

# COMMITTEE AGENDA

## **Audit Committee**

Notice is hereby given pursuant to the provisions of the Local Government Act, 1999, that the next Meeting of the Confidential Audit Committee will be held in the Council Chambers, 181 Unley Road Unley on

***Monday 11 November 2019 6.30***

for the purpose of considering the items included on the Agenda.

**Chief Executive Officer**



## **MEMBERS**

Independent Member D Powell (Presiding Member)  
Councillor K. Anastassiadis  
Councillor M. Broniecki  
Independent Member N Handley  
Independent Member A Martin

## **ACKNOWLEDGEMENT**

We would like to acknowledge this land that we meet on today is the traditional lands for the Kaurna people and that we respect their spiritual relationship with their country.

We also acknowledge the Kaurna people as the custodians of the Adelaide region and that their cultural and heritage beliefs are still as important to the living Kaurna people today.

## **ORDER OF BUSINESS**

<b>ITEM</b>	<b>PAGE NO</b>
<b>1. ADMINISTRATIVE MATTERS</b>	
<b>1.1 APOLOGIES</b>	
Nil	
<b>1.2 LEAVE OF ABSENCE</b>	
Nil	
<b>1.3 CONFLICT OF INTEREST</b>	
<i>Members to advise if they have any material, actual or perceived conflict of interest in any Items in this Agenda and a Conflict of Interest Disclosure Form (attached) is to be submitted.</i>	
<b>1.4 MINUTES</b>	
1.4.1 Minutes of the Audit Committee Meeting held Tuesday, 2 July 2019	
<b>1.5 DEFERRED / ADJOURNED ITEMS</b>	
Nil	
<b>2. REPORTS</b>	
2.1 Fraud and Corruption Prevention Policy Review	5
2.2 Revised Risk Management Policy	26
2.3 2018-2019 General Purpose Financial Statements	65
2.4 Procurement Savings Identified	295

## **3. OTHER BUSINESS**

### **NEXT MEETING**

Tuesday 10 December 2019 - 6.30pm

Council Chambers, 181 Unley Road Unley

## DECISION REPORT

<b>REPORT TITLE:</b>	FRAUD AND CORRUPTION PREVENTION POLICY REVIEW
<b>ITEM NUMBER:</b>	2.1
<b>DATE OF MEETING:</b>	11 NOVEMBER 2019
<b>AUTHOR:</b>	LIDA CATALDI
<b>JOB TITLE:</b>	PRINCIPAL RISK MANAGEMENT OFFICER
<b>ATTACHMENTS:</b>	<ol style="list-style-type: none"><li>1. FRAUD AND CORRUPTION PREVENTION POLICY - CURRENT - 2017</li><li>2. FRAUD AND CORRUPTION PREVENTION POLICY - PROPOSED - 2019</li></ol>

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### 1. **EXECUTIVE SUMMARY**

The purpose of this report is to present the revised Fraud and Corruption Prevention Policy for recommendation to Council for endorsement.

Council is required to review all policies within 12 months of an election. Policies should be reviewed on a regular basis to ensure they remain current and reflect any changes to legislative or industry guidelines/requirements.

Changes made to this Policy have been based on a review of the Local Government Association's Model Fraud, Corruption, Misconduct and Maladministration Policy, which was circulated to Councils in September 2019. The primary changes proposed are the inclusion of a Roles and Responsibilities table and reference to the requirements of the *Public Interest Disclosure Act 2018*.

### 2. **RECOMMENDATION**

That:

1. The report be received.
  2. The Fraud and Prevention Prevention Policy as set out in Attachment 2 to this report (Item 2.1, Audit Committee Meeting, 11/11/2019) be endorsed.
-

### 3. **RELEVANT CORE STRATEGIES/POLICIES**

#### 4. Civic Leadership

4.1 We have strong leadership and governance.

4.3 Our business systems are effective and transparent

### 4. **BACKGROUND**

The Fraud and Corruption Prevention Policy enables Public Officers to be informed of the requirements and responsibilities in relation to Fraud and Corruption, Misconduct and Maladministration. The Policy also outlines the process for reporting a reasonable suspicion in relation to fraud and corruption and how this will be investigated.

The Policy communicates to the Council Members, Council Employees, Volunteers and Contractors that Council will not tolerate fraudulent or corrupt behaviour or activity.

### 5. **DISCUSSION**

The review of this Policy identified two main areas that needed to be updated;

- inclusion of requirements under the *Public Interest Disclosure Act 2018*, and
- clearer definition of 'roles and responsibilities' of Council Members, Chief Executive Officer, Council Employees and the Audit Committee.

A new policy template has been adopted for all Council Policies and the Fraud and Corruption Prevention Policy has been transferred to the new policy template. This has resulted in relocation of text within the Policy, and as such, the use of revision marks to track changes was not conducive to ensuring the document was easy to read. Consequently, a copy of the current Policy is provided as Attachment 1 and the proposed revised Policy is provided as Attachment 2.

*Attachment 1*

*Attachment 2*

### 6. **ANALYSIS OF OPTIONS**

#### Option 1 –

1. The Report be received.
2. The Fraud and Corruption Prevention Policy as set out in Attachment 2 to this report (Item 2.1, Audit Committee Meeting, 11/11/2019) be endorsed,

The current Policy requires revision to align with best practice and include the requirements under the *Public Interest Disclosure Act 2018*. This Option allows for the revised version of the Fraud and Corruption Prevent Policy to be endorsed and implemented.

Option 2 –

1. The Report be received.
2. Subject to the amendments set out below, the Fraud and Corruption Prevention Policy as set out in Attachment 2 to this report (Item 2.1, Audit Committee Meeting, 11/11/2019) be adopted:

2.1 *insert amendments required*

The Committee may wish to request amendments to the Policy and include these in the recommendation to Council for endorsement. If this is the case, the amendments should be articulated as part of the resolution. This Option provides the relevant wording to enable the Committee to articulate any changes required to the policy, and to recommend these be incorporated by Council at the time it adopts the revised Fraud and Corruption Prevention Policy.

Option 3 –

1. The Report be received.
2. The Fraud and Corruption Prevention Policy as set out in Attachment 2 to this report (Item 2.1, Audit Committee Meeting, 11/11/2019) be further amended and returned to the Audit Committee for review, prior to presentation to Council for endorsement.

The Committee may consider that further work is required to the documents prior to them being endorsed by Council. This Option requests further development of the documents and that they be returned to the Audit Committee for recommendation to Council.

**7. RECOMMENDED OPTION**

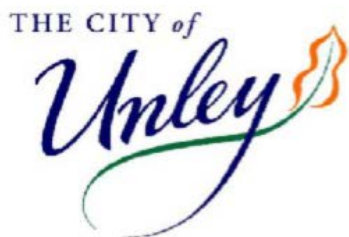
Option 1 is the recommended option.

**8. REPORT AUTHORISERS**

<b>Name</b>	<b>Title</b>
Tami Norman	Executive Manager, Office of the CEO







## FRAUD AND CORRUPTION PREVENTION POLICY

Policy Type:	Council Policy
Responsible Department:	Office of the Chief Executive Officer
Responsible Officer:	Group Manager Governance & Risk
Related Policies and Procedures	<ul style="list-style-type: none"> <li>• Whistleblowers' Protection Policy</li> <li>• Risk Management Policy and Framework</li> <li>• Internal Control Procedures</li> <li>• Code of Conduct for Council Employees</li> <li>• Code of Conduct for Council Members</li> <li>• Council Members Allowances and Benefits Policy</li> <li>• Fraud and Corruption Prevention Reporting Procedure</li> </ul>
Date Adopted	C1072, 11/03/2014
Last review date	C887, 26 June 2017
Next review date:	June 2020
ECM Doc set I.D.	2192544

### 1. POLICY STATEMENT

The City of Unley ("the Council") is committed to acting in the best interest of the community and to upholding the principles of honesty, collaboration, integrity and transparency, which are all key components of good governance.

The Council recognises that Fraud and Corruption in Public Administration have the potential to cause significant financial and reputational harm and that therefore, the prevention and control of Fraud and Corruption should feature predominantly within the systems and procedures of a responsible Council.

### 2. COMMUNITY GOAL

O5.3 Good governance & legislative framework

### 3. PRINCIPLES

This Policy is intended to complement and be implemented in conjunction with other Council policies, including:

- Whistleblowers' Protection Policy

- Risk Management Policy and Framework
- Internal Control Procedures
- Code of Conduct for Council Employees
- Code of Conduct for Council Members, and
- Elected Members Allowances and Benefits Policy.

This Policy applies to all disclosures that relate to the actual or suspected occurrence of Fraud and/or Corruption within the Council.

#### 4. POLICY OBJECTIVES

This Policy is designed to protect public funds and assets and the integrity, security and reputation of the Council.

This Policy outlines the Council's approach to the prevention or minimisation, identification and control of fraudulent and/or corrupt activity and, summarises the associated responsibilities of Council Members and Council Employees.

The Council will not tolerate fraudulent or corrupt activity and is committed to its control and prevention by:

- complying with the requirements of the *Independent Commissioner Against Corruption Act 2012* (ICAC Act)
- establishing and maintaining an effective system of internal controls and enforcing compliance with those controls
- regularly undertaking risk assessments to identify circumstances in which Fraud and Corruption could potentially occur
- implementing Fraud and Corruption prevention and mitigation strategies in its day to day operations
- taking appropriate action in response to allegations of fraudulent and/or corrupt activity including:
  - (i) reporting allegations in accordance with the ICAC Act and the reporting system established by the Independent Commissioner Against Corruption (ICAC) under section 20 of the ICAC Act, and
  - (ii) where allegations are substantiated, in addition to applicable criminal sanctions, disciplinary action may be taken in accordance with the Codes of Conduct for Council Members and Council Employees or, if relevant, a Council Employee's contract of employment with the Council
- ensuring all Council Employees and Council Members are aware of their obligations in regards to the prevention of Fraud and Corruption within the Council and the inclusion of preliminary education in any induction process
- active participation in education and evaluation of practices relevant to Fraud and Corruption.
- fostering an ethical environment in which dishonest and fraudulent behaviour is actively discouraged, and
- generating community awareness of the Council's commitment to the prevention of Fraud and Corruption.

## 5. PREVENTION

The Council recognises that:

- the occurrence of Fraud and Corruption will prevail in an administrative environment where opportunities exist for waste, abuse and maladministration, and
- the most effective way to prevent the occurrence of Fraud and Corruption is to promote an ethical environment in which internal control mechanisms have been implemented.

In general, the Council expects that Public Officers will assist in preventing Fraud and Corruption within the Council by:

- understanding the responsibilities of their position
- familiarising themselves with the Council's policies and procedures and adhering to them
- understanding what behaviour constitutes fraudulent and/or corrupt conduct
- maintaining an awareness of the strategies that have been implemented by the Council to minimise Fraud and Corruption
- being continuously vigilant to the potential for Fraud and/or Corruption to occur, and
- reporting suspected or actual occurrences of Fraud or Corruption in accordance with the Fraud and Corruption Prevention Reporting Procedure.

### ***Specific Responsibilities***

Collectively, as the decision making body of the Council, **Council Members** are responsible for ensuring that the **Council**:

- promotes community awareness of the Council's commitment to the prevention of Fraud and Corruption
- provides adequate security for the prevention of Fraud and Corruption. This includes the provision of secure facilities for storage of assets and data, and procedures to deter fraudulent or corrupt activity from occurring
- provides mechanisms for receiving allegations of Fraud or Corruption, including by ensuring a Responsible Officer is appointed
- ensures that, where appropriate, proper investigations are conducted into allegations that involve Fraud or Corruption
- makes reports and facilitates cooperation with any investigation undertaken by an external authority (such as SAPOL or the Commissioner)
- ensures that all Employees are aware of their responsibilities in relation to Fraud and Corruption through the provision of appropriate and regular training
- promotes a culture and environment in which Fraud and Corruption is actively discouraged and is readily reported should it occur, and
- undertakes a Fraud and Corruption risk assessment on a regular basis.

**Managers** are responsible for:

- the conduct of any Employees whom they supervise and, will be held accountable for such
- any property under their control and, will be held accountable for such

- reporting in accordance with the Fraud and Corruption Prevention Reporting Procedure
- creating an environment in which Fraud and Corruption is discouraged and readily reported by Employees. Such an environment shall be fostered by the Manager's own attitude and behaviours to Fraud and Corruption and, by the accountability and integrity they both display and encourage from other Employees
- ensuring that new Employees for whom they are responsible are aware of their responsibilities in relation to Fraud and Corruption and, of the standard of conduct expected from all Employees as outlined in the Code of Conduct for Council Employees and this Policy
- identifying, monitor and report potential Fraud and Corruption risks, and
- leading by example to promote ethical behaviour.

**Employees** are responsible for:

- performing their functions and duties with care, diligence, honesty and integrity
- conducting themselves in a professional manner at all times
- adhering to these guidelines and other Council procedures that have been established to prevent Fraud or Corruption
- taking care of Council's property which includes avoiding the waste or misuse of the Council's resources
- maintaining and enhancing the reputation of the Council
- remaining scrupulous in the use of Council information, assets, funds, property, goods or services, and
- reporting in accordance with the Fraud and Corruption Prevention Reporting Procedure.

## 6. DEFINITIONS

For the purposes of this Policy the following definitions apply:

**Corruption** in public administration means:

- a) An offence against Part 7 Division 4 (Offences relating to public officers) of the *Criminal Law Consolidation Act 1935*, which includes the following offences:
  - (i) bribery or Corruption of public officers
  - (ii) threats or reprisals against public officers
  - (iii) abuse of public office
  - (iv) demanding or requiring benefit on basis of public office
  - (v) offences relating to appointment to public office.
- b) Any other offence (including an offence against Part 5 (Offences of dishonesty) of the [Criminal Law Consolidation Act 1935](#)) committed by a public officer while acting in his or her capacity as a public officer or by a former public officer and related to his or her former capacity as a public officer, or by a person before becoming a public officer and related to his or her capacity as a public officer, or an attempt to commit such an offence (see Appendix 1 to the Fraud and corruption reporting procedure for examples of offences under the *Local*

*Government Act 1999, Local Government (Elections) Act 1999 and Development Act 1993*); or

- c) Any of the following in relation to an offence referred to in a preceding paragraph:
- (i) aiding, abetting, counselling or procuring the commission of the offence
  - (ii) inducing, whether by threats or promises or otherwise, the commission of the offence
  - (iii) being in any way, directly or indirectly, knowingly concerned in, or party to, the commission of the offence
  - (iv) conspiring with others to effect the commission of the offence.

- d) The AS8001:2008 Fraud and Corruption Control standard defines *corruption* as:

'Dishonest activity where an employee or external third party acts contrary to the interests of the Council by abusing their position of trust in order to achieve personal gain or advantage for themselves or for another person or entity. The concept of 'corruption' within this definition can also involve corrupt conduct by the Council, or a person purporting to act on behalf of and in the interest of the Council, in order to secure some form of improper advantage for the Council either directly or indirectly'.

**Directions and Guidelines** is a reference to the Directions and Guidelines issued pursuant to section 20 of the ICAC Act, which are available on the Commissioner's website ([www.icac.sa.gov.au](http://www.icac.sa.gov.au)).

**Employee** is any person who is employed by the Council, but also includes any contractors, volunteers and consultants undertaking work for, or on behalf of the Council.

**A False Disclosure** is a disclosure of information relating to Fraud or Corruption that is made by a person who knows the information to be false or, who is reckless as to whether it is false.

**Fraud** is an intentional dishonest act or omission done with the purpose of deceiving. The AS8001:2008 Fraud and Corruption Control standard defines fraud as:

'Dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys or other property by employees or persons external to the entity and where deception is used at the time, immediately before or immediately following the activity. This also includes deliberate falsification, concealment, destruction or use of falsified documentation or intended for use for a normal business purpose or the improper use of information or position for personal benefit financial or otherwise.'

Note: unlike 'Corruption' there is no statutory definition of 'Fraud'. Fraud is a style of offending. The offences addressed under Part 5 and Part 6 of the *Criminal Law Consolidation Act 1935* are considered to constitute Fraud offences.

**Independent Commissioner Against Corruption (Commissioner)** means the person holding or acting in the office of the Independent Commissioner Against Corruption.

**Local government body** defined at Section 4 of the *ICAC Act 2012* means a council or a subsidiary of a council established under the *Local Government Act 1999*.

**Manager** means any Employee of the Council who is responsible for the direct supervision of other Employees, and/or, for the management of a Council Department.

**Office for Public Integrity (OPI)** is the office established under the *ICAC Act* that has the function to:

- a) receive and assess complaints about public administration from members of the public
- b) receive and assess reports about Corruption, misconduct and maladministration in public administration from the Ombudsman, the Council and public officers
- c) make recommendations as to whether and by whom complaints and reports should be investigated
- d) perform other functions assigned to the Office by the Commissioner.

**Public administration** defined at section 4 of the *ICAC Act 2012* means without limiting the acts that may comprise public administration, an administrative act within the meaning of the *Ombudsman Act 1972* will be taken to be carried out in the course of public administration.

**Public Officer** defined under the *ICAC Act 2012* includes:

- a Council Member, and
- an Employee or Officer of the Council, and
- a member of a local government body.

**A Responsible Officer** is a person (or persons) appointed by the Council pursuant to section 302B of the *Local Government Act 1999* who is (are) authorised to receive and act upon disclosures of public interest information reported to him/her under the *Whistleblowers' Protection Act 1993*.

## 7. LEGISLATION

Local Government Act 1999  
Independent Commissioner Against Corruption Act 2012 (ICAC Act)  
Criminal Law Consolidation Act 1935  
Whistleblowers' Protection Act 1993

## 8. POLICY DELEGATIONS

Full information about the sub-delegated powers and duties is contained in the Council Delegations Register.

## 9. AVAILABILITY OF POLICY

The Policy is available for public inspection during normal office hours at;

The Civic Centre,  
181 Unley Road, Unley SA 5061.

A copy may be purchased for a fee as determined annually by Council.

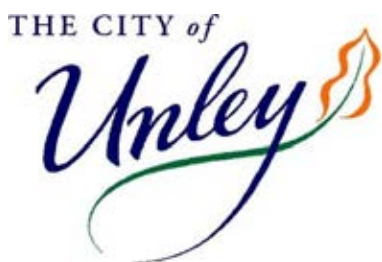
It is also available for viewing, download and printing free of charge from the Council's website [www.unley.sa.gov.au](http://www.unley.sa.gov.au).

**10. DOCUMENT HISTORY**

<b>Date</b>	<b>Council / Committee / Internal</b>	<b>Comment</b>
12/11/2013	A&G 75	New policy
11/02/2014	A&G 80	
11/03/2014	Council 1072	
26/06/2017	Council 887	







## FRAUD AND CORRUPTION PREVENTION POLICY

<b>Policy Type:</b>	Council Policy
<b>Responsible Department:</b>	Office of the CEO
<b>Responsible Officer:</b>	Executive Manager Office of the CEO
<b>Related Policies and Procedures</b>	<ul style="list-style-type: none"> <li>• Public Interest Disclosure Procedure</li> <li>• Risk Management Policy and Framework</li> <li>• Better Practice Model – Internal Financial Controls for South Australian Councils</li> <li>• Code of Conduct for Council Employees</li> <li>• Code of Conduct for Council Members</li> <li>• Elected Member Allowances and Benefits Policy</li> </ul>
<b>Community Plan Link</b>	4.1 We have strong leadership and governance
<b>Date Adopted</b>	11 March 2014: C1072
<b>Last review date</b>	26 June 2017: C887
<b>Next review date</b>	October 2022
<b>Reference/Version Number</b>	
<b>ECM Doc set I.D.</b>	2192544

### 1. PREAMBLE

- 1.1. The City of Unley ("the Council") is committed to acting in the best interest of the community and to upholding the principles of honesty, collaboration, integrity and transparency, which are all key components of good governance.
- 1.2. The Council recognises that Fraud and Corruption in Public Administration have the potential to cause significant financial and reputational harm and therefore, the prevention and control of Fraud and Corruption should feature prominently within the systems and procedures of a responsible Council.

