>
<tr>
<td></td>
<td>(Special Meeting)</td>
</tr>
<tr>
<td>Operating and Capital Projects considered</td>
<td>Wednesday 17 April 2019</td>
</tr>
<tr>
<td></td>
<td>(Special Meeting)</td>
</tr>
<tr>
<td>Draft Annual Business Plan, rating model and projects carried forward and</td>
<td>Monday 6 May 2019</td>
</tr>
<tr>
<td>Infrastructure Whole of Life endorsed</td>
<td>(Council Meeting)</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</td>
</tr>
<tr>
<td></td>
<td>(Special Council Meeting)</td>
</tr>
<tr>
<td>Adoption of Annual Business Plan and Budget</td>
<td>Monday 1 July 2019</td>
</tr>
<tr>
<td></td>
<td>(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.

---

*Cr Stock moved:*

*That the report be received and noted.*

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

Mr Peter Holmes moved:

That the report be received and that the Committee notes that the Council’s share of the operating results of Regional Subsidiaries may not be a reliable assessment of the 30 June 2019 result.

Seconded by Cr Stock and carried.
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 1: PROPOSED POLICY AMMENDMENTS**

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

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).

Mr Peter Holmes moved:

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).

Seconded by Cr Stock and carried.
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.

Cr Stock moved:

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.

Seconded by Mr Peter Holmes and carried.
7. CONFIDENTIAL REPORTS
   Nil

8. OTHER BUSINESS
   Nil

9. NEXT MEETING
   Monday 27 May 2019

10. CLOSURE
    There being no further business the Presiding Member declared the meeting closed at 8.02pm.

Cr John Minney
PRESIDING MEMBER

Minutes Confirmed on ____________________________

(date)