### 2. SCOPE

- 2.1. This Policy is intended to complement, and be implemented in conjunction with, other Council policies and procedures, including:
  - Public Interest Disclosure Procedure
  - Risk Management Policy and Framework
  - Better Practice Model – Internal Financial Controls
  - Code of Conduct for Council Employees
  - Code of Conduct for Council Members, and
  - Elected Members Allowances and Benefits Policy.

- 2.2. This Policy applies to all disclosures that relate to the actual or suspected occurrence of Fraud and/or Corruption within the Council.

### 3. POLICY PURPOSE/OBJECTIVES

- 3.1. The purpose of this Policy is to protect Council assets, interests and reputation from the risks associated with fraudulent conduct, misconduct and maladministration.
- 3.2. This Policy outlines the Council's approach to the prevention or minimisation, identification and control of fraudulent and/or corrupt activity and, summarises the associated responsibilities of Council Members and Council Employees.

### 4. DEFINITIONS

- 4.1. For the purposes of this Policy the following definitions apply:

**Commissioner** means the person holding or acting in the office of the Independent Commissioner Against Corruption per Section 4 of the ICAC Act, who has the powers and functions described by Section 7 of the ICAC Act.

**Corruption** in public administration means:

- a) An offence against Part 7 Division 4 (Offences relating to public officers) of the *Criminal Law Consolidation Act 1935*, which includes the following offences:
- (i) bribery or Corruption of public officers
  - (ii) threats or reprisals against public officers
  - (iii) abuse of public office
  - (iv) demanding or requiring benefit on basis of public office
  - (v) offences relating to appointment to public office.
- b) Any other offence (including an offence against Part 5 (Offences of dishonesty) of the [Criminal Law Consolidation Act 1935](#)) committed by a public officer while acting in his or her capacity as a public officer or by a former public officer and related to his or her former capacity as a public officer, or by a person before becoming a public officer and related to his or her capacity as a public officer, or an attempt to commit such an offence (see Appendix 1 to the Fraud and corruption reporting procedure for examples of offences under the *Local Government Act 1999*, *Local Government (Elections) Act 1999* and *Development Act 1993*); or
- c) Any of the following in relation to an offence referred to in a preceding paragraph:
- (i) aiding, abetting, counselling or procuring the commission of the offence
  - (ii) inducing, whether by threats or promises or otherwise, the commission of the offence
  - (iii) being in any way, directly or indirectly, knowingly concerned in, or party to, the commission of the offence
  - (iv) conspiring with others to affect the commission of the offence.
- d) The AS8001:2008 Fraud and Corruption Control standard defines *corruption* as: 'Dishonest activity where an employee or external third party acts contrary to the interests of the Council by abusing their position of trust in order to achieve personal gain or advantage for themselves or for another person or entity. The concept of 'corruption' within this definition can also involve corrupt conduct by the Council, or a person purporting to act on behalf of and in the interest of the Council, in order to secure some form of improper advantage for the Council either directly or indirectly'.

**Council** is the Corporation of the City of Unley

**Directions and Guidelines** is a reference to the Directions and Guidelines issued by the Commissioner and is in force from time to time pursuant to section 20 of the *ICAC Act* and/or section 14 of the *Public Interest Disclosure Act 2018*, which are available on the Commissioner's website ([www.icac.sa.gov.au](http://www.icac.sa.gov.au)).

**Employee** is any person who is employed by the Council, but also includes any contractors, volunteers and consultants undertaking work for, or on behalf of the Council.

**A False Disclosure** is a disclosure of information relating to Fraud or Corruption that is made by a person who knows the information to be false or, who is reckless as to whether it is false.

**Fraud** is an intentional dishonest act or omission done with the purpose of deceiving.

The AS8001:2008 Fraud and Corruption Control standard defines fraud as:

*'Dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys or other property by employees or persons external to the entity and where deception is used at the time, immediately before or immediately following the activity. This also includes deliberate falsification, concealment, destruction or use of falsified documentation or intended for use for a normal business purpose or the improper use of information or position for personal benefit financial or otherwise.'*

Note: unlike 'Corruption' there is no statutory definition of 'Fraud'. Fraud is a style of offending. The offences addressed under Part 5 and Part 6 of the *Criminal Law Consolidation Act 1935* are considered to constitute Fraud offences.

**ICAC Act** is the *Independent Commissioner Against Corruption Act 2012*.

**Local government body** defined at Section 4 of the *ICAC Act 2012* means a council or a subsidiary of a council established under the *Local Government Act 1999*.

**Maladministration in public administration** is defined in section 5(4) of the *ICAC Act* and means:

- i) Conduct of a public officer, or a practice, policy or procedure of a public authority, that results in an irregular and unauthorised use of public money or substantial mismanagement of public resources; or
- ii) Conduct of a public officer involving substantial mismanagement in or in relation to the performance of official functions; and

Includes conduct resulting from impropriety, incompetence or negligence; and

Is to be assessed having regard to relevant statutory provisions and administration instructions and directions.

**Manager** means any Employee of the Council who is responsible for the direct supervision of other Employees, and/or, for the management of a Council Department.

**Misconduct in public administration** is defined in section 5(3) of the *ICAC Act* and means:

- i) contravention of a code of conduct by a public officer while acting in his or her capacity as a public officer that constitutes a ground for disciplinary action against the officer; or
- ii) other misconduct of a public officer while acting in his or her capacity as a public officer.

**Office for Public Integrity (OPI)** is the office established under the *ICAC Act* that has the function to:

- a) receive and assess complaints about public administration from members of the public
- b) receive and assess reports about Corruption, misconduct and maladministration in public administration from inquiry agencies (including the Ombudsman), public authorities (including the Council) and public officers
- c) refer complaints and reports to inquiry agencies, public authorities and public officers in circumstances approved by the Commissioner or make recommendations as to whether and by whom complaints and reports should be investigated
- d) give directions or guidance to public authorities in circumstances approved by the Commissioner;
- e) perform other functions assigned to the Office by the Commissioner.

**PID Act** means the *Public Interest Disclosure Act 2018*.

**Public administration** defined at section 4 of the *ICAC Act 2012* means without limiting the acts that may comprise public administration, an administrative act within the meaning of the *Ombudsman Act 1972* will be taken to be carried out in the course of public administration.

**Public Officer** defined under the *ICAC Act 2012* includes:

- a Council Member, and
- an Employee or Officer of the Council, and
- a member of a local government body.

**Publish** is defined in section 4 of the *ICAC Act*, and means publish by:

- a) Newspaper, radio or television
- b) Internet or other electronic means of creating and sharing content with the public or participating social networking with the public; or
- c) Any similar means of communication with the public.

**Relevant Authority** for the purposes of the *PID Act* means the person or entity that receives an appropriate disclosure of public interest information in accordance with the *PID Act*.

**Responsible Officer** is a person who has completed any training courses approved by the Commissioner for the purposes of the *Public Interest Disclosure Regulations 2019* and has been designated by the Council as a responsible officer under section 12 of the *PID Act*.

For the purposes of the *ICAC Act*, misconduct or maladministration in public administration will be taken to be **serious or systemic** if the misconduct or maladministration —

- is of such a significant nature that it would undermine public confidence in the relevant public authority, or in public administration generally; and
- has significant implications for the relevant public authority or for public administration generally (rather than just for the individual public officer concerned).

**Note:** further information about serious or systemic misconduct or maladministration is available at the ICAC website: <https://icac.sa.gov.au/glossary>

## 5. ROLES AND RESPONSIBILITIES

5.1. Roles and responsibilities under this Policy are set out in the following table:

Responsibility	Council Members	Chief Executive Officer	Managers	Employees	Audit Committee
1. Comply with this policy and any related legislation, policy, protocol or procedure.	✓	✓	✓	✓	✓
2. At all times in the performance of duties or in association with their role with Council, act in an ethical manner.	✓	✓	✓	✓	✓
3. Promote a culture and environment in which Fraud, Corruption, Misconduct and Maladministration is discouraged and not tolerated	✓	✓	✓	✓	
4. Remain scrupulous in the use of Council information, assets, funds, property, goods or services	✓	✓	✓	✓	✓
5. Undertake awareness training or education regarding Fraud, Corruption, Maladministration and Misconduct.	✓	✓	✓	✓	✓
6. Act in an ethical manner at all times in the performance of duties, and comply with ethical obligations in accordance with any relevant code or policy regarding conduct and behaviour	✓	✓	✓	✓	✓
7. Demonstrate constructive behaviours and approaches to work which promote ethical behaviours in Council employees	✓	✓	✓	✓	✓
8. Where relevant, comply with the <i>Public Interest Disclosure Act 2018</i>	✓	✓	✓	✓	✓
9. Ensure appropriate internal controls are in place and operating effectively to minimise the risks of incidents	✓	✓	✓	✓	✓
10. Ensure effective screening (e.g. criminal history) of employees, prospective employees, volunteers (as relevant) and contractors is undertaken, including by use of appropriate and effective contractual arrangements		✓	✓		

Responsibility	Council Members	Chief Executive Officer	Managers	Employees	Audit Committee
11. Ensure all powers and authorities are appropriately delegated to minimise the risk of Fraud, Corruption, Misconduct or Maladministration	✓	✓	✓		
12. Ensure that where appropriate, proper investigations are conducted into allegations of Fraud, Corruption, Misconduct or Maladministration.	✓	✓			
13. Facilitate cooperation with any investigations undertaken by an external authority		✓			
14. Undertakes Fraud and Corruption risk assessments on a regular basis	✓	✓	✓	✓	✓
15. Provides mechanisms for receiving allegations of Fraud, Corruption, Misconduct and Maladministration	✓	✓			
16. Investigates matters of Fraud, Corruption, Misconduct and Maladministration	✓	✓			
17. Cooperate as required with any investigations undertaken whether internally or by an external authority	✓	✓	✓	✓	
18. Report all instances of conduct known or reasonably suspected to be Fraud, Corruption, Maladministration or Misconduct in accordance with Council's policies	✓	✓	✓	✓	✓
19. Develop mechanisms for receiving allegations of Fraud, Corruption, Misconduct or Maladministration including appointing a responsible officer	✓	✓			
20. Review the effectiveness of the implemented policies that ensure risks are identified and that controls implemented by management are adequate	✓	✓			✓

## 6. POLICY STATEMENT

6.1. The Council will not tolerate fraudulent or corrupt activity and is committed to its control and prevention by:

- complying with the requirements of the *Independent Commissioner Against Corruption Act 2012* (ICAC Act)
- establishing and maintaining an effective system of internal controls and enforcing compliance with those controls
- regularly undertaking risk assessments to identify circumstances in which Fraud and Corruption could potentially occur
- implementing Fraud and Corruption prevention and mitigation strategies in its day to day operations
- taking appropriate action in response to allegations of fraudulent and/or corrupt activity including:
  - (i) reporting allegations in accordance with the ICAC Act and the reporting system established by the Independent Commissioner Against Corruption (ICAC) under section 20 of the ICAC Act, and
  - (ii) where allegations are substantiated, in addition to applicable criminal sanctions, disciplinary action may be taken in accordance with the Codes of Conduct for Council Members and Council Employees or, if relevant, a Council Employee's contract of employment with the Council
- ensuring all Council Employees and Council Members are aware of their responsibilities and obligations in regards to the prevention of Fraud and Corruption within the Council and the inclusion of relevant education in any induction process
- active participation in education and evaluation of practices relevant to Fraud and Corruption.
- fostering an ethical environment in which dishonest and fraudulent behaviour is actively discouraged, and
- generating community awareness of the Council's commitment to the prevention of Fraud and Corruption.

### 6.2. Prevention

6.2.1. The Council recognises that:

- the occurrence of Fraud and Corruption will prevail in an administrative environment where opportunities exist for waste, abuse and maladministration, and
- the most effective way to prevent the occurrence of Fraud and Corruption is to instil and continually reinforce a culture of acting lawfully, ethically and in a socially responsible manner, and to support this culture with the implementation of appropriate internal control mechanisms.

6.2.2. The Council expects that Elected Members and employees will assist with the achievement of a sound ethical culture and the prevention of Fraud and Corruption by:

- understanding the responsibilities of their positions;
- familiarising themselves with the Council's policies and procedures and adhering to them;
- understanding what behaviour constitutes fraudulent and/or corrupt conduct;

- maintaining an awareness of the strategies that have been implemented by the Council to minimise Fraud and Corruption;
- being continuously vigilant to the potential for Fraud and/or Corruption to occur, and
- reporting suspected or actual occurrences of Fraud or Corruption in accordance with this policy and the Directions and Guidelines issued by ICAC.

### **6.3. Educating for Awareness**

- 6.3.1. The Council recognises that the success and credibility of this Policy will largely depend on how effectively it is communicated throughout the organisation.
- 6.3.2. The Council will, take proactive steps towards ensuring awareness staff are aware of Council's zero-tolerance stance towards Fraud, Corruption, Misconduct and Maladministration

### **6.4. Reporting Corruption, or Systemic or Serious Misconduct and Maladministration**

- 6.4.1. In accordance with obligations for Public Officers under the ICAC Act, all reasonable suspicions of Corruption or Systemic or Serious Misconduct or Maladministration must report this information to the OPI as soon as practical.
- 6.4.2. Where reporting actual or suspected Corruption, or Systemic or Serious Misconduct or Maladministration to the OPI any requirements imposed by the Council's Fraud, Corruption, Misconduct and Maladministration framework (including those documents identified in section 3 of this Policy) should also, to the extent possible, be adhered to.
- 6.4.3. Public Officers as defined by the ICAC Act, have an obligation to report a reasonable suspicion of corruption, misconduct or maladministration in public administration. The ICAC has prepared Directions and Guidelines which set out the reporting obligations of public officers. The public officer may also make an appropriate disclosure in accordance with the requirements of the *Public Interest Disclosure Act 2018*.
- 6.4.4. Elected Members and staff should ensure they are aware of reporting obligations in relation to corruption, misconduct and maladministration in public administration.

### **6.5. False Disclosure**

- 6.5.1. A Council employee who makes a false disclosure may also face disciplinary action which may include dismissal from employment.

## **7. POLICY DELEGATIONS**

- 7.1. Nil

## **8. LEGISLATION**

- Local Government Act 1999
- Independent Commissioner Against Corruption Act 2012 (ICAC Act)
- Criminal Law Consolidation Act 1935
- Public Interest Disclosure Act 2018



**9. AVAILABILITY OF POLICY**

9.1. The Policy is available for public inspection during normal office hours at:

The Civic Centre,

181 Unley Road, Unley SA 5061.

A copy may be purchased for a fee as determined annually by Council.

It is also available for viewing, download and printing free of charge from the Council's website [www.unley.sa.gov.au](http://www.unley.sa.gov.au).

**10. DOCUMENT HISTORY**

<b>Date</b>	<b>Ref/Version No.</b>	<b>Comment</b>
12/11/2013	A&G 75	New Policy
11/02/2014	A&G 80	
11/03/2014	Council 1072	
26/06/2017	Council 887	

## DECISION REPORT

<b>REPORT TITLE:</b>	REVISED RISK MANAGEMENT POLICY
<b>ITEM NUMBER:</b>	2.2
<b>DATE OF MEETING:</b>	11 NOVEMBER 2019
<b>AUTHOR:</b>	LIDA CATALDI
<b>JOB TITLE:</b>	PRINCIPAL RISK MANAGEMENT OFFICER
<b>ATTACHMENTS:</b>	<ol style="list-style-type: none"><li>1. RISK MANAGEMENT POLICY</li><li>2. RISK MANAGEMENT POLICY - 2017 (C853)</li><li>3. RISK MANAGEMENT FRAMEWORK</li><li>4. RISK ASSESSMENT MATRIX</li></ol>

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### 1. **EXECUTIVE SUMMARY**

The purpose of this report is to present the revised Risk Management Policy for endorsement following its review.

Council is required to review all policies within 12 months of an election. In addition, policies should be routinely reviewed to ensure they remain current and reflect any changes to legislative or industry guidelines/requirements.

The International Organisation for Standardization (ISO) released new Risk Management Guidelines in February 2018 (ISO 31000:2018 *Risk Management – Guidelines*) and this document has informed the review of the Risk Management Policy.

Other changes made to the documents are intended to streamline the text (simplify readability) and also incorporate editorial changes based on a new policy template and organisational changes (e.g. position titles/accountabilities).

Included for the information of Committee members is the revised Risk Management Framework and Risk Assessment Matrix. These operational documents provide guidance to staff on the application of the Risk Management Policy and with risk management systems and processes. Following endorsement of the Risk Management Policy by Council, the revised Risk Management Framework will be presented to the Executive Management Team for endorsement.

## **2. RECOMMENDATION**

That:

1. The report be received.
  2. The Risk Management Policy set out in Attachment 1 to this report (Item 2.2, Audit Committee Meeting, 11/11/2019) be endorsed.
- 

## **3. RELEVANT CORE STRATEGIES/POLICIES**

4. Civic Leadership
  - 4.1 We have strong leadership and governance
  - 4.3 Our business systems are effective and transparent.

## **4. BACKGROUND**

The International Organisation for Standardization (ISO) released ISO 31000:2018 *Risk Management – Guidelines* in February 2018. This superseded the ISO 31000:2009 Risk Management – Principles and guidelines. The new ISO 31000:2018 offered a more concise guide, designed to help organisations use risk management principles to make better decisions. The intention of the new Risk Management Standard is to enable a practical integration of risk management into business activities and decision-making processes.

## **5. DISCUSSION**

The Risk Management Policy has been reviewed to ensure alignment to the new ISO 31000:2018. A new Policy template has been adopted for all Council Policies, and the proposed changes to the Risk Management Policy include transfer to the new template. This means that use of track changes was not conducive to an easy to read document, so to enable a comparison with the previous version of the Policy, both versions have been provided as Attachment 1 (proposed Risk Management Policy) and Attachment 2 (Risk Management Policy 2017) to this Report.

*Attachment 1*

*Attachment 2*

As part of the review of the Risk Management Policy, a workshop was held at the conclusion of the 2 July 2019 Audit Committee meeting. This workshop included discussion on the revised Risk Management Framework and Risk Assessment Matrix to ensure the documents had the benefit of input from Committee members. Feedback provided during this workshop was noted and used to inform the proposed changes to the Policy and Framework.

A key component of the discussion at the workshop related to the current measures used to assess risk probabilities/occurrences. Guidance was sought as to whether the assessment matrix presented a too conservative approach to risk assessment. Based on the feedback received, slight adjustments have been made to the 'likelihood ratings' in the Risk Assessment Matrix as follows:

- The likelihood rating frequency for 'possible' has increased from 31%-60% to 31%-70%
- The likelihood rating frequency for 'likely' has increased from 61%-90% to 71%-90% with the description changed from "Monthly: likely to occur once a month" to "Annually: Likely to occur once a year"

The above changes were intended to reflect a less risk averse assessment. Changes to the Risk Rating outcome were also made – as shown below:

		STEP 2 → Likelihood Ratings and Risk Levels				
		Rare	Unlikely	Possible	Likely	Almost-Certain
		<5% probability	5% - 30% probability	31% - 70% probability	71% - 90% probability	91% - 100% probability
Consequence Ratings	May occur in exceptional circumstances	Could occur at some time greater than annually	Annually: Likely to occur at least once a year	Monthly: Likely to occur once a month-year	Frequently: Likely to occur most weeks	
Catastrophic (Worst-case scenarios)	Medium	High/Medium	High	Extreme/High	Extreme	

The City of Unley's risk appetite was also adjusted to include feedback provided by the Audit Committee members at the workshop. To ensure consistency between the Risk Management Framework and Risk Assessment Matrix the same table has been replicated in both documents.

Residual Risk Level	Managing Risk – Priority Rating
<b>EXTREME</b>	<ul style="list-style-type: none"> <li>Add risk to Council's Risk Register</li> <li>Undertake detailed research and management planning</li> <li>Escalate the risk issue <b>immediately</b> to relevant General Manager and CEO</li> <li>Implement stringent new controls in a detailed risk treatment plan in order to make risk tolerable</li> <li>Closely monitor the control effectiveness at the work area level on an ongoing basis</li> <li>Report the risk information to the Audit Committee</li> </ul>
<b>HIGH</b>	<ul style="list-style-type: none"> <li>Add risk to Council's Risk Register</li> <li>Raise the risk issue with the relevant General Manager</li> <li>Escalate the risk issue for Management's attention or action</li> <li>Closely monitor the control effectiveness at the work area level on an ongoing basis</li> <li>Validate existing controls with appropriate evidence</li> <li>Report the risk information to the Audit Committee</li> </ul>
<b>MEDIUM</b>	<ul style="list-style-type: none"> <li>Add risk to Council's Risk Register</li> <li>May be tolerated</li> <li>Manage the risk within the business function by the position responsible for process</li> <li>Existing controls must be effective and if required additional mitigation action is to be effectively implemented</li> </ul>
<b>LOW</b>	<ul style="list-style-type: none"> <li>Add risk to Council's Risk Register</li> <li>May be tolerated</li> <li>Undertake localised risk management &amp; actions (if required), consequences are dealt with by routine operations</li> <li>Maintain regime of continuous improvement</li> </ul>

The Risk Management Framework is an operational document, endorsed by the Executive Management Team. Whilst not a Council endorsed document, a copy of the proposed revised Framework is provided as Attachment 3 to this Report for the information of the Committee.

*Attachment 3*

A further change to the Framework as a result of the review was to extract the Risk Assessment Matrix and produce this as a stand-alone document. The intent is to enable ease of reference for staff during the risk assessment process. A link to the Risk Assessment Matrix is still retained within the Risk Management Framework. A copy of the Risk Assessment Matrix is provided as Attachment 4 to this Report.

*Attachment 4*

The proposed changes to the Policy and Framework reflect an appropriate approach to Risk Management for the organisation. The documents seek to support effective risk management (including appropriate risk taking) in a manner that is balanced and considered.

The documents are now presented for the review of the Audit Committee and for recommendation of the Risk Management Policy to Council for endorsement.

## **6. ANALYSIS OF OPTIONS**

### Option 1 –

1. The Report be received.
2. The Risk Management Policy as set out in Attachment 1 to this report (Item 2.2, Audit Committee Meeting, 11/11/2019) be adopted

The current Policy required revision to align with the ISO 31000:2018 – Risk Management – Guidelines. The document has been updated to reflect the Standard and has also been transferred to the new Policy Template. The Policy provides an appropriate basis for risk management in the City of Unley and warrants adoption and implementation in a timely manner to ensure staff have appropriate guidance in relation to Risk Management.

### Option 2 –

1. The Report be received.
2. Subject to the amendments set out below, the Risk Management Policy as set out in Attachment 1 to this report (Item 2.2, Audit Committee Meeting, 11/11/2019) be adopted:

#### 2.1 *insert amendments required*

The Committee may wish to request amendments to the Policy and include these in the recommendation to Council for endorsement. If this is the case, the amendments should be articulated as part of the resolution. This Option provides the relevant wording to enable the Committee to articulate any changes required to the policy, and to recommend these be incorporated by Council at the time it adopts the revised Risk Management Policy.

Option 3 –

1. The Report be received.
2. The Risk Management Policy as set out in Attachment 1 to this report (Item 2.2, Audit Committee Meeting, 11/11/2019) be further amended and returned to the Audit Committee for review, prior to presentation to Council for endorsement.

The Committee may consider that further work is required to the Policy prior to Council endorsement. This Option requests further development of the document and that they be returned to the Audit Committee for recommendation to Council.

**7. RECOMMENDED OPTION**

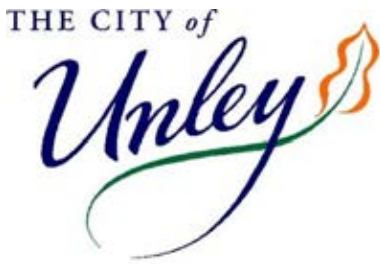
Option 1 is the recommended option.

**8. REPORT CONSULTATION**

A workshop was held at the July 2019 Audit Committee to discuss the Risk Management Framework and Matrix. Feedback from this workshop has been reflected within the attached documents.

**9. REPORT AUTHORISERS**

<b>Name</b>	<b>Title</b>
Tami Norman	Executive Manager, Office of the CEO



## RISK MANAGEMENT POLICY

<b>Policy Type:</b>	Council Policy
<b>Responsible Department:</b>	Office of the Chief Executive Officer
<b>Responsible Officer:</b>	Principal Risk Management Officer
<b>Related Policies and Procedures</b>	<ul style="list-style-type: none"> <li>• Risk Management Framework</li> <li>• Business Continuity Plan</li> <li>• Emergency Management Plan</li> <li>• Relevant WHS Policies and Procedures</li> </ul>
<b>Community Plan Link</b>	Civic Leadership 4.1 we have strong leadership and governance 4.3 our business systems are effective and transparent
<b>Date Adopted</b>	24 May 2010, C664
<b>Last review date</b>	22 May 2017, C853
<b>Next review date</b>	November 2021
<b>Reference/Version Number</b>	Version 6
<b>ECM Doc set I.D.</b>	2979377

### 1. PREAMBLE

1.1. Council will maintain a Risk Management Framework consistent with the International Standard ISO31000:2018 – Risk Management Guidelines, with the goal of providing a consistent approach to dealing with uncertainties likely to impact on the achievement of Council's vision.

### 2. POLICY PURPOSE/OBJECTIVES

2.1. This Policy is intended to enable an integrated approach to risk management through:

- seeking a commitment to core risk management principles;
- defining responsibilities for risk identification, assessment, evaluation and treatment programs across Council operations;
- application of a Risk Management Framework that provides the tools and programmes to underpin Councils approach to achieving a balance between the costs of managing a risk and anticipated benefits;
- ensuring a systematic approach is used to manage risks and that appropriate treatment and risk mitigation strategies are applied, reviewed and monitored;

- developing and nurturing an organisational ethos and culture, which integrates risk management processes into management activities at strategic, project and operational levels;
- achieving Council's goals, objectives, targets and community expectations within an acceptable (tolerable) level of risk.

### 3. DEFINITIONS

**Consequences:** Outcome of an event affecting objectives.

**Control:** Measure that modifies a risk.

**Event:** Occurrence of a particular set of circumstances.

**Risk:** Effect of uncertainty on objectives; an effect is a deviation from the expected. It can be positive, negative or both and can address, create or result in opportunities and threats.

**Risk Assessment:** An overall process of risk identification, risk analysis and risk evaluation.

**Risk Management:** Coordinated activities to direct and control an organisation with regard to risk.

**Risk Management Framework:** Set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management.

**Risk Register:** Register of all identified risks, their consequences, likelihood, rating and treatments.

### 4. ROLES AND RESPONSIBILITIES

#### 4.1. Council

- Endorse Council's Risk Management Policy.
- Ensure that risks are adequately considered when setting Council strategies and objectives.
- Understand the risks facing Council in pursuit of its objectives.
- Apply risk management principles to the decision-making process.

#### 4.2. Audit Committee

- Review and recommend the endorsement of the Risk Management Policy.
- Ensure the risk management framework assigns authority, responsibility and accountability at appropriate levels within the organisation, is implemented and delivers a consistent approach to risk management.
- Review reports from management and auditors and monitor the implementation of effective enterprise risk and opportunity management through controls.
- Provide independent assurance regarding risk management processes.

#### 4.3. Chief Executive Officer

- Ensure an effective risk management process is established, implemented and maintained and deliver a consistent approach to risk management.
- Promote a strong risk management culture by providing firm and visible support for risk management including ensuring appropriate delegations for the management of risk.
- Ensure that appropriate resources are allocated to managing risk.



- Ensure Managers have the necessary knowledge and skills to effectively fulfil their risk management responsibilities and are accountable for risks arising from the activities of their business areas.
- Regularly review Council's strategic and operational risks.

**4.4. Executive Management Team**

- Promote and support a proactive risk culture and the application of the Risk Management Policy and Framework.
- Monitor Council's overall risk profile and mitigation strategies ensuring that Risk Management is embedded into all critical functions and activities.
- Regularly review risks at all levels and ensure risk treatments are actioned.
- Include any risk treatments into business plans.

**4.5. Business Unit Leaders / Managers**

- Implement the Risk Management Policy and Framework within their respective areas of responsibility.
- Undertake the risk management process as per the requirements of the Policy and Framework.
- Record all operational risk information within Council's Risk Register.
- Empower staff to actively manage risk.

**4.6. Principal Risk Management Officer**

- Provide guidance and assistance to all staff in relation to the application of this framework and reporting within the Risk Register.
- Ensure relevant risk information is reported and escalated to the Executive Management Team or Audit Committee, or cascaded to staff, as relevant.
- Maintain the Risk Management Policy and Framework to ensure its currency and accuracy.
- Manage the Risk Register and timeframes as required.

**4.7. Project Managers / Coordinators**

- Implement risk management processes, including recognising, reporting and responding to new, changing and anticipated risks.

**4.8. Employees, Volunteers and Contractors**

- Identify, evaluate, report and manage risks in their daily activities and projects.

**5. POLICY STATEMENT**

- 5.1. Council is committed to developing, applying and maintaining governance and risk management principles to ensure that any impacts to the achievement of strategic and business objectives are considered and analysed.
- 5.2. Council will adopt and implement a systematic approach to identifying, assessing, evaluating and treating (mitigating) risks. The risk management program involves identifying opportunities to ensure Council achieves its strategic goals whilst recording and managing its operational risks.
- 5.3. Management will lead, actively participate in and have complete oversight of all aspects of risk management within their areas of responsibility.
- 5.4. The risk register(s) will be periodically reviewed in accordance with set timeframes identified within the Risk Management Framework.

## 6. POLICY DELEGATIONS

Nil applicable

## 7. LEGISLATION

- Section 125 of the *Local Government Act 1999* specifies that a 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 manner to achieve its objectives.
- Section 132A of the *Local Government Act 1999* requires Council to ensure that appropriate policies, practices and procedures are implemented and maintained in order to ensure compliance with statutory requirements and achieve and maintain standards of good public administration.
- Section 134(4)(b) of the *Local Government Act 1999* requires Council to adopt risk management policies, controls and systems.
- Relevant *Work Health and Safety Act 2012, Regulations*, and approved Codes of Practice.

## 8. AVAILABILITY OF POLICY

8.1. The Policy is available for public inspection during normal office hours at:

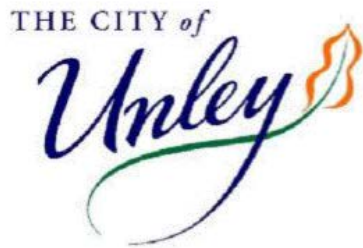
The Civic Centre,  
181 Unley Road, Unley SA 5061.

A copy may be purchased for a fee as determined annually by Council.

It is also available for viewing, download and printing free of charge from the Council's website [www.unley.sa.gov.au](http://www.unley.sa.gov.au).

## 9. DOCUMENT HISTORY

Date	Ref/Version No.	Comment
04/05/2010	Audit & Governance Comm 45/10	
24/05/2010	Council 644/10	
08/02/2011	Audit Comm 9/11	Was policy no. 025
28/02/2011	Council 70/11	
14/05/2012	CSP Comm 108/12	Was policy no. COU10
25/05/2012	Council 420/12	
10/05/2017	Audit & Governance Comm 56/17	
22/05/2017	Council 853/17	Policy number deleted



## RISK MANAGEMENT POLICY

Policy Type:	Council Policy
Responsible Department:	Office of the Chief Executive Officer
Responsible Officer:	Group Manager Governance and Risk
Related Policies and Procedures	AS/NZS ISO31000:2009 Risk Management City of Unley Council: Risk Management Framework Business Continuity Plan Emergency Management Plan Local Government Act 1999 Sections 125 & 134 Work Health and Safety Act 2012 Civil Liabilities Act 1936 Local Government (Financial Management) Regulations 2011 Relevant WHS Policies and Procedures
Date Adopted:	24 May 2010, C664
Last Council review:	22 May 2017, C853
Next review date:	May 2020
ECM Doc Set ID:	2979377

### 1. POLICY STATEMENT

Council is committed to developing, applying and maintaining governance and risk management principles and practices to protect itself and its employees, members and local government from situations or events that would prevent it from achieving its strategic goals and business objectives whilst:

- Applying consistent risk management principles and aligning risk identification activities with the strategies and objectives of Council and its business groups;
- Ensuring all significant decisions are supported by effective risk management processes;
- Protecting and enhancing the Council's reputation;
- Recognising and exploiting opportunities; and
- Establishing resilience and increased efficiency.

## 2. COMMUNITY GOAL

- Organisational Excellence: 5.3 Good Governance and Legislative Framework

## 3. POLICY OBJECTIVES

The objectives of the Policy are to enable an integrated approach to risk management through:

- Council's commitment to core risk management principles;
- Ensuring a systematic approach is undertaken to manage risks and to apply appropriate treatment and risk mitigation strategies that are reviewed and monitored;
- Developing and nurturing an organisational ethos and culture, which will integrate risk management processes into management activities at strategic, project and operational levels;
- Achieving Council's goals, objectives, targets and community expectations within an acceptable (tolerable) level of risk.

## 4. PRINCIPLES

The performance of the risk management framework will be measured through:

- Compliance with this policy and related documentation;
- Implementation and adherence to the Principles within ISO31000:2009 Risk Management Standard;
- Value add to the whole Council;
- Maturity of Council's Risk Culture.

## 5. POLICY

Risk Management involves the implementation and adoption of systematic processes to identify, assess, evaluate and treat (mitigate) risks. The risk management process involves identifying opportunities to ensure Council achieves its strategic goals.

The Policy and Framework have been developed and implemented to standardise the process of identifying and managing risk across Council's Business Units.

The Policy and Framework have been developed in accordance with the International Risk Management Standard AS/NZ ISO 31000:2009: "*Risk Management Principles and Guidelines*".

## 6. DEFINITIONS

Full definitions are outlined within Council's Risk Management Framework

**Risk:** Anything that could prevent the Council from achieving its objectives. Risk may arise from an event, an action, or from a lack of action, it could be positive or negative and is measured in terms of consequences and likelihood.

**Consequence:** The level of impact of risk exposure to the Council.

**Likelihood:** The frequency or level of possibility that the Council could be exposed to a risk.

## 7. LEGISLATION / REFERENCES

Section 125 of the *Local Government Act 1999* specifies that a 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 manner to achieve its objectives.

Section 134(4)(b) of the *Local Government Act 1999* requires Council to adopt risk management policies, controls and systems.

Regulation 14(e) of the *Local Government (Financial Management) Regulations 2011* requires internal controls be implemented by Council and to provide assurance that its financial records are complete, accurate and reliable.

Compliance with the *Work Health and Safety Act 2012, Regulations*, and approved Codes of Practice.

The policy is supported by the Risk Management Framework.

## 8. POLICY DELEGATIONS

Nil applicable

## 9. ROLES / RESPONSIBILITIES

### **Council**

Council has the overall responsibility for risk management, setting the risk tolerance and oversight of the systems for managing risk including the review and approval of the Policy and Framework.

### **Audit and Governance Committee**

The Audit and Governance Committee is responsible for:

- Overseeing Council's risk management and audit requirements. Reporting on risk management will be provided via Committee meetings;
- The provision of independent assurance regarding risk management processes considering Council's Risk Profile and Mitigation Strategies.

### **Chief Executive Officer (CEO)**

The CEO has overall accountability for ensuring that a risk management process is established, implemented and maintained in delivering a consistent approach to risk management.

Promote a strong risk management culture by providing firm and visible support for risk management including appropriate delegations for the management of risk.

Ensure the Executive and Managers have the necessary knowledge and skills to effectively fulfil their risk management responsibilities and are accountable for risks arising from the activities of their business areas.

#### **Executive Management Team (EMT)**

Commitment to and promotion of the Policy and Framework and monitoring Council's overall risk profile and mitigation strategies ensuring risk management is embedded into all critical functions and activities.

Promote a proactive risk culture in accordance with business management initiatives and include any risk treatments into business plans.

Regularly review all risks (Strategic, Operational, Project) on the risk register (at least annually).

#### **Business Unit Leaders / Managers**

The Business Unit Leaders are accountable for implementing the requirements of the Policy and associated Framework within their respective areas of responsibility.

Business Unit Leaders will be responsible for undertaking the risk management process as per the requirements of the Policy and Framework. Specific risk based information must be recorded in Council's Risk Register. Business Unit Leaders are also responsible for empowering staff to actively be involved in managing risk.

#### **Risk Management Teams (Risk Management & WHS)**

The Risk Management Teams are responsible for:

- Assisting EMT and Business Unit Leaders to undertake the risk management process in a systematic and standardised manner;
- Informing EMT and Business Unit Leaders of specific matters under investigation, including relevant concerns and considerations;
- Developing and maintaining the Risk Management Framework and associated processes. This includes the review of the Framework;
- Development and maintenance of a Risk Register, including the recording of risk mitigation strategies;
- Reporting with regards to Council's risk profile and mitigation strategies.

#### **Employees, Volunteers and Contractors:**

All Council employees, volunteers and contractors are responsible for:

- Identifying, evaluating and managing risks in their daily activities and projects;
- Understanding the Risk management processes that will be integrated with other planning processes and management activities;
- Participating in, and attending training / awareness and other programs relating to risk management.

## **10. AVAILABILITY**

The policy is available for public inspection during normal office hours from:

Civic Centre  
181 Unley Road  
Unley SA 5061

A copy may be purchased for a fee as determined annually by Council.

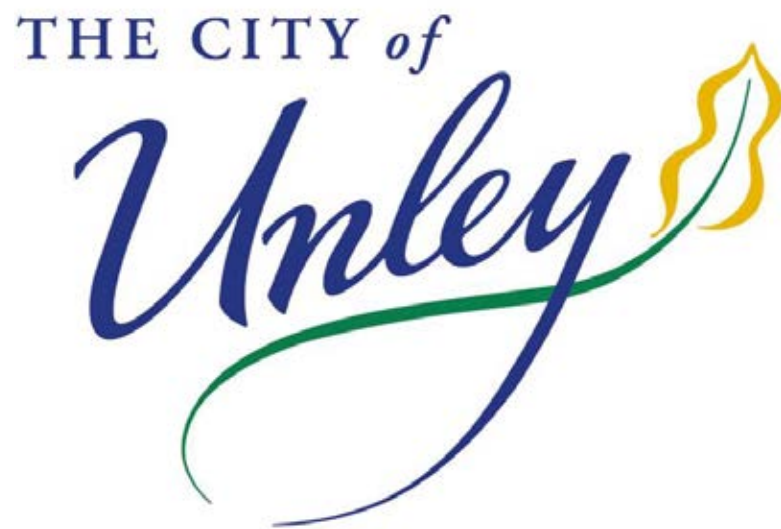
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## 11. DOCUMENT HISTORY

<b>Date:</b>	<b>Council/Committee/Internal</b>	<b>Comment:</b>
04/05/2010	Audit & Governance Comm 45/10	
24/05/2010	Council 664/10	
08/02/2011	Audit Comm 9/11	Was policy no. 025
28/02/2011	Council 70/11	
14/05/2012	CSP Comm 108/12	Was policy no. COU10
28/05/2012	Council 420/12	
10/05/2017	Audit & Governance Comm 56/17	
22/05/2017	Council 853/17	Policy number deleted







# Risk Management Framework

*November 2019 – Version 2.0*



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**1. Document Control**

<b>Responsible Department</b>	Office of the Chief Executive Officer (OCEO)
<b>Framework Owner</b>	Executive Manager - OCEO
<b>Responsible Officer</b>	Principal Risk Management Officer
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<b>Next review date</b>	November 2021
<b>Relevant Legislation</b>	Local Government Act 1999  Work Health and Safety Act 2012
<b>Related Documents</b>	Risk Management Policy  City of Unley Community Plan 2033  City of Unley Four Year Delivery Plan 2017-2021  ISO 31000:2018 Risk Management - Guidelines
<b>ECM document ID &amp; URL</b>	

**1.1 Document Version Control**

<b>Version</b>	<b>Date</b>	<b>Summary of version</b>	<b>Author</b>
1.0	April 2017	Risk Management Framework developed	Rebecca Wilson – Group Manager, Governance and Risk Julie Lister – Strategic Risk Management Project Officer
2.0	June 2019	Updated to reflect ISO31000:2018 – Risk Management Guidelines	Lida Cataldi – Principal Risk Management Officer

## 2. Introduction

The City of Unley's *vision*:

*Our City is recognised for its enviable lifestyle, environment, business strength and civic leadership.*

Aspiring to this vision, the Risk Management Framework demonstrates an integrated approach to risk management and assists in setting appropriate strategies, achieving objectives and making informed decisions in the best interests of the community. The Risk Management Framework has been developed in accordance with the International Standard ISO31000:2018 on risk management and refers to the arrangements within the City of Unley that enable risk to be managed.

The *Community Plan 2033* is of paramount importance within this Framework, given risk is defined as “*the effect of uncertainty on an organisation’s objectives*”, whereas, the Risk Management Policy defines Councils commitment and responsibilities in respect to risk management.

Risk is inherent in the provision of all functions and services across the Council. The understanding and management of risk provides greater certainty and security for stakeholders, workers and the community. It also ensures decision makers are better informed, able to be more decisive and move with increased confidence towards the achievement of objectives.

The risk management process is not an isolated function and should be integrated into every activity, including decision making, at all levels. Effective identification, assessment, evaluation and treatment of defined risks is critical to Council achieving its strategic objectives and meeting overall community expectations as set out in the City of Unley’s Community Plan 2033.

The objective of this framework is not to eliminate all risk but to ensure that risk is integral to the business area and managed at an acceptable level in an efficient manner.

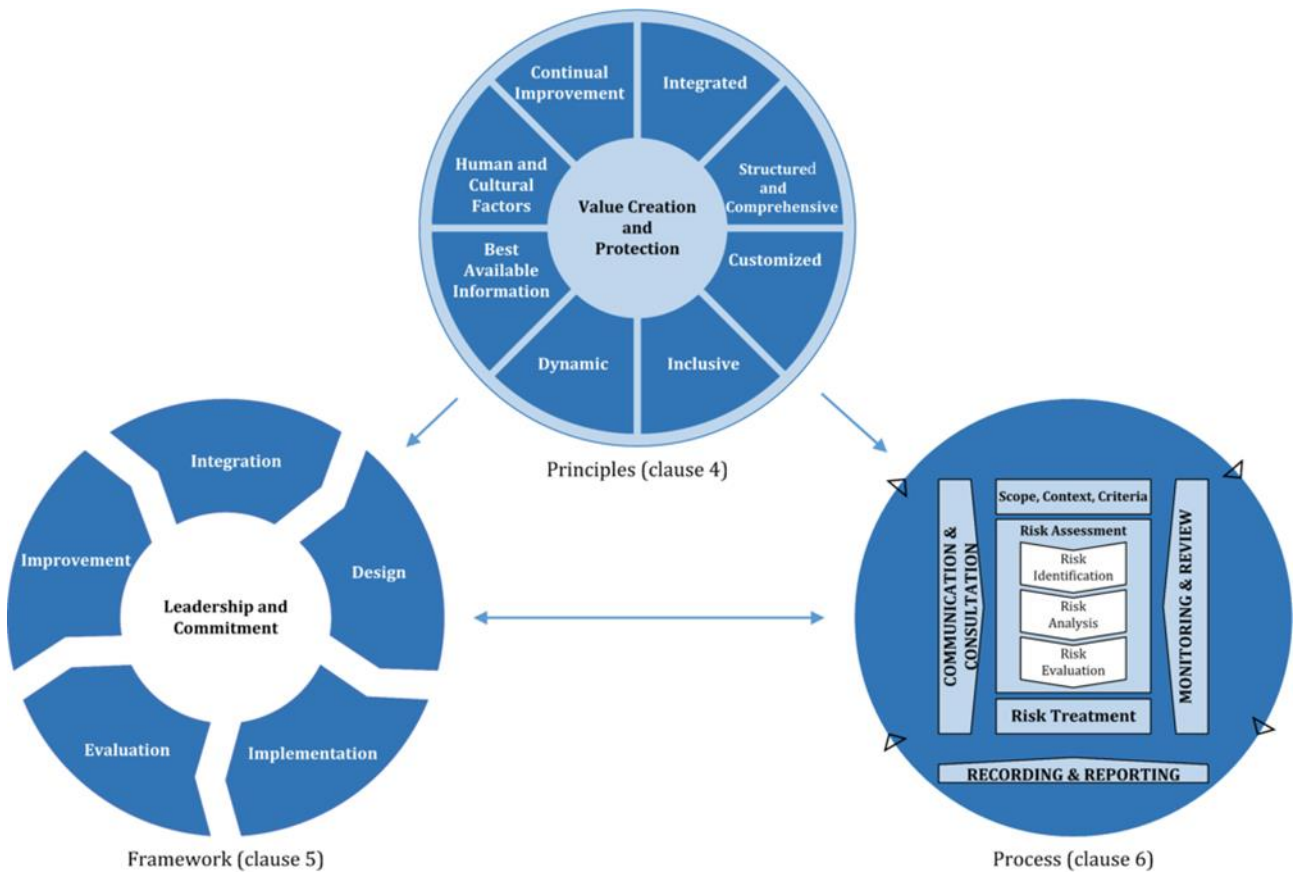
## 3. Purpose

The purpose of this Framework is to provide details of the requirements and processes supporting Council’s Risk Management Policy and to maximise opportunities whilst minimising risks that may impact the achievement of objectives.

This Framework will:

- Foster an integrated risk management approach within Council’s culture, values and operations;
- Align to the objectives of the Risk Management Policy;
- Establish a standardised, formal and structured process including reporting protocols for assessment and treatment of identified risks;
- Establish roles and responsibilities for managing risk;
- Encourage innovation by integrating risk management into the strategic and operational processes across all business areas of Council;
- Ensure that Council maximises its opportunities, whilst minimising any impacts arising from identifying and evaluating risks;
- Ensure that all risks outside the appropriate risk level are escalated to the relevant manager;
- Assist in the development of a continuous improvement culture into overall Council processes.

The diagram below from ISO 31000:2018 visually represents how principles, framework and processes are integrated



**4. Roles and responsibilities**

The following roles and key responsibilities ensure a transparent approach to managing risk within our Council.

*Note: roles and responsibilities below refer to Risk Management only and the committee/position requirements in general*

1	Roles	2	Responsibilities
3	<b>Council</b>	<ul style="list-style-type: none"> <li>• Endorse Council’s Risk Management Policy.</li> <li>• Ensure that risks are adequately considered when setting Council’s strategies and objectives.</li> <li>• Understand the risks facing Council in pursuit of its objectives.</li> <li>• Endorse the systematic approach to managing risk and opportunity across Council operations (that is implemented, monitored and communicated).</li> <li>• Review and consider any report or recommendations regarding the Risk Management Policy.</li> <li>• Apply risk management principles to the decision-making process.</li> </ul>	
4	<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>• Oversee Council’s risk management and audit initiatives.</li> <li>• Monitor and review the performance and adequacy of Council’s risk management framework for identifying, monitoring and managing significant business risks.</li> </ul>	

5 Roles	6 Responsibilities
<b>7 Chief Executive Officer</b>	<ul style="list-style-type: none"> <li>• Ensure an effective risk management process is established, implemented and maintained and delivers a consistent approach to risk management.</li> <li>• Promote a strong risk management culture by providing firm and visible support for risk management including ensuring appropriate delegations for the management of risk.</li> <li>• Ensure that appropriate resources are allocated to managing risk.</li> <li>• Ensure Managers have the necessary knowledge and skills to effectively fulfil their risk management responsibilities and are accountable for risks arising from the activities of their business areas.</li> <li>• Regularly review Council's strategic and operational risks.</li> </ul>
<b>9 Executive Management Team</b>	<ul style="list-style-type: none"> <li>• Promote and support a proactive risk culture and the application of the Risk Management Policy and Framework.</li> <li>• Monitor Council's overall risk profile and mitigation strategies ensuring that Risk Management is embedded into all critical functions and activities.</li> <li>• Regularly review risks at all levels and ensure risk treatments are actioned.</li> <li>• Include any risk treatments into business plans.</li> </ul>
<b>11 Business Unit Leaders / Managers</b>	<ul style="list-style-type: none"> <li>• Implement the Risk Management Policy and Framework within their respective areas of responsibility.</li> <li>• Undertake the risk management process as per the requirements of the Policy and Framework.</li> <li>• Record all operational risk information within Council's Risk Register.</li> <li>• Empower staff to actively manage risk.</li> </ul>
<b>12 Principal Risk Management Officer</b> <b>13</b> <b>14 Work Health &amp; Safety Business Partner</b> <b>15</b> <b>16</b>	<ul style="list-style-type: none"> <li>• Provide guidance and assistance to all staff in relation to the application of this framework and reporting within the Risk Register.</li> <li>• Ensure relevant risk information is reported and escalated to the Executive Management Team or Audit Committee, or cascaded to staff, as relevant.</li> <li>• Maintain the Risk Management Policy and Framework to ensure its currency and accuracy.</li> <li>• Manage the Risk Register and timeframes as required.</li> <li>• Provide support and advice to Managers and staff in the application and use of the Risk Management Framework.</li> </ul>
<b>17 Project Managers / Coordinators</b>	<ul style="list-style-type: none"> <li>• Implement risk management processes, including recognising, reporting and responding to new, changing or anticipated risks.</li> </ul>
<b>18 Employees, Volunteers and Contractors</b>	<ul style="list-style-type: none"> <li>• Identify, evaluate, report and manage risks in their daily activities and projects.</li> </ul>

## 5. Principles of Risk Management

The ISO 31000:2018 Risk Management – Guideline outlines eight best practice principles (*see below*) that underpin this Framework and guide how risk is managed across Council

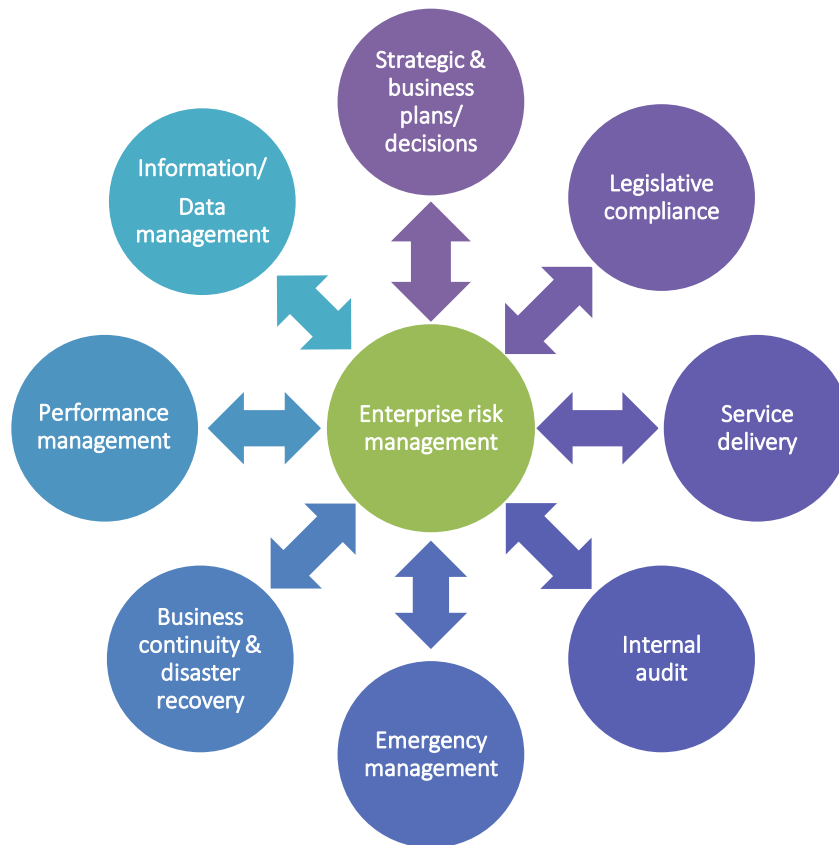
### ISO 31000:2018 - Risk Principles

- a) **Integrated** – Risk management is an integral part of all organisational activities.
- b) **Structured and comprehensive** – A structured and comprehensive approach to risk management contributes to a consistent and comparable results.
- c) **Customised** – The risk management framework and process are customized and proportionate to the organisation's external and internal context related to its objectives.
- d) **Inclusive** – appropriate and timely involvement of stakeholders enables their knowledge, views and perceptions to be considered. This results in improved awareness and informed risk management.
- e) **Dynamic** – risks can emerge, change or disappear as an organisation's external and internal context changes. Risk management anticipates, detects, acknowledges and responds to those changes and events in an appropriate and timely manner.
- f) **Best available information** – the inputs to risk management are based on historical and current information, as well as future expectations. Risk management explicitly takes into account any limitations and uncertainties associated with such information and expectations. Information should be timely, clear and available to relevant stakeholders.
- g) **Human and cultural factors** - Human behaviour and culture significantly influence all aspects of risk management at each level and stage.

## 6. Integration of Risk Management across Operations

Risk Management is not just about the risk assessment process, nor is it a stand-alone discipline. To maximise risk management benefits and opportunities, it requires integration through Council's entire operations as shown by the diagram below:





An integrated risk management system includes the methods and processes used to manage risks and seize opportunities to achieve defined objectives. This allows the various stakeholders to understand the ‘bigger picture’ of risks facing the Council across its entire operations and ensure shared learnings and continual improvement in the management of risk exposure.

***Integrated activities include:***

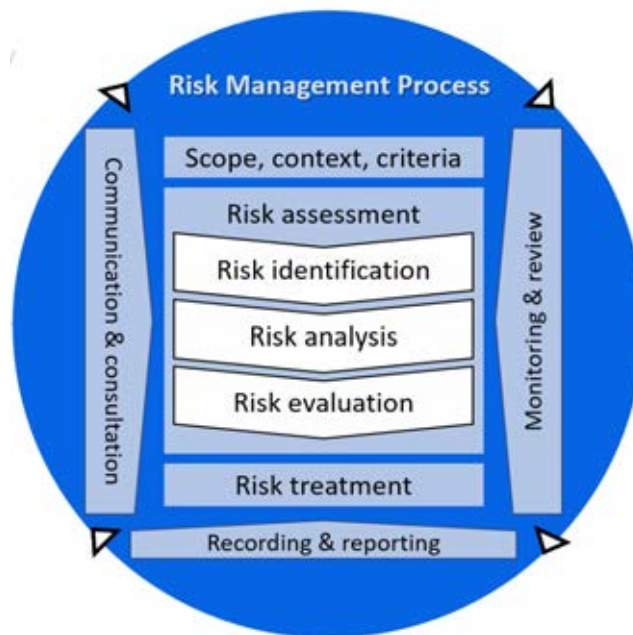
- Strategic and operational decision making
- Strategic and annual business planning
- Strategic, operational, Council and Governance reporting
- Business continuity planning and disaster recovery
- Emergency management
- Insurance
- Work health and safety
- Financial management
- Asset management
- Project management
- Contracting and procurement
- Assurance programs
- Training Programs

Strategic Risks are identified by reference to both the external environment and Council's Community Plan 2033 objectives. Strategic risks are monitored by the Executive and Elected Member body, with all risk assessments captured in the Risk Register and recorded within Council's records management system (ECM).

## 7. Process

Having a good risk management practice ensures that Council can undertake activities knowing that measures are in place to maximise the benefits and minimise the negative effect of uncertainties. Risk management involves both the management of potentially adverse effects as well as the fulfilment of potential opportunities.

The ISO 31000:2018 states that the risk management process involves the systematic application of policies, procedures and practices to the activities of communication and consultation, establishing scope, context and criteria, assessing, treating, monitoring, reviewing, recording and reporting risk. (*see diagram*)



City of Unley's risk management process is consistent with the ISO 31000:2018, as it involves;

- **Communication and Consultation:** a continuous information sharing process involving internal and external stakeholders. It determines boundaries, relevant staff and is the basis for decisions.
- **Establishing Context:** an understanding of the current conditions in which the organisation operates from an internal, external and risk management context.
- **Identifying Risks** (forms part of the Risk Assessment Process): the consideration of impact to the organisation's achievement of its objectives (strategic and operational) and may include new and emerging risks that are not currently controlled by the Council. Identifies risks, their sources, causes and potential impacts.
- **Analysing / Assessing / Evaluating Risks** (forms part of the Risk Assessment Process): Determines the level of risk exposure (likelihood and consequence) and compares the risk analysis with the risk criteria to determine if the risk is acceptable or tolerable.
- **Treating / Mitigating Risks:** the development of further strategies for controlling and treating risks to an acceptable or tolerable level (avoid, transfer, share, take action and reassess with controls and treatments in place).
- **Monitoring and Reviewing:** the continual measurement and monitoring of the risk environment and the performance of risk management strategies. It captures lessons learnt from near misses or success and provides a basis to reassess risk priorities.

## 7.1 Communication & Consultation

Effective communication and consultation ensure relevant stakeholders understand risk, the basis on which decisions are made and the reasons particular actions are required. Communication is vital in the promotion of risk awareness and understanding, whereas consultation involves obtaining feedback and information to support decision making.

It is important that the communication approach recognises the need to promote risk and opportunity management concepts across all management and workers. Council recognises that this is a process and not an outcome, and so to be effective this stage must be a continuous process of providing and receiving feedback and communication.

## 7.2 Scope, context and criteria

Risk Management is considered in the context of an organisation's external and internal environment, its objectives and stakeholder relationships. This enables efficient identification of risks to achieve overall business objectives.

Whilst there are benefits across all steps, communication when establishing the context will assist with agreement on:

- The problem/ activity that needs assessment
- How we'll know we've been successful

In deciding the above, staff will need to consider surrounding context.

### External Context

Consideration of the external context includes the external environment and relationships. For example:

- Government policies, legislation & compliance requirements;
- Business, social, regulatory, cultural, financial and political responsibilities;
- Industry trends and practices;
- Opportunities and threats; and
- External stakeholders -including community expectations (and their objectives).

### Internal Context

An understanding of Council and its objectives is important prior to undertaking the risk management process. Areas to consider include:

- City of Unley's risk appetite;
- Vision, mission and values (Community Plan, Four Year Delivery Plan);
- Governance, organisation structure, roles and accountabilities;
- Strategy, objectives and policies;
- Organisational culture;
- Standards, guidelines and models adopted by the City of Unley;
- Capabilities understood in terms of resources and knowledge (*e.g. capital, time, people, intellectual property, processes, systems and technologies*);
- Relationships with internal stakeholders, considering their perceptions and values; and
- Contractual relationships and commitments.

These factors need to be considered when identifying Council risks.

## 7.3 Risk Assessment

Risk assessment is the overall process of risk *identification*, risk *analysis* and risk *evaluation*.

### 7.3.1 Identify Risks

Risk identification naturally flows on from the context discussion. It is a process of formally documenting the effects of uncertainty on objectives and is about identifying sources of risk, areas of impact, events, opportunities, failure to innovate and potential consequences. The aim is to generate a comprehensive list of risks based on those events that might create, enhance, prevent, degrade, accelerate or delay the achievement of objectives. This includes identifying the risks associated with not pursuing an opportunity.

Because risk is the effect of uncertainty on objectives, the description of the risk needs to convey both elements, in other words, firstly make clear which objectives (*e.g. those referred in the Community Play 2033*) are being referred to, and secondly identify the source of uncertainty and how it could lead to consequences.

A number of questions should be asked when attempting to identify risks that may prevent, degrade, delay or enhance the achievement of objectives. These include:

- 
- What can happen?
- When could it happen?
- Where could it happen?
- Why could it happen?
- How can it happen?
- Who or what might be impacted?

The answers will assist you in developing a list of risks and events that may have an impact on the achievement of objectives. As part of the risk identification process, it is important to consider the cause of each risk as this may result in different controls being required.

Where there are a number of risks identified within an activity, all identified risks should be documented in the 'risk description' column of the 'Risk Assessment Template' (ECM [4612062](#))

It is beneficial to assess the initial risk prior to considering any controls (inherent risk). This will clarify the baseline of the risk without any controls in place.

Risks can be identified in numerous ways including but not limited to:

<b>Risk Identification Workshops</b>	The purpose of workshops is to brainstorm risks and assess the likelihood and consequence of these with relevant staff from each department. This will assist in capturing and understanding risks and ensuring they are documented in the risk register.
<b>LGAMLS Risk Management Review Process</b>	Risks are identified through the LGAMLS Risk Management Review process which is an annual appraisal of Council's risk management practices. An Action Plan is developed to respond to and deal with any issues raised by the Scheme and administered in consultation with the relevant stakeholders across the organisation
<b>Strategic Projects / Change</b>	A risk assessment is to be undertaken as part of any major project and / or change management process. Departments are required to identify and assess any risks emerging as a result of the proposed change / project. This includes reports to Council.
<b>Strategic and Annual Business Planning Process</b>	Departments are required to review the risk register as part of their annual business and strategic planning and budgeting process. This enables the risk profile and risk control activity to be considered as part of future organisational plans, service improvements, business requirements and budgeting needs
<b>Incident / Hazard Reporting</b>	Incidents and Hazards are to be reported in accordance with Councils Hazard Management Policy and associated procedures.

### 7.3.2 Risk Analysis

The risk analysis process involves the consideration of the controls or mitigating activities ALREADY in place that reduce the level of the risk. These controls or mitigating activities should be identified and documented in the 'Controls' column of the relevant Risk Assessment Template (ECM [4612062](#)).

Controls may be a single element (e.g. a warning notice) or multiple elements (e.g. inspection regimes, Standard Operating Procedures (SOP's), other documentation of work practices, defining responsibilities and accountabilities, and monitoring and reviewing processes) that work simultaneously to achieve a specific purpose.

Following the identification process, each risk should be assessed in terms of **consequence** (impact or magnitude of effect) and the **likelihood** of that consequence occurring. The consequence and likelihood are rated against established criteria on the Risk Matrix (ECM [4817450](#)).

### 7.3.3 Risk Evaluation

The Risk evaluation process is utilised to support decision marking by determining which risks need treatment and priority for implementation.

A risk deemed as tolerable (acceptable) does not require further controls to be implemented via treatments unless there is an increase in the efficiency (financial/time) of existing controls.

The following actions should be considered when evaluating the risk:

- Do nothing further (risk level *within* tolerance);
- Consider risk treatment options (risk level *not* within tolerance);
- Undertake further analysis to better understand the risk;
- Maintain existing controls;
- Reconsider objectives.

The effectiveness of existing controls should be assessed. The assessment of the control should consider the design, effectiveness and appropriateness of the control at mitigating the risk. Control effectiveness can be assessed on a 1 – 5 scale as set out in the table below:

Definitions of Control Effectiveness Ratings	
<b>1. Ineffective</b>	During the period, the control has not been implemented as described. Urgent management action is required to implement the described control processes.
<b>2. Requires significant improvement</b>	During the period, the control has been implemented as described, but with significant deficiencies in the consistency or effectiveness of implementation. Significant management action required to implement processes to improve the effectiveness of the control.
<b>3. Partially effective</b>	During the period, the control has been implemented as described, but with some deficiencies in the consistency and/or effectiveness in which it has been applied.
<b>4. Majority effective</b>	During the period, the control has been implemented as described and in the majority of cases has been consistently and/or effectively applied. There is potential to enhance the effectiveness of the control, but only with minor adjustments.
<b>5. Effective</b>	During the period, the control as described has been fully implemented and has in all cases has been consistently and/or effectively applied.

*(Better Practice Model – Internal Financial Controls – 2017 p11)*

Decisions should take account of the wider context and the actual and perceived consequences to external and internal stakeholders.

To evaluate risks and apply a consistent approach, the Risk Matrix (ECM [4817450](#)) should be used by staff.

The initial risk rating for each risk is determined by finding the point of intersection between the likelihood and consequence response scores on the Risk Management Reference Sheet to give a rating of Extreme, High, Moderate or Low. This rating provides a measure of the level of risk and will identify the risks that require further treatment.

If the assessed risk level is above the tolerable level, then a treatment might be required. If it is equal to, or below, the tolerable level then that risk may be accepted (*after further controls are discussed*).

### 7.3.4 Residual Risk and Risk Treatment

Once the residual risk rating has been established, the following action should occur:

Residual Risk Level	Managing Risk – Priory Rating
<b>EXTREME</b>	<ul style="list-style-type: none"> <li>• Add risk to Council’s Risk Register</li> <li>• Undertake detailed research and management planning</li> <li>• Escalate the risk issue <b>immediately</b> to relevant General Manager and CEO</li> <li>• Implement stringent new controls in a detailed risk treatment plan in order to make risk tolerable</li> <li>• Closely monitor the control effectiveness at the work area level on an ongoing basis</li> <li>• Report the risk information to the Audit Committee</li> </ul>
<b>HIGH</b>	<ul style="list-style-type: none"> <li>• Add risk to Council’s Risk Register</li> <li>• Raise the risk issue with the relevant General Manager</li> <li>• Escalate the risk issue to Management for attention or action</li> <li>• Closely monitor the control effectiveness at the work area level on an ongoing basis</li> <li>• Validate existing controls with appropriate evidence</li> <li>• Report the risk information to the Audit Committee</li> </ul>
<b>MEDIUM</b>	<ul style="list-style-type: none"> <li>• Add risk to Council’s Risk Register</li> <li>• May be tolerated</li> <li>• Manage the risk within the business function by the position responsible for process</li> <li>• Existing controls must be effective and if required additional mitigation action is to be effectively implemented</li> </ul>
<b>LOW</b>	<ul style="list-style-type: none"> <li>• Add risk to Council’s Risk Register</li> <li>• May be tolerated</li> <li>• Undertake localised risk management &amp; actions (if required), consequences are dealt with by routine operations</li> <li>• Maintain regime of continuous improvement</li> </ul>

The purpose of risk treatment is to select and implement options for addressing risk to a tolerable level, evaluating the options and implementing those options. This should be documented within the Risk Assessment.

Selecting the most appropriate treatment option involves balancing the costs of implementing each option against the benefits derived from it. It is important to consider all direct and indirect costs and benefits whether tangible or intangible. Risk treatment options can include the following:

- Avoiding the risk by deciding not to proceed or continue with the activity likely to create / cause the risk;
- Taking or increasing the risk in order to pursue an opportunity if the benefits exceed the risk;
- Removing the source/cause of the risk;
- Changing the likelihood of the occurrence;
- Changing the consequence of the risk;

- Sharing the risk with another party (including contracts); and
- Retaining the risk by informed decision and making appropriate provisions for dealing with the consequences should they arise.

The objective is to ensure the risk is reduced to a tolerable level in an efficient (cost / time) manner.

Risk treatment plans should be integrated into the relevant work area, have a designated owner, proposed timeframe for completion and need to be monitored during implementation for effectiveness. After the risk treatments have been documented in a Risk Assessment, a final risk analysis should be undertaken to determine the forecast residual risk considering the predicted result of implementing the treatments, assuming they operate effectively.

The information provided in the treatment plan should include:

- Rationale for selection of the treatment options, including the expected benefits to be gained;
- Those who are accountable and responsible for approving and implementing the plan;
- The proposed actions;
- The resources required, including contingencies;
- The performance measures;
- The constraints;
- The required reporting and monitoring;
- When actions are expected to be undertaken and completed.

#### **7.3.5 Monitor and Review**

It is important to understand that the risk assessment and management process is a continual one. It is essential to incorporate ongoing monitoring and review procedures into all Council activities in order to improve the quality and effectiveness of process design, implementation and outcomes.

All risks are allocated to a named individual referred to as the 'Risk Owner'. Risk Owners will monitor their risks on an ongoing basis and report escalated risk to the relevant General Manager.

Project risks will be monitored on a day to day basis through the project life cycle by the respective project manager / coordinator, with issues reported and / or escalated through project structure.

At least annually all risks will be reviewed by Risk Owners through continuous maintenance of the risk register to:

- Ensure that implemented controls are effective and adequate;
- Provide further information to improve risk assessment and treatment plans;
- Allow for the identification of emerging risks;
- Identify any (new) activities that may influence established strategies to mitigate risks.

Risk information will be provided to the LG Risk Services as required and information from the risk register will be reported to Council and the Audit Committee.

### **8. Risk Management Activities Integrated into Processes**

Governance and risk management are highly interdependent and require each to operate effectively to maximise the chance of achieving objectives. Both functions sit within the Office of the CEO at the City of Unley. However, the Office of the CEO does not manage all risk or risk treatments; this process is decentralised in line with the City of Unley's values. Best practice also recognises that managing risk within operational areas may encourage effective risk management particularly because of technical specialisation. The City of Unley's Risk Management Policy endorses this approach due to the recognition of importance of accountability of staff in their decision making and recognises in many instances risks are best managed within the business unit as certain expertise is needed to understand the risks.

At the City of Unley, risk management is integrated into various activities which include, but are not limited to, the following:

### **Budget and Strategic Planning**

Strategic and Budget Planning considers key risks and opportunities facing the Council at a corporate level. The planning process must identify and review risks that may impact on Council's ability to meet key legislative and strategic objectives.

### **Strategic & Operational Risk Assessment Process**

The Executive Management Team (EMT) will monitor Strategic Risks regularly. Business functions will be required to review Operational and Project risks ongoing as required and undertake a formal annual risk assessment.

All risks will be captured in a Risk Register and recorded using Council's Record Management System (ECM). Operational risks are the responsibility of the individual business function and Project Risks, the Project Manager.

### **Project Management**

Risk assessments should be conducted on all major projects within the City to ensure that high profile / high risk projects are managed appropriately. These risk registers are reviewed on a periodic basis throughout the lifecycle of the project.

Project Managers and Coordinators implement project risk management in line with Council's risk management framework.

### **Risk Management Training and Awareness**

Information and awareness sessions will be provided at induction to all workers and ongoing as required to improve transparency and increase the Council's Risk Management culture.

In accordance with the Risk Management Policy, risk management is the responsibility of all staff. In order to best manage risks, staff of the City of Unley may seek advice on how to manage risks by seeking advice to clarify and identify appropriate treatments. However, risk advice is not centralised to the Office of the CEO and therefore, staff may need to engage individual business units and/or staff members to assist in complex management of risk. Further, it is for the specific staff (with Manager and/or General Manager involvement as necessary) to determine appropriate action in response to identified risk (including investigation of whether advice needs to be sought from external means (e.g. Australian Standards, legal advice etc.))

### **Records Management**

All staff are responsible for records management. Hence all information relating to risk management, including; risk assessments should be saved into ECM, council's records management system

### **Assurance Programs – Internal / External Audit**

Council's assurance programs such as internal audit, external audit and the self-assessment of the effectiveness of the Better Practice Model – Internal Financial Controls (BPM) are delivered internally and externally. A risk-based approach is used to identify priorities for internal audits to check effectiveness of the internal control environment.

### **Council and Audit Committee Reporting**

Risk Management should inform Council's decision-making process with relevant information incorporated into Council and Committee reports.

Identified strategic and operational risks are recorded in the Risk Register with summarised risk reporting data to be reported to the EMT on a quarterly basis.

### **Tenders and Contracts**

A risk assessment should be completed prior to the project, works or services being put to tender. (*procurement should ensure there is a completed risk assessment prior to releasing the tender to the market*)



**Agreements with Third Parties (including Limitation of Liability Requests)**

When formalising any agreement with a third party, staff should consider whether risk management advice should be sought via the Principal Risk Management Officer, from the LGA Mutual Liability Scheme, other staff and/or Council’s legal panel in order to effectively manage risk.

In most instances, consideration will not be given to limiting liability as this may increase Council’s civil liability exposure. However, if there are extenuating circumstances where such a request should be considered, the suggested limit of liability request should be forwarded to the Principal Risk Management Officer for consideration.

If for any reason, liability is limited, serious consideration should be given to implementing additional controls to manage any increase in risk exposure.

The following can help establish the risks associated with a third-party activity that council has a vested interest in. It will also reveal what actions will be taken by the third party in relation to managing their risk:

<b>Prevention</b>	What they’ll do to mitigate someone getting hurt
<b>Preparedness</b>	What they’ll do to prepare for someone getting hurt
<b>Response</b>	What they’ll do in responding to someone being hurt.
<b>Recover</b>	What they’ll do after an event of someone being hurt

Even though we may have terms and conditions which define non-negotiables to assist with risk management in relation to agreements with third parties, for example we may request the third party have their equipment tagged and tested, requesting they provide response reaffirms they are responsible for managing the risk associated with their activity.

**Work Health Safety**

The Work Health Safety (WHS) system is implemented to manage the health and safety risks to workers (staff, contractors and volunteers). Work Health and Safety is a critical component of the risk management system and will address risks facing workers conducting their specified duties.

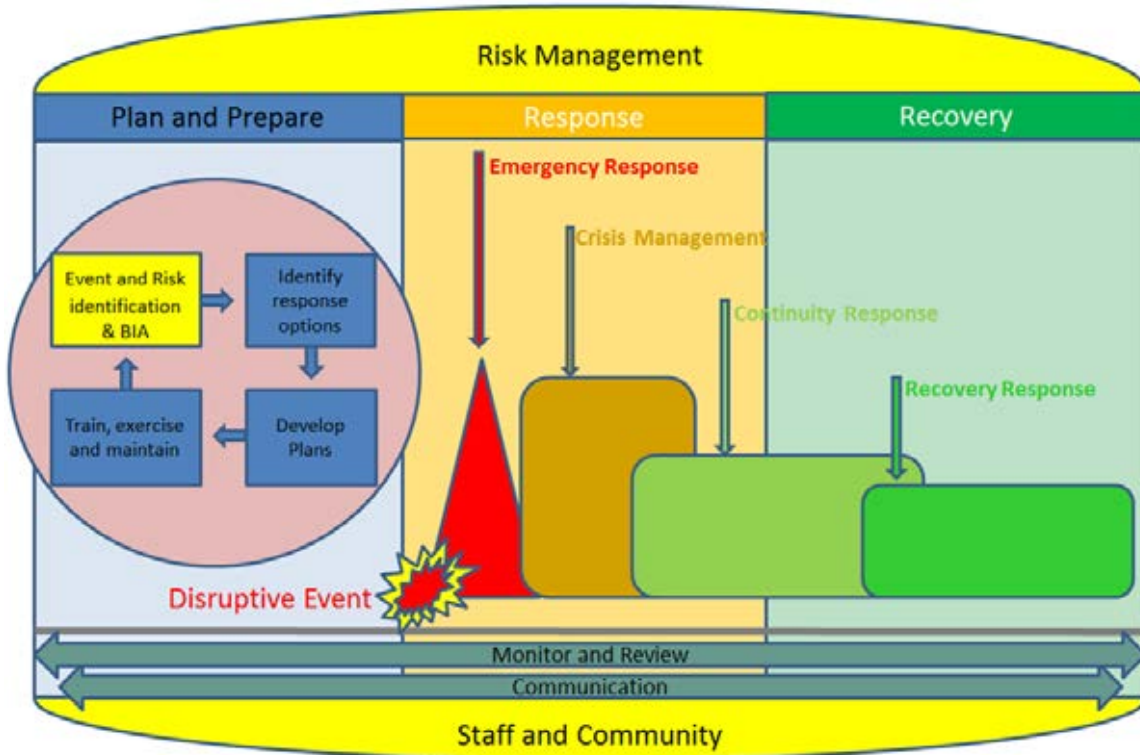
Council has in place an overarching WHS and Return to Work System with a suite of Policies and Procedures to assist in managing safety related risk.

**Emergency Management, Business Continuity Planning / Disaster Recovery**

Council undertakes emergency management planning and exercises, so it is prepared to respond effectively to requests from State Government when it is responding to community level emergencies.

Council has an obligation to ensure that business continues as efficiently and promptly as possible after a business interruption (or emergency). The Business Continuity Plan(s) (BCP) and Disaster Recovery Plan(s) (DR) are designed to manage risk by limiting or reducing the impact of a disruption, and to enable the resumption of critical business functions/services of Council. In managing the risks BCPs and DRs allow the resumption and recovery of business either partially or in full.

The relationship between Emergency Management, Business Continuity Management, Disaster Recovery and Risk



Management is shown below:

**Insurance Options - Coverage & Claims Management – Local Government Risk Services (LGRS)**

From the perspective of the Local Government Sector, certain insurable risks have been transferred to a number of Schemes managed by Local Government Risk Services (LGRS) – via payment of an annual contribution.

- Local Government Association Mutual Liability Scheme (LGAMLS) for the purposes of Civil Liability coverage & claims management;
- Local Government Association Workers Compensation Scheme (LGAWCS) for the purposes of workers compensation coverage & claims management; and
- Local Government Asset Mutual Fund (LGAMF) for the purposes of asset and fleet coverage & claims management.

As a Member of all of the above, Council must ensure that WHS, and Asset and Risk Management protocols are developed, endorsed and implemented across all Departments.

A requirement of membership of the Schemes is for Council to participate in a risk review and audit programme every two years. This is one of the mechanisms the insurers use to establish what existing controls and practices are in place. The review covers most areas of Council operations and specifically areas that have a level of civil liability exposure, or areas that require a formal risk management approach. The results from this review have an impact on the level of contributions paid on an annual basis. An action plan is generated after every review that identifies specific areas for action and provides recommendations for strategies to address the action item. An action plan that incorporates actions relevant to the City of Unley is presented to the Executive Management Team for endorsement.

## 9. Common Definitions Associated with Risk Management

<b>Consequence:</b>	Outcome of an event affecting objectives
<b>Control:</b>	Measure that modifies a risk
<b>Establishing the Context:</b>	Defining the external and internal parameters to be considered when managing risk
<b>Event:</b>	Occurrence of a particular set of circumstances
<b>Exposure:</b>	The risk exposure is a qualitative value of the sum of the consequence of an event multiplied by the probability of that event occurring
<b>External Context:</b>	External environment in which the organisation seeks to achieve its objectives
<b>Inherent Risk:</b>	Risk at time of risk assessment without ANY controls in place ( <i>the assessment of raw or untreated risk</i> )
<b>Internal Context:</b>	Internal environment in which the organisation seeks to achieve its objectives
<b>Likelihood:</b>	Chance of something happening
<b>Residual Risk:</b>	Risk remaining after risk treatment
<b>Risk:</b>	Effect of uncertainty on objectives;
<b>Risk Appetite:</b>	Amount and type of risk that Council is willing to pursue or retain
<b>Risk Assessment:</b>	An overall process of risk identification, risk analysis and risk evaluation
<b>Risk Management:</b>	Coordinated activities to direct and control an organisation with regard to risk
<b>Risk Management Framework:</b>	Set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management
<b>Risk Management Policy</b>	Statement of the overall intentions and direction of an organisation related to risk management
<b>Risk Management Process</b>	Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context and identifying, analysing, evaluating, treating, monitoring and reviewing risk
<b>Risk Owner:</b>	Staff member with the accountability and authority to manage a risk
<b>Risk Rating:</b>	Risk priority based on consequence and likelihood assessments
<b>Risk Register:</b>	Register of all identified risks, their consequences, likelihood, rating and treatments
<b>Risk Treatment</b>	<p>Process to modify risk – treatment can involve:</p> <ul style="list-style-type: none"> <li>• <i>Avoiding the risk by deciding not to start or continue with activity that gives rise to the risk</i></li> <li>• <i>Taking or increase risk in order to pursue an opportunity</i></li> <li>• <i>Removing the risk source</i></li> <li>• <i>Changing the likelihood</i></li> </ul>
<b>Risk Tolerance:</b>	Council's readiness to bear the risk after risk treatment in order to achieve objectives
<b>Stakeholder:</b>	Person or organisation that can affect, be affected by, or perceive themselves to be affected by, a decision or activity



# RISK MATRIX

**Note:** - This guide illustrates the range of potential consequences and likelihood that may be associated with risk categories  
 - Judgement is required to assess the consequences and likelihood of a risk event after effective risk mitigation action

STEP 1 Risk Categories and Examples of Potential Impacts						
Consequence Ratings	Health, Safety & Welfare (Community, Councillors, Staff or Contractors)	Business Performance & Service Delivery (Business & HR Operations, ICT, Procurement & Contract Management)	Reputation (Political and Legislation & Policy Compliance)	Infrastructure (Council Assets and Facility Management)	Environment	Financial
<b>Catastrophic (Worst case scenarios)</b>	<ul style="list-style-type: none"> <li>Major injury, disablement or fatality</li> <li>Long term effect on morale and business performance</li> <li>Widespread industrial action</li> <li>Section of the community or workforce harmed</li> <li>Long term impact on morale or business</li> </ul>	<ul style="list-style-type: none"> <li>Major interruption to delivery of all or most services for more than 14 days. Full BCP action required.</li> </ul>	<ul style="list-style-type: none"> <li>Council Members conduct – Severe Breach of Code of Conduct</li> <li>Huge effect on public image</li> <li>Community outrage by groups; pages established on social media and high instance of posts on Council's social media pages</li> <li>Organised community campaigning involving multi-day / sustained negative media attention (months)</li> <li>Irreconcilable community loss of confidence in Council's intentions and capabilities</li> <li>Significant prosecution and fines, major litigation involving class action, major noncompliance with legislation / regulation</li> <li>Critical internal policy failure</li> </ul>	<ul style="list-style-type: none"> <li>Loss of significant or critical infrastructure / assets are destroyed</li> <li>Significant or critical infrastructure assets are unusable for months</li> <li>Major impact on business operations</li> </ul>	<ul style="list-style-type: none"> <li>Permanent damage, destruction of sites or artefacts of cultural heritage significance</li> <li>Irrecoverable environmental damage threatening survival of flora or fauna; death of animals; widespread introduction of weeds; soil erosion</li> <li>"Serious" as defined under the SA Environment Act 1993 Section 5 (3)(b)</li> </ul>	<ul style="list-style-type: none"> <li>Significant adverse impact on the budget – financial loss / exposure &gt;\$4m or 10% of rate revenue</li> <li>Impact on multiple financial years</li> <li><i>To note: \$4m is a threshold in prudential management relating to procurement</i></li> </ul>
<b>Major</b>	<ul style="list-style-type: none"> <li>Serious long term injury requiring hospitalisation / rehabilitation</li> <li>Temporary disablement</li> <li>Industrial action over many months, significant management intervention required</li> <li>Increased overall workforce absenteeism</li> <li>Significant impact on morale or business</li> </ul>	<ul style="list-style-type: none"> <li>Major interruption to service delivery, Customer impact &gt; 7 days. Component of BCP action may be needed.</li> </ul>	<ul style="list-style-type: none"> <li>Council Members conduct – Major Breach of Code of Conduct</li> <li>Long term effect on public image</li> <li>Considerable and prolonged impact and dissatisfaction publicly expressed</li> <li>Regional or state wide negative media attention (weeks)</li> <li>Major breach of legislation / regulation, major litigation, noncompliance with legislation / regulation</li> <li>Major internal policy failure</li> </ul>	<ul style="list-style-type: none"> <li>Loss of non-critical infrastructure / assets are destroyed or significantly damaged</li> <li>Significant or critical assets are unusable for weeks</li> <li>Major impact on business operations</li> </ul>	<ul style="list-style-type: none"> <li>Death of individual animals, large scale injury, loss of key species and widespread habitat destruction</li> <li>Extensive serious injuries</li> <li>"Material" as defined under the SA Environment Act 1993 Section 5 (3)(a)</li> <li>Damage to flora and fauna requires significant period of recovery</li> </ul>	<ul style="list-style-type: none"> <li>Major financial loss / exposure – impact between \$1m and \$4m or 5% of rate revenue</li> <li>Impact goes into next financial year and possibly beyond</li> <li><i>To note: \$2m is approx. 5% of rate revenue</i></li> </ul>
<b>Moderate</b>	<ul style="list-style-type: none"> <li>Injuries requiring medical attention / hospitalisation</li> <li>Short term disablement</li> <li>Threats of industrial action, any impact can be absorbed short term</li> <li>Increased business area workforce absenteeism</li> <li>Short term effect on morale and business</li> </ul>	<ul style="list-style-type: none"> <li>Moderate Interruption to service delivery. Customer impact up to 48 hrs. Partial BCP action may be needed</li> </ul>	<ul style="list-style-type: none"> <li>Sectional community impacts and concerns publicly expressed (days)</li> <li>Negative media attention and public interest (days)</li> <li>Loss of confidence by the community in Council processes / staff / councillors</li> <li>Moderate breach of legislation / regulation, major litigation, noncompliance with legislation / regulation</li> <li>Moderate internal policy failure</li> </ul>	<ul style="list-style-type: none"> <li>A range of assets, including some significant assets, are unusable for weeks</li> <li>Moderate impact on business operations</li> </ul>	<ul style="list-style-type: none"> <li>Severe temporary damage over limited area requiring extensive remediation</li> <li>Medical treatment required</li> <li>"Potential" as defined under the SA Environment Act 1993 Section 5 (2)</li> <li>Impact on flora or fauna is recoverable over 6 to 12 month period and pollution requires physical removal</li> </ul>	<ul style="list-style-type: none"> <li>High financial loss / exposure – impact between \$100k and \$1m or 2.5% of rate revenue</li> <li>May impact beyond current financial year</li> </ul>
<b>Minor</b>	<ul style="list-style-type: none"> <li>Injuries requiring first aid treatment (lost time up to 2 days)</li> <li>Urgent dialogue with industrial group required, impact can be absorbed through normal activity</li> <li>Increased team workforce absenteeism</li> <li>Negligible short term impact on morale or business</li> </ul>	<ul style="list-style-type: none"> <li>Minor interruption to a service with minimal impact to customers/business</li> </ul>	<ul style="list-style-type: none"> <li>Local level of community impacts and concern</li> <li>Some local media or political attention</li> <li>Occasional once off negative media attention</li> <li>Complex legal issues need addressing, noncompliance and breaches</li> <li>Minor internal policy failure</li> </ul>	<ul style="list-style-type: none"> <li>A number of assets are unusable but can be replaced within acceptable timeframes</li> <li>Minimal disruption to business operations</li> </ul>	<ul style="list-style-type: none"> <li>Temporary damage affecting local area</li> <li>First aid required</li> <li>"Nuisance" as defined under the SA Environment Act 1993 Section 5 (1)</li> <li>Some minor adverse effects on few species / ecosystem can be contained and reversed in the short term</li> </ul>	<ul style="list-style-type: none"> <li>Medium financial loss / exposure – impact between \$10k and \$100k</li> <li>Minor variation to budget for current financial year</li> <li><i>To note: \$45k is financial materiality threshold for 2016/17</i></li> </ul>
<b>Insignificant</b>	<ul style="list-style-type: none"> <li>Incident with or without minor injury; first aid only</li> <li>Dialogue with industrial group may be required, negligible impact</li> <li>No impact on morale or business</li> </ul>	<ul style="list-style-type: none"> <li>Insignificant interruption to a service – no impact to customers/business</li> </ul>	<ul style="list-style-type: none"> <li>Isolated local community or resident's issue based concerns</li> <li>Minimal local complaints or negative commentary on Council's website (less than 3 people)</li> <li>No media or political attention</li> <li>Legal issues managed by routine procedures, minor noncompliance and breaches</li> <li>Minor encroachment on internal policy</li> </ul>	<ul style="list-style-type: none"> <li>Assets receive minimal damage or are only temporarily unavailable</li> <li>No real disruption to business operations</li> </ul>	<ul style="list-style-type: none"> <li>Minor temporary damage that normal practice can rectify</li> <li>No injuries</li> <li>Can be reversed immediately</li> <li>"Nuisance" as defined under the SA Environment Act 1993 Section 5 (1)</li> </ul>	<ul style="list-style-type: none"> <li>Negligible financial loss – impact &lt;\$10k</li> <li>No impact on current financial year</li> </ul>

STEP 2 Likelihood Ratings and Risk Levels				
Rare	Unlikely	Possible	Likely	Almost Certain
<5% probability	5% - 30% probability	31% - 70% probability	71% - 90% probability	91% - 100% probability
May occur in exceptional circumstances	Could occur at some time: greater than annually	Annually: Likely to occur at least once a year	bi-Annually: Likely to occur twice a year	Frequently: Likely to occur most weeks
Medium	Medium	High	High	Extreme
Medium	Medium	High	High	Extreme
Low	Medium	Medium	High	High
Low	Low	Medium	Medium	High
Low	Low	Low	Medium	Medium

**STEP 3 RISK LEVEL CONTEXT AND MITIGATION ACTION REQUIRED**

Residual Risk Level	Managing Risk – Priority Rating
<b>EXTREME</b>	<ul style="list-style-type: none"> <li>• Add risk to Council's Risk Register</li> <li>• Undertake detailed research and management planning</li> <li>• Escalate the risk issue <b>immediately</b> to relevant General Manager and CEO</li> <li>• Implement stringent new controls in a detailed risk treatment plan in order to make risk tolerable</li> <li>• Closely monitor the control effectiveness at the work area level on an ongoing basis</li> <li>• Report the risk information to the Audit Committee</li> </ul>
<b>HIGH</b>	<ul style="list-style-type: none"> <li>• Add risk to Council's Risk Register</li> <li>• Raise the risk issue with the relevant General Manager</li> <li>• Escalate the risk issue for Management's attention or action</li> <li>• Closely monitor the control effectiveness at the work area level on an ongoing basis</li> <li>• Validate existing controls with appropriate evidence</li> <li>• Report the risk information to the Audit Committee</li> </ul>
<b>MEDIUM</b>	<ul style="list-style-type: none"> <li>• Add risk to Council's Risk Register</li> <li>• May be tolerated</li> <li>• Manage the risk within the business function by the position responsible for process</li> <li>• Existing controls must be effective and if required additional mitigation action is to be effectively implemented</li> </ul>
<b>LOW</b>	<ul style="list-style-type: none"> <li>• Add risk to Council's Risk Register</li> <li>• May be tolerated</li> <li>• Undertake localised risk management &amp; actions (if required), consequences are dealt with by routine operations</li> <li>• Maintain regime of continuous improvement</li> </ul>







## DECISION REPORT

<b>REPORT TITLE:</b>	2018-2019 GENERAL PURPOSE FINANCIAL STATEMENTS
<b>ITEM NUMBER:</b>	2.3
<b>DATE OF MEETING:</b>	11 NOVEMBER 2019
<b>AUTHOR:</b>	MICK WETHERALL
<b>JOB TITLE:</b>	ACTING MANAGER FINANCE & PROCUREMENT
<b>ATTACHMENTS:</b>	<ol style="list-style-type: none"><li>1. CITY OF UNLEY'S 2018-19 GENERAL PURPOSE FINANCIAL STATEMENTS</li><li>2. FINANCIAL CONTROLS REVIEW: INTERIM MANAGEMENT LETTER - GALPINS</li><li>3. AUDIT COMPLETION REPORT</li><li>4. STATEMENT OF INDEPENDENCE BY AUDITOR</li><li>5. CERTIFICATION OF AUDITOR INDEPENDENCE</li><li>6. CENTENNIAL PARK CEMETERY AUTHORITY GENERAL PURPOSE FINANCIAL STATEMENTS FOR 2018-19</li><li>7. BROWN HILL AND KESWICK CREEK'S STORMWATER BOARD GENERAL PURPOSE FINANCIAL STATEMENTS FOR 2018-19</li></ol>

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### 1. **EXECUTIVE SUMMARY**

The 2018-19 General Purpose Financial Statements have now been prepared and are attached for Members' information and review. The Statements have been prepared in accordance with the Australian Accounting Standards and the SA Local Government Model Financial Statements as prescribed in the *Local Government (Financial Management) Regulations 2011*.

The statements are now presented to the Audit Committee for due consideration and recommendation to Council that they present fairly the state of affairs of the Council for the 2018-19 reporting period.

## **2. RECOMMENDATION**

That:

1. The report be received.
2. Having reviewed the City of Unley's 2018-19 General Purpose Financial Statements, contained in Attachment 1 and External Auditor, Galpins, Audit Completion Report contained in Attachment 2, the Audit Committee considers that the 2018-19 General Purpose Financial Statements present fairly the state of affairs of Council and recommends presentation to Council for endorsement on 25 November 2019.
3. The City of Unley's 2018-19 General Purpose Financial Statements, contained in Attachment 1, be certified by the Chief Executive Officer and the Mayor.
4. The Certification of Auditor Independence contained in Attachment 5 be noted by Council and be certified by the Chief Executive Officer and the Presiding Member of the Audit Committee.
5. The Centennial Park Cemetery Authority General Purpose Financial Statements for 2018-19, signed by Centennial Park's External Auditor and contained in Attachment 6, be noted.
6. The Brown Hill and Keswick Creek's Stormwater Board General Purpose Financial Statements for 2018-19, signed by the subsidiaries External Auditor and contained in Attachment 7 be noted.

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## **3. RELEVANT CORE STRATEGIES/POLICIES**

4. Civic Leadership
  - 4.1 We have strong leadership and governance.

## **4. BACKGROUND**

The 2018-19 General Purpose Financial Statements have now been prepared are attached for Members' information and review. They have been prepared in accordance with the Australian Accounting Standards and the SA Local Government Model Financial Statements as prescribed in the *Local Government (Financial Management) Regulations 2011*. A copy of the Financial Statements are provided as Attachment 1 to this Report.

*Attachment 1*

In accordance with Section 126(4)(a) of the *Local Government Act 1999*, the Audit Committee has a responsibility to review the Financial Statements to be satisfied that they present fairly the state of affairs of Council.

Galpins conducted an interim audit in May 2019 on the Financial Internal Controls, their findings were produced in the Interim Management Letter.

*Attachment 2*

Council's external auditor, Galpins have provided their 2018-19 Audit Completion Report and have indicated that, subject to completion of the identified procedural matters, their Audit Reports in relation to the Financial Statements and Internal Controls will be signed without reference to any qualification.

*Attachment 3*

## **5. DISCUSSION**

The 2018-19 General Purpose Financial Statements are attached for the Committee's information and review.

*Attachment 1*

As part of the interim external audit process, the majority of key internal controls reviewed were in place and operating effectively (78 out of 100 core controls reviewed). Management has provided their response to Galpins prioritising the high, moderate and low risk findings, summarised as follows:

- High (1) Item: Management will be implementing formal reviews on a regular basis
- Moderate (17) Items: Document usage and processing systems will be reviewed for a more consistent compliance.
- Low (4) Items: Recommendations were noted and improvements are ongoing.

A copy of the Financial Controls Review: Interim Management Letter is provided as Attachment 2.

*Attachment 2*

It is proposed that the final signed copy will be presented at the Council meeting on 25 November 2019 for endorsement.

The following summary is provided in relation to the General Purpose Financial Statements:

## 5.1 Statement of Comprehensive Income

The Statement of Comprehensive income shows a net surplus (including the joint ventures Centennial Park and Brown Hill and Keswick Creek) of \$5.96M for 2018-19 compared with \$4.9M in the previous year.

Statement of Comprehensive Income	2018-19	2017-18	Movement
	\$000s	\$000s	\$000s
Council Operating Surplus	4,601	3,890	711
Centennial Park Net gain	102	82	20
Brown Hill Keswick Creek Net gain	43	49	(6)
<b>Net Operating Surplus</b>	<b>4,746</b>	<b>4,021</b>	<b>725</b>
<b>Net Surplus</b>	<b>5,960</b>	<b>4,881</b>	<b>1,079</b>
Other Comprehensive Income	386	(39,172)	39,558
Total Comprehensive Income	6,346	(34,291)	40,637

As shown in the table above, Council's Net Operating Surplus has increased from the previous year by \$725K. This improvement is due to the items explained below:

For the reporting period Council's operating revenue increased by \$2.43M (5.0%) whilst expenditure increased by \$1.71M (3.8%). Other than the change in timing of the Financial Assistance Grant, other key movements from 2018-19 include:

### Income:

- Rate revenue increase of \$1.33M, reflecting the general rates increase of 2.8% and rates growth of 0.5%. (refer Note 2a in the Financial Statements).
- Other Grants, Subsidies and Contributions have increased \$1.08M, this is attributable to the receipt of grants for the King William Road redevelopment, \$700K, and the Daily Moves Program \$248K.
- Reimbursements have increased by \$112K mainly due to the City of Walkerville contracting Unley Council for the supply of a regulatory officer for parking management.
- Other Income has decreased by \$226K for 2018-19. This is due to a reduction of \$179K in the value of insurance claim revenue and a \$42K contribution from the EPA received in 2017/18 not replicated in 2018/19 for the Rain Garden Project.

### Expenditure:

- Employee costs have increased by \$410K which is comparable with the provisions in the Enterprise Bargaining Agreements.
- Materials, contracts and other expenses have increased by \$334K or 1.67% over the year which is in line with the CPI. Savings were achieved in IT, software licensing and in consultancy costs. These

savings were offset by increased waste disposal costs due to China's ban on accepting recyclables, increased temporary staff and maintenance contracts.

- An increase in the cost of depreciation of \$1.03M across all asset categories and particularly as a result of the capitalisation of streetscape developments, including Goodwood Road Reserves and Open Space and several IT projects.
- A decrease in finance costs of \$64K has occurred as a result of lower use of the cash advance facility during the year and no requirement to access new borrowings.

## **5.2 Statement of Financial Position**

The Statement of Financial Position discloses the total assets, total liabilities and total Council Equity of Council at the end of the reporting period. As at 30 June 2019 Council held net assets totalling \$513M compared with \$506M for the previous year, representing an increase in total equity of \$7.0M.

This increase in equity is due to the following movements:

### **Assets:**

- Council experienced only minor increases in its year end balances for cash, trade and other receivables totalling \$451K.
- An increase of \$1.4M in equity accounted joint venture assets was achieved due to the Brown Hill and Keswick Creeks Stormwater Board increasing its activities since establishment in 2018.
- An increase of \$6.65M in Infrastructure, Property, Plant and Equipment assets which reflects the increase in capital expenditure, particularly for projects such as King William Road redevelopment, Unley Oval Grandstand redevelopment and investment in major plant.

### **Liabilities:**

- An increase of \$4.74M in Trade and Other Payables related to an increase in Goods and Services (outstanding creditors), payments received in advance, accrued expenses and current employee entitlements.
- Council borrowings decreased by \$2.67M to \$2.51M as at 30 June 2019. Higher repayments were achieved and new borrowings were not required due to some capital work delays.

<b>Statement of Financial Position</b>	<b>2018-19</b>	<b>2017-18</b>	<b>Movement</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Total Assets	532,673	524,217	8,456
Total Liabilities	19,704	17,621	2,083
Net Assets	512,969	506,596	6,373

### 5.3 Cash Flow Statement

Council generated \$17.6M from its Operating Activities during the financial year compared to \$13.7M during 2017-18. Details of how this reconciles with the net surplus and changes in net assets are shown in Note 11 of the Financial Statements.

During the year, Council spent \$16.1M on the construction and purchase of assets compared to \$11.1M in 2017-18. (refer Note 7a of the Financial Statements). Council also reduced borrowings by \$269K compared to \$2.21M reduction in 2017-18.

As a result, the Cash Flow Statement shows an increase in cash held of \$2.61M.

### 5.4 Financial Key Performance Indicators

The key financial indicators are summarised and discussed below, and are also included as 'Note 15 Financial Indicators of the Financial Statements.

Financial Indicators	2018-19	2017-18	Adopted Target
	\$'000	\$'000	
Operating Surplus	4,746	4,021	
Adjusted Operating Surplus Ratio*	9%	7%	5%
Net Financial Liabilities Ratio	28%	26%	<80%
Asset Renewal Funding Ratio	139%	84%	100% over 10 years

\*The Adjusted Operating Surplus Ratio removes the distortion of Federal Government advance payments made in 2018-19.

The Financial Indicators have been calculated in accordance with Information Paper 9 – Local Government Financial Indicators prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia.

Council's Operating Surplus Ratio and Net Financial Liabilities Ratio continue to perform better than Council adopted targets whilst the Asset Renewal Funding Ratio on average performs above the Council adopted target. These results suggest that Council has positioned itself to continue to remain financially sustainable. Notwithstanding this Council will continue to review and monitor future financial results and its financial position in conjunction with its Long Term Financial Plan (LTFP).

## **5.5 Audit Opinion**

The role of the external auditor is to provide an audit opinion to council with respect to the audited financial statements.

In addition, the external auditor is required to provide an opinion on the compliance of the Council with the requirements of Section 125 of the *Local Government Act 1999* in relation to the Internal Controls established by the Council. These controls relate 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.

The Council is responsible for implementing and maintaining an adequate system of internal controls, in accordance with Section 125 of the *Local Government Act 1999*.

The Auditor procedures included assessing the controls of Council based on the criteria in the Better Practice Model – Internal Financial Controls.

The external auditor, Mr. Muhlhausler has completed the audit of the financial statements and in his report on particular matters arising from the audit (Audit Completion report) has indicated that subject to completion of the remaining outstanding matters, Galpins anticipate issuing unqualified opinions in relation to the financial statements and internal controls.

*Attachment 3*

The final audit clearance is subject to the following:

- the required letters of representation being signed by the relevant parties, and
- receipt of the General Purpose Financial Statements certified by Council's Mayor and Chief Executive Officer subsequent to the Audit Committee meeting on 11 November 2019.

## **5.6 Certification Statement of Independence of Council Auditor**

Regulation 22 (5) of the *Local Government (Financial Management) Regulations 2011* requires the auditor of a Council to provide a written statement attesting to their independence. Council's Auditor, Galpins have provided their proposed Statement of Audit Independence in the Annual Audit Completion report, as prescribed in the Regulations.

*Attachment 4*

Regulation 21 (2) of the *Local Government (Financial Management) Regulations 2011* requires the Council's Chief Executive Officer and the Presiding Member of the Audit Committee to provide a statement, on an annual basis, that the Council Auditor is independent of the Council for the relevant financial year.

*Attachment 5*

### **5.7 Centennial Park Cemetery Authority Financial Statements**

A copy of Centennial Park Cemetery Authority's (CPCA) financial statements for 2018-19 is attached for information.

*Attachment 6*

The financial statements reflect a Net Surplus of \$204K for the reporting period compared to \$117K for the previous year. Council's share of this result is \$102K or 50%.

The financial statements reflect Net Assets of \$31.3M as at 30 June 2019. This represents an increase of \$238K for the reporting period. The equity accounted value of CPCA reflected in the City of Unley's Statement of Financial Position is \$15.6M compared to \$15.5M for the previous year.

### **5.8 Brown Hill and Keswick Creeks Stormwater Board Financial Statements**

A copy of the Brown Hill and Keswick Creeks Stormwater Board (BHKC) financial statements for 2018-19 is attached for information.

*Attachment 7*

The BHKC Board was established on 27 February 2018 by Gazettal, and is under the control of the cities of Adelaide, Burnside, Unley, Mitcham and West Torrens.

The financial statements reflect a Net Surplus of \$215K for the reporting period compared to \$243K for the previous year. Council's share of this result is \$43K or 20%.

The financial statements reflect Net Assets of \$6.1M as at 30 June 2019. This represents an increase of \$5.9M for the reporting period which is reflective of the entity increasing its activities since its recent inception. Council's share of equity accounted value of BHKC reflected in the City of Unley's Statement of Financial Position is \$1.2M compared to \$49K for the previous year.

## **6. ANALYSIS OF OPTIONS**

Option 1 –

1. The report be received.
2. Having reviewed the City of Unley's 2018-19 General Purpose Financial Statements, contained in Attachment 1 and External Auditor, Galpins, Audit Completion Report contained in Attachment 2, the Audit Committee considers that the 2018-19 General Purpose Financial Statements present fairly the state of affairs of Council and recommends presentation to Council for endorsement on 25 November 2019.



3. The City of Unley's 2018-19 General Purpose Financial Statements, contained in Attachment 1, be certified by the Chief Executive Officer and the Mayor.
4. The Certification of Auditor Independence contained in Attachment 5 be noted by Council and be certified by the Chief Executive Officer and the Presiding Member of the Audit Committee.
5. The Centennial Park Cemetery Authority General Purpose Financial Statements for 2018-19, signed by Centennial Park's External Auditor and contained in Attachment 6, be noted.
6. The Brown Hill and Keswick Creek's Stormwater Board General Purpose Financial Statements for 2018-19, signed by the subsidiaries External Auditor and contained in Attachment 7 be noted.

In accordance with *Section 126(4) of the Local Government Act 1999* the Audit Committee needs to review the General Purpose Financial Statements 2018-19 and be satisfied that they present fairly the state of affairs of Council in accordance with the *Local Government Act 1999, the Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards.

Council will then be presented with the General Purpose Financial Statements at its November Council meeting for endorsement and, in accordance with legislation, a copy of the General Purpose Financial Statements will be sent to the Minister for Local Government and the SA Local Government Grants Commission.

The 2018-19 financial result is pleasing; Council continues to demonstrate that it is well positioned to continue to be financially sustainable into the future. Council will continue to review and monitor future financial results and its financial position in conjunction with its Long Term Financial Plan (LTFP).

#### Option 2 –

The Audit Committee advises that it has reviewed the annual General Purpose Financial Statements of the Council for the financial year ended 30 June 2019 and is not satisfied that they present fairly the state of affairs of Council and require further review before presentation to Council.

As a result, this may delay the endorsement of the 2018-19 General Purpose Financial Statements by Council and will impact on Council's legislative requirements in providing signed financial statements to the Minister for Local Government and the SA Local Government Grants Commission by 30 November 2019.

**7. RECOMMENDED OPTION**

Option 1 is the recommended option.

**8. POLICY IMPLICATIONS**

There are no policy implications associated with this report.

**9. REPORT CONSULTATION**

Whilst there has been no direct consultation required in the preparation of the report, considerable consultation with Council's external auditors, Galpins, has been undertaken in the preparation of General Purpose Financial Statements.

**10. REPORT AUTHORISERS**

<b>Name</b>	<b>Title</b>
Nicola Tinning	General Manager, Business Support & Improvement

# The City of Unley

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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*Our City is recognised for its vibrant community spirit,  
quality lifestyle choices, diversity, business strength and  
innovative leadership.*



## The City of Unley

### General Purpose Financial Statements for the year ended 30 June 2019

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## The City of Unley

### General Purpose Financial Statements for the year ended 30 June 2019

#### Certification of Financial Statements

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

**In our opinion:**

- the accompanying financial statements comply with the *Local Government Act 1999*, *Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards,
- the financial statements present a true and fair view of the Council's financial position at 30 June 2019 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect the Council's accounting and other records.

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Peter Tsokas  
CHIEF EXECUTIVE OFFICER

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Michael Hewitson  
MAYOR

**Date:**

## The City of Unley

Statement of Comprehensive Income  
for the year ended 30 June 2019

\$ '000	Notes	2019	2018
<b>Income</b>			
Rates Revenues	2a	41,336	40,010
Statutory Charges	2b	1,593	1,542
User Charges	2c	1,826	1,755
Grants, Subsidies and Contributions	2g	4,713	3,631
Investment Income	2d	16	14
Reimbursements	2e	535	423
Other Income	2f	714	940
Net Gain - Equity Accounted Council Businesses	19	145	131
<b>Total Income</b>		<b>50,878</b>	<b>48,446</b>
<b>Expenses</b>			
Employee Costs	3a	16,596	16,186
Materials, Contracts & Other Expenses	3b	20,337	20,003
Depreciation, Amortisation & Impairment	3c	9,038	8,011
Finance Costs	3d	161	225
<b>Total Expenses</b>		<b>46,132</b>	<b>44,425</b>
<b>Operating Surplus / (Deficit)</b>		<b>4,746</b>	<b>4,021</b>
Asset Disposal & Fair Value Adjustments	4	69	62
Amounts Received Specifically for New or Upgraded Assets	2g	1,145	798
<b>Net Surplus / (Deficit) <sup>1</sup></b>		<b>5,960</b>	<b>4,881</b>
<b>Other Comprehensive Income</b>			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in Revaluation Surplus - I,PP&E	9a	-	(39,198)
Share of Other Comprehensive Income - Equity Accounted Council Businesses	19	386	26
<b>Total Other Comprehensive Income</b>		<b>386</b>	<b>(39,172)</b>
<b>Total Comprehensive Income</b>		<b>6,346</b>	<b>(34,291)</b>

<sup>1</sup> Transferred to Statement of Changes in Equity

## The City of Unley

## Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5a	2,771	3,107
Trade & Other Receivables	5b	2,681	1,884
Other Financial Assets	5c	2	12
<b>Total Current Assets</b>		<b>5,454</b>	<b>5,003</b>
<b>Non-Current Assets</b>			
Financial Assets	6a	8	9
Equity Accounted Investments in Council Businesses	6b	16,930	15,571
Infrastructure, Property, Plant & Equipment	7a	510,281	503,634
<b>Total Non-Current Assets</b>		<b>527,219</b>	<b>519,214</b>
<b>TOTAL ASSETS</b>		<b>532,673</b>	<b>524,217</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & Other Payables	8a	13,104	8,361
Borrowings	8b	242	3,619
Provisions	8c	3,730	3,625
<b>Total Current Liabilities</b>		<b>17,076</b>	<b>15,605</b>
<b>Non-Current Liabilities</b>			
Borrowings	8b	2,271	1,568
Provisions	8c	357	448
<b>Total Non-Current Liabilities</b>		<b>2,628</b>	<b>2,016</b>
<b>TOTAL LIABILITIES</b>		<b>19,704</b>	<b>17,621</b>
<b>Net Assets</b>		<b>512,969</b>	<b>506,596</b>
<b>EQUITY</b>			
Accumulated Surplus		147,002	145,159
Asset Revaluation Reserves	9a	365,711	361,203
Other Reserves	9b	256	234
<b>Total Council Equity</b>		<b>512,969</b>	<b>506,596</b>

## The City of Unley

Statement of Changes in Equity  
for the year ended 30 June 2019

\$ '000	Notes	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	Total Equity
<b>2019</b>					
<b>Balance at the end of previous reporting period</b>		145,159	361,203	234	506,596
<b>Restated Opening Balance</b>		<b>145,159</b>	<b>361,203</b>	<b>234</b>	<b>506,596</b>
<b>a. Net Surplus / (Deficit) for Year</b>		5,960	-	-	5,960
<b>b. Other Comprehensive Income</b>					
- Share of OCI - Equity Accounted Council Businesses	19	386	-	-	386
- Other Equity Adjustments - Equity Accounted Council Businesses	19	5	-	-	5
- Other Movements - Carpark and tree funds		-	-	22	22
<b>Other Comprehensive Income</b>		<b>391</b>	<b>-</b>	<b>22</b>	<b>413</b>
<b>Total Comprehensive Income</b>		<b>6,351</b>	<b>-</b>	<b>22</b>	<b>6,373</b>
<b>f. Transfers between Reserves</b>	9a	(4,508)	4,508	-	-
<b>Balance at the end of period</b>		<b>147,002</b>	<b>365,711</b>	<b>256</b>	<b>512,969</b>
<b>2018</b>					
<b>Balance at the end of previous reporting period</b>		140,252	400,401	219	540,872
<b>a. Net Surplus / (Deficit) for Year</b>		4,881	-		4,881
<b>b. Other Comprehensive Income</b>					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	(39,198)	-	(39,198)
- Share of OCI - Equity Accounted Council Businesses	19	26	-	-	26
- Other Movements - Carpark and tree funds		-	-	15	15
<b>Other Comprehensive Income</b>		<b>26</b>	<b>(39,198)</b>	<b>15</b>	<b>(39,157)</b>
<b>Total Comprehensive Income</b>		<b>4,907</b>	<b>(39,198)</b>	<b>15</b>	<b>(34,276)</b>
<b>Balance at the end of period</b>		<b>145,159</b>	<b>361,203</b>	<b>234</b>	<b>506,596</b>



## The City of Unley

Statement of Cash Flows  
for the year ended 30 June 2019

\$ '000	Notes	2019	2018
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Operating Receipts		54,399	54,288
Investment Receipts		16	14
<b>Payments</b>			
Operating Payments to Suppliers and Employees		(36,616)	(40,353)
Finance Payments		(177)	(278)
<b>Net Cash provided by (or used in) Operating Activities</b>	11b	<b>17,622</b>	<b>13,671</b>
<b>Cash Flows from Investing Activities</b>			
<b>Receipts</b>			
Amounts Received Specifically for New/Upgraded Assets		1,145	798
Sale of Replaced Assets		509	922
Repayments of Loans by Community Groups		11	9
<b>Payments</b>			
Expenditure on Renewal/Replacement of Assets		(12,567)	(7,654)
Expenditure on New/Upgraded Assets		(3,558)	(3,463)
Capital Contributed to Equity Accounted Council Businesses		(823)	-
<b>Net Cash provided by (or used in) Investing Activities</b>		<b>(15,283)</b>	<b>(9,388)</b>
<b>Cash Flows from Financing Activities</b>			
<b>Receipts</b>			
Proceeds from Borrowings		270	-
<b>Payments</b>			
Repayments of Borrowings		-	(2,211)
Repayment of Bonds & Deposits		(1)	(2)
<b>Net Cash provided by (or used in) Financing Activities</b>		<b>269</b>	<b>(2,213)</b>
<b>Net Increase (Decrease) in Cash Held</b>		<b>2,608</b>	<b>2,070</b>
plus: <b>Cash &amp; Cash Equivalents at beginning of period</b>	11	<b>157</b>	<b>(1,913)</b>
<b>Cash &amp; Cash Equivalents at end of period</b>	11	<b>2,765</b>	<b>157</b>

## The City of Unley

### Notes to and forming part of the Financial Statements for the year ended 30 June 2019

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n/a - not applicable

## City of Unley

### Notes to and forming part of the Financial Statements for the year ended 30 June 2019

#### Note 1. Summary of Significant Accounting Policies

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

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

#### 1 Basis of Preparation

##### 1.1 Compliance with Australian Accounting Standards

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

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

##### 1.2 Historical Cost Convention

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

##### 1.3 Critical Accounting Estimates

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

Particular areas involving a high degree of judgement or complexity include the estimation of future payments and timing in relation to tip restoration. Further information in relation to the estimation of these liabilities are given in the relevant sections of these Notes.

##### 1.4 Rounding

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

#### 2 The Local Government Reporting Entity

The City of Unley is incorporated under the South Australian *Local Government Act 1999* and has its principal place of business at 181 Unley Road, Unley. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

#### 3 Income Recognition

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

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

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

	Cash Payment Received	Annual Allocation	Difference
2016/17	\$1,745,941	\$1,152,315	+\$593,626
2017/18	\$1,427,527	\$1,186,184	+\$241,343
2018/19	\$1,808,917	\$1,430,009	+\$378,908

The 2019/20 and 2020/21 Supplementary Local Road Funding of 375,580 was paid in advance in June 2019.

Because these grants are untied, the Australian Accounting Standards require that payments be recognised upon receipt. Accordingly, the operating

## City of Unley

### Notes to and forming part of the Financial Statements for the year ended 30 June 2019

#### Note 1. Summary of Significant Accounting Policies (continued)

results of these periods have been distorted compared to those that would have been reported had the grants been paid in the year to which they were allocated.

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

#### 4 Cash, Cash Equivalents and other Financial Instruments

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

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

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

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

#### 5 Infrastructure, Property, Plant & Equipment

##### 5.1 Initial Recognition

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

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use". Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred.

The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

##### 5.2 Materiality

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

Buildings	\$3,000
Drainage	\$3,000
Roads, Lanes, Kerb & Watertable	\$3,000
Pathways	\$3,000
Traffic & Lighting	\$3,000
Bridges	\$3,000
Other Assets	\$3,000
Recycled Water	\$3,000
Equipment, Furniture & Fittings - Other	\$3,000
Equipment, Furniture & Fittings - Computers	\$500

##### 5.3 Subsequent Recognition

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

##### 5.4 Depreciation of Non-Current Assets

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

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

## City of Unley

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2019

#### Note 1. Summary of Significant Accounting Policies (continued)

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

Equipment, Furniture & Fittings	1 to 10 years
Buildings	50 years
Building Fit Outs	15 years
Infrastructure:	
Roads, Lanes, Kerb & Watertable	20 to 100 years
Pathways	20 to 50 years
Drainage	35 to 100 years
Traffic and Lighting	5 to 20 years
Bridges	50 to 75 years
Recycled Water	5 to 100 years
Other Assets	5 to 20 years

##### 5.5 Impairment

Assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, are not subject to impairment testing.

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

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

##### 5.6 Borrowing Costs

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with AASB 123 "Borrowing Costs". The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are disclosed in Note 3, and the

amount (if any) of interest revenue offset against borrowing costs in Note 2.

## 6 Payables

### 6.1 Goods & Services

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

### 6.2 Payments Received in Advance & Deposits

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

## 7 Borrowings

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

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

## 8 Employee Benefits

### 8.1 Salaries, Wages & Compensated Absences

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

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows

## City of Unley

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2019

#### Note 1. Summary of Significant Accounting Policies (continued)

(including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

Weighted avg. discount rate 1.10% (2018, 2.24%)

No accrual is made for sick leave as Council experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods. Council does not make payment for untaken sick leave.

#### 8.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 18.

#### 9 Equity Accounted Council Businesses

Council has a 50% share in the regional subsidiary, Centennial Park Cemetery Authority. Council's share has been recognised in the Financial Statements by including its share of the net assets within the Statement of Financial Position. The Change in the Equity Share, including any asset revaluation, is disclosed in the Statement of Comprehensive Income. Details are reported in Note 19.

As a result of changes made to the Charter of Centennial Park on August 2011, all distributions paid to Council are recorded as revenue in the Statement of Comprehensive Income. Distributions paid by Centennial Park to Council are regarded as payments for guaranteeing the liabilities of Centennial Park and accordingly are treated as an expense in the Statement of Comprehensive Income in the Financial Statements of Centennial Park.

Council is party to an agreement with the cities of Burnside, Mitcham, West Torrens and the Corporation of the City of Adelaide in relation to the Brown Hill Keswick Creek Project which is accounted

for under AASB 11 Joint Agreements as a joint operation. As such each party is responsible for its own direct costs, and joint assets, revenue and expenses are shared on the basis set out in the agreement and Stormwater Management Plan documentation. Council's share has been recognised in the Financial Statements by including its share of joint revenue and expenditure in the Statement of Comprehensive Income and Council's share of joint assets within the Statement of Financial Position. Further details are provided in Note 19.

#### 10 GST Implications

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

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

#### 11 New accounting standards and UIG interpretations

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

AASB 7 Financial Instruments - Disclosures and AASB 9 Financial Instruments commenced from 1 July 2018 and have the effect that non-contractual receivables (e.g. rates & charges) are now treated as financial instruments. Although the disclosures made in Note 13 Financial Instruments have changed, there are no changes to the amounts disclosed.

## City of Unley

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019

## Note 1. Summary of Significant Accounting Policies (continued)

The City of Unley early adopted AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* from the year ended 30 June 2018.

AASB 15 – *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* determine that amounts received in relation to contracts with sufficiently specific performance obligations are recognised as these obligations are fulfilled.

The early adoption resulted in capital and other specific purpose grants with sufficiently specific performance obligations being recognised as a liability and subsequently recognised progressively as revenue as the Council satisfies its performance obligations under the grant.

Grants that are not enforceable and/or not sufficiently specific and, therefore, do not qualify for deferral continue to be recognised as revenue as soon as the Council has control of the fund. Council receives a number of grants from the Federal Government and State Government for which there are no sufficiently specific performance obligations. These grants are recognised as revenue upon receipt of the fund.

AASB 16 Leases, which will commence from 1 July 2019, requires that the right of use conveyed by leasing contracts - except leases with a maximum term of 12 months and leases for non-material amounts - be recognised as a form of Infrastructure, Property, Plant and Equipment, and that the lease liability be disclosed as a liability. At 30 June 2019, Council has no leases to which this treatment will need to be applied.

Other than AASB 15 and AASB 1058, The City of Unley has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective.

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

**The following list identifies all the new and amended Australian Accounting Standards, and Interpretation, that were issued but not yet effective and have not been early adopted by**

**Council at the time of compiling these illustrative statements.**

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

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

- AASB 16 Leases
- AASB 16 Leases (Appendix D)
- AASB 1059 Service Concession Arrangements: Grantors
- AASB 1059 Service Concession Arrangements: Grantors (Appendix D)
- AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities
- AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments
- AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments
- AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation
- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle
- AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement
- AASB 2018-3 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements

## City of Unley

### Notes to and forming part of the Financial Statements for the year ended 30 June 2019

#### Note 1. Summary of Significant Accounting Policies (continued)

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- AASB 2018-4 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors
- AASB 2018-5 Amendments to Australian Accounting Standards - Deferral of AASB 1059

#### **Effective for annual reporting periods beginning on or after 1 January 2021**

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

#### **17 Comparative Figures**

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

#### **18 Disclaimer**

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



## The City of Unley

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019

## Note 2. Income

\$ '000	Notes	2019	2018
<b>(a). Rates Revenues</b>			
<b>General Rates</b>			
General Rates		40,491	39,150
Less: Mandatory Rebates		(912)	(870)
Less: Discretionary Rebates, Remissions & Write Offs		(68)	(56)
<b>Total General Rates</b>		<u>39,511</u>	<u>38,224</u>
<b>Other Rates (Including Service Charges)</b>			
Natural Resource Management Levy		1,338	1,289
Separate & Special Rates		323	315
<b>Total Other Rates</b>		<u>1,661</u>	<u>1,604</u>
<b>Other Charges</b>			
Penalties for Late Payment		118	114
Legal & Other Costs Recovered		46	68
<b>Total Other Charges</b>		<u>164</u>	<u>182</u>
<b>Total Rates Revenues</b>		<u>41,336</u>	<u>40,010</u>
<b>(b). Statutory Charges</b>			
Other Licences, Fees & Fines		1,593	1,542
<b>Total Statutory Charges</b>		<u>1,593</u>	<u>1,542</u>
<b>(c). User Charges</b>			
Fees for Services Provided		1,826	1,755
<b>Total User Charges</b>		<u>1,826</u>	<u>1,755</u>
<b>(d). Investment Income</b>			
Interest on Investments		-	-
- Local Government Finance Authority		16	14
<b>Total Investment Income</b>		<u>16</u>	<u>14</u>
<b>(e). Reimbursements</b>			
Other		535	423
<b>Total Reimbursements</b>		<u>535</u>	<u>423</u>

## The City of Unley

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019

## Note 2. Income (continued)

\$ '000	Notes	2019	2018
<b>(f). Other Income</b>			
Contributions, Rebates and Sundry		714	940
<b>Total Other Income</b>		<b>714</b>	<b>940</b>
<b>(g). Grants, Subsidies, Contributions</b>			
Amounts Received Specifically for New or Upgraded Assets		1,145	798
Other Grants, Subsidies and Contributions		4,713	3,631
<b>Total Grants, Subsidies, Contributions</b>		<b>5,858</b>	<b>4,429</b>
The functions to which these grants relate are shown in Note 12.			
<b>(i) Sources of grants</b>			
Commonwealth Government		2,429	1,969
State Government		2,983	1,660
Other		446	800
<b>Total</b>		<b>5,858</b>	<b>4,429</b>
<b>(ii) Individually Significant Items</b>			
Grant Commission (FAG) Grant Recognised as Income		639	644
Supplementary Local Road Funding Recognised as Income		376	-

In January and June 2019 Council received payment of the first two installments of the 2019-20 Financial Assistance Grant (FAG). As has been done in the previous years, these amounts are recognised as income upon receipt. Similarly in June 2018 first two installments of 2018-19 grant was paid and recognised as income in that year.

In addition, the 2019/20 and 2020/21 Supplementary Local Road funding of \$375,580 was paid in advance in June 2019.

## The City of Unley

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019

## Note 3. Expenses

\$ '000	Notes	2019	2018
<b>(a). Employee Costs</b>			
Salaries and Wages		13,763	13,791
Employee Leave Expense		2,274	1,968
Superannuation - Defined Contribution Plan Contributions	18	1,435	1,417
Workers' Compensation Insurance		430	441
Less: Capitalised and Distributed Costs		(1,306)	(1,431)
<b>Total Operating Employee Costs</b>		<b>16,596</b>	<b>16,186</b>
Total Number of Employees (full time equivalent at end of reporting period)		182	178
<b>(b). Materials, Contracts and Other Expenses</b>			
<b>(i) Prescribed Expenses</b>			
Auditor's Remuneration			
- Current Year Audit Fees		19	33
- Other Services		16	-
- Other Auditors		-	31
Elected Members' Expenses		271	259
Election Expenses		155	-
<b>Subtotal - Prescribed Expenses</b>		<b>461</b>	<b>323</b>
<b>(ii) Other Materials, Contracts and Expenses</b>			
Contracts		4,960	4,596
Waste Contract		3,554	3,321
Maintenance Contracts		3,061	2,763
Legal Expenses		275	303
Levies Paid to Government - NRM levy		1,338	1,285
Parts, Accessories & Consumables		2,837	3,307
Insurance (Workers Compensation, Public Liability, Assets)		609	659
Brownhill Keswick Creek Contributions		158	135
Levies & Taxes		223	246
Other Contributions & Donations		64	44
Printing		50	59
Sitting Fees		38	34
Trader Associations Contributions		321	317
Valuation Fees (Property for Rating Purposes)		184	180
Electricity		893	893
Advertising		163	213
Bank Fees & Charges		107	113
Community Program Expenses		578	601
Economic Development Program Expenses		13	24
Community Grants & Sponsorship		203	275
Sundry Materials, Contract & Expenses		247	312
<b>Subtotal - Other Material, Contracts &amp; Expenses</b>		<b>19,876</b>	<b>19,680</b>
<b>Total Materials, Contracts and Other Expenses</b>		<b>20,337</b>	<b>20,003</b>

## The City of Unley

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019

## Note 3. Expenses (continued)

\$ '000	Notes	2019	2018
<b>(c). Depreciation and Amortisation</b>			
Stormwater Drainage		905	882
Roads, Lanes, Kerb & Watertable		2,000	1,916
Pathways		1,240	1,308
Traffic & Lighting		351	308
Bridges		134	133
Equipment, Furniture & Fittings		1,679	1,323
Buildings		1,369	1,327
Recycled Water		241	241
Other Assets		1,119	573
<b>Total Depreciation and Amortisation</b>		<b>9,038</b>	<b>8,011</b>
<b>(d). Finance Costs</b>			
Interest on Loans		161	225
<b>Total Finance Costs</b>		<b>161</b>	<b>225</b>

## Note 4. Asset Disposal &amp; Fair Value Adjustments

## Infrastructure, Property, Plant &amp; Equipment

**(i) Assets Renewed or Directly Replaced**

Proceeds from Disposal	509	922
Less: Carrying Amount of Assets Sold	(440)	(860)
<b>Gain (Loss) on Disposal</b>	<b>69</b>	<b>62</b>
<b>Net Gain (Loss) on Disposal or Revaluation of Assets</b>	<b>69</b>	<b>62</b>

## Note 5. Current Assets

**(a). Cash & Cash Equivalents**

Cash on Hand at Bank	4	4
Deposits at Call	2,767	3,103
<b>Total Cash &amp; Cash Equivalents</b>	<b>2,771</b>	<b>3,107</b>

## The City of Unley

### Notes to and forming part of the Financial Statements for the year ended 30 June 2019

#### Note 5. Current Assets (continued)

\$ '000	Notes	2019	2018
<b>(b). Trade &amp; Other Receivables</b>			
Rates - General & Other		607	572
Accrued Revenues		3	15
Debtors - General		1,815	1,246
Prepayments		256	31
Sundry		-	20
<b>Total Trade &amp; Other Receivables</b>		<b>2,681</b>	<b>1,884</b>
<b>(c). Other Financial Assets (Investments)</b>			
Loans to Community Organisations		2	12
<b>Total Other Financial Assets (Investments)</b>		<b>2</b>	<b>12</b>

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

#### Note 6. Non-Current Assets

##### (a). Financial Assets

###### Receivables

Loans to Community Organisations		8	9
<b>Total Receivables</b>		<b>8</b>	<b>9</b>
<b>Total Financial Assets</b>		<b>8</b>	<b>9</b>

##### (b). Equity Accounted Investments in Council Businesses

Centennial Park Cemetery Authority	19	15,640	15,522
Brown Hill Keswick Creek Board	19	1,290	49
<b>Total Equity Accounted Investments in Council Businesses</b>		<b>16,930</b>	<b>15,571</b>

Within the terminology of Section 43 of the Local Government Act 1999, the Centennial Park Cemetery Trust Incorporated is a joint controlling authority of the City of Unley and the City of Mitcham each having a 50% interest in the assets, liabilities and operations of the Authority. The Authority was established in the cemetery industry and no financial contributions have been made to the Authority in the financial year.

The Brown Hill and Keswick Creeks Stormwater Board (the Board) is a Local Government Regional Subsidiary established under Section 43 of and Schedule 2 to the Local Government Act 1999. The Regional Subsidiary is under the control of City of Adelaide, City of Burnside, City of Unley, City of Mitcham and City of West Torrens.

The Board was established by a Gazettal dated 27 February 2018. The Board has been established to implement the construction and maintenance of infrastructure and other measures for the purposes of a stormwater management plan prepared by the constituent councils and approved by the Stormwater Management Authority.

The City of Unley's investment in the Authorities has been accounted for under the equity method (Note 19).



The City of Unley

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019

Note 7a. Infrastructure, Property, Plant & Equipment

\$ '000	Fair Value Level	as at 30/6/2018						Asset Movements during the Reporting Period						as at 30/6/2019			
		At Fair Value	At Cost	Accumulated Dep'n	Impairment	Carrying Value	Asset Additions		WDV of Asset Disposals	Depreciation Expense (Note 3c)	WIP Transfers	Adjustments & Transfers	At Fair Value	At Cost	Accumulated Dep'n	Impairment	Carrying Value
							New / Upgrade	Renewals									
Capital Work in Progress	3	-	3,313	-	-	3,313	-	-	-	-	7,136	-	-	10,449	-	-	10,449
Stormwater Drainage	3	80,712	933	39,941	-	41,704	32	811	(905)	929	-	-	80,712	2,705	40,846	-	42,571
Roads, Lanes, Kerb & Watertable	3	182,400	1,926	38,730	-	145,596	-	6,020	(2,000)	(4,202)	-	-	182,400	4,344	40,730	-	146,014
Pathways	3	56,616	228	26,009	-	30,775	-	1,135	(1,240)	-	-	-	57,691	288	27,309	-	30,670
Traffic & Lighting	3	5,574	1,653	1,868	-	5,361	1,074	124	(351)	(1,074)	-	-	5,574	1,777	2,217	-	5,134
Bridges	3	9,388	16	5,912	-	3,482	-	-	(134)	-	-	-	9,388	16	6,046	-	3,358
Equipment, Furniture & Fittings	3	-	17,222	9,664	-	7,558	86	2,433	(1,679)	(417)	-	-	-	17,778	10,237	-	7,541
Land	2	48,112	-	-	-	48,112	-	-	-	-	-	-	48,112	-	-	-	48,112
Land	3	169,091	-	-	-	169,091	-	-	-	-	-	-	169,091	-	-	-	169,091
Buildings	2	26,810	-	18,415	-	8,395	1,607	1,014	(1,369)	(1,631)	-	-	74,399	991	47,134	-	28,256
Buildings	3	47,589	-	27,349	-	20,240	-	-	-	-	-	-	-	-	-	-	-
Recycled Water	3	11,858	-	779	-	11,079	-	-	(241)	-	-	-	11,858	-	1,020	-	10,838
Other Assets	3	10,795	4,336	6,213	-	8,918	759	430	(1,119)	(741)	-	-	10,795	4,783	7,331	-	8,247
<b>Total Infrastructure, Property, Plant &amp; Equipment</b>		<b>648,945</b>	<b>29,627</b>	<b>174,938</b>	-	<b>503,634</b>	<b>3,558</b>	<b>12,567</b>	<b>(440)</b>	<b>(9,038)</b>	-	-	<b>650,020</b>	<b>43,131</b>	<b>182,870</b>	-	<b>510,281</b>
<b>Comparatives</b>		<b>677,903</b>	<b>30,113</b>	<b>167,429</b>	-	<b>540,566</b>	<b>3,463</b>	<b>7,653</b>	<b>(860)</b>	<b>(8,011)</b>	-	-	<b>648,945</b>	<b>29,627</b>	<b>174,938</b>	-	<b>503,634</b>





## The City of Unley

### Notes to and forming part of the Financial Statements for the year ended 30 June 2019

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

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\$ '000

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##### Valuation of Assets

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

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

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

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

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

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

##### Information on Valuations

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

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

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

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

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

## The City of Unley

### Notes to and forming part of the Financial Statements for the year ended 30 June 2019

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

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\$ '000

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##### Valuation of Assets (continued)

###### **Other Information**

At 1 July 2004 upon the transition to AIFRS, Council elected pursuant to AASB 1.D5 to retain a previously established deemed cost under GAAP as its deemed cost. With subsequent addition at cost, this remains as the basis of recognition of non-material asset classes.

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

###### **Highest and best use**

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

###### **Transition to AASB 13 - Fair Value Measurement**

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

###### **Land & Land Improvements**

- Date of valuation: 30 June 2018
- Valuer: Public Private Property
- All acquisitions made after the valuation date are recorded at cost.

The following provides a summary of the City of Unley's asset classes together with the Public Private Property opinion of the Fair Value Hierarchy relevant to each asset group based on the quantum of observable inputs involved in the valuation relative to observable inputs.

- Land : Excluded / Revoked from classification as community land - Level 2 inputs
- Land : Community Land classification - Level 3 inputs
- Buildings : Market Approach - Level 2 inputs
- Buildings : Cost Approach (excluding highly specialised and/or heritage listed Buildings) - Level 2 inputs
- Buildings : Cost Approach (inclusive of highly specialised and/or heritage listed Buildings) - Level 3 inputs

Valuations techniques used to measure fair value within Level 2, including a description of the significant input used.

###### **Land : Excluded / Revoked from classification as community land**

The valuation of all Excluded / Revoked Land has been undertaken using the Market Approach, more specifically the Direct Comparison method of valuation and by reference to comparable market data.

###### **Buildings : Market Approach**

A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

## The City of Unley

### Notes to and forming part of the Financial Statements for the year ended 30 June 2019

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

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\$ '000

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##### Valuation of Assets (continued)

##### Land & Land Improvements (continued)

##### **Buildings : Cost Approach (excluding highly specialised and/or heritage listed Buildings)**

The calculated value is based on Replacement Costs data sourced from the Public Private Property Replacement Costs Database and/or Rawlinsons Australia Construction Handbook 2017.

Valuation techniques used to measure fair value within Level 3, including details of the significant unobservable inputs used and the relationships between unobservable inputs and fair value.

Asset Type	Valuation Technique
Land	Market Approach using the Direct Comparison Method of valuation by reference to comparable market data and subsequently adjusted to reflect the level of risk associated with alienating the Land to make it available for disposal.
Land - Structures	Market Approach using the Direct Comparison Method of valuation by reference to comparable market data and subsequently adjusted to reflect the level of risk associated with alienating the Land to make it available for disposal.
Buildings	Cost Approach using the Replacement Costs data sourced from Public Private Property Replacement Costs Database, recent constructions by local government and/or Rawlinson's Australia Construction Handbook 2013. The unique nature of such buildings and the lack of definitive valuation inputs results in some variance to rates adopted.

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

Estimated future costs of reinstatement of land, capitalised in accordance with AASB 116.16(c), are reviewed annually (see Note 1) and depreciated over the estimated remaining life of the relevant asset.

##### **Buildings & Other Structures**

- Basis of valuation: Fair Value / Market Value / Written down current replacement cost
- Date of valuation: 30 June 2018.
- Valuer: Public, Private, Property PTY LTD.

##### **Infrastructure**

##### *Roads, Kerb and Gutter, Footpaths*

- Date of valuation: 01 July 2017
- Valuer: Pavement Management Services & Assetic
- Basis of Valuation : Consumption based approach to the valuation of the pavement and surface assets was developed in order to more closely reflect the life cycle of the assets.

The decrease in the valuation of the network is a result of updating the calculations used to determine depth of the road and the unit rates used.

- All acquisitions made after the valuation date are recorded at cost.

## The City of Unley

### Notes to and forming part of the Financial Statements for the year ended 30 June 2019

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

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\$ '000

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##### Valuation of Assets (continued)

##### **Infrastructure (continued)**

###### *Pathways (Footpaths, Car Parks, Bike Paths)*

- Date of valuation: 1 July 2014
- Valuer: IMG
- Basis of valuation: Level 3, please refer to summary table below
- All acquisitions made after the valuation date are recorded at cost.

###### *Drainage (Stormwater Drains & Creeks)*

- Date of valuation: 30 June 2017
- Valuer: Tonkin Consulting
- Basis of valuation: Level 3, please refer to summary table below
- All acquisitions made after the valuation date are recorded at cost.

###### *Traffic and Lighting (Traffic Control, Street Lighting, Bus Stops)*

- Date of valuation: 30 June 2015
- Valuer: Internal Council valuation
- Basis of valuation: Written down current replacement cost discounted for age and condition
- All acquisitions made after the valuation date are recorded at cost.

###### *Bridges*

- Date of valuation: 30 June 2017
- Valuer: Tonkin Consulting
- Basis of valuation: Level 3, please refer to summary table below

###### *Recycled Water*

- Date of valuation: 30 June 2016
- Valuer: Internal Council valuation
- Basis of valuation: Cost

##### **Other Assets (Open Space and Reserve Equipment)**

- Date of valuation: 30 June 2017
- Valuer: Calibre
- Basis of valuation: Level 3, please refer to summary table below
- All acquisitions made after the valuation date are recorded at cost.

Valuation Techniques used to measure fair value within Level 3, including details of the significant unobservable inputs used and the relationships between unobservable inputs and fair value.

## The City of Unley

### Notes to and forming part of the Financial Statements for the year ended 30 June 2019

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

\$ '000

##### Valuation of Assets (continued)

Asset Type	Valuation Technique
Infrastructure - Pathways - Other Assets	Depreciated Replacement Cost (DRC) being the current replacement cost on an asset less, where applicable, accumulated depreciation calculated on the basis of such costs to reflect the already consumed or expired future economic benefits of the assets.
Infrastructure - Bridges	Current Replacement Cost (CRC) of the infrastructure asset minus any accumulated depreciation and impairment losses.  Field inspections provided certainty of the type and condition of the assets. However, due to lack of information on bridge replacement costs at the time of valuation factored have been applied to industry rates to provide the replacement cost based on the professional judgement and experience of the Tonkin Consulting engineers.
Infrastructure - Drains	Current Replacement Cost (CRC) of the infrastructure asset minus any accumulated depreciation and impairment losses.  The valuation of assets were based on rates provided by the 2014 Rawlinson's handbook and rates obtained from Humes.

#### Note 8. Liabilities

\$ '000	Notes	2019		2018	
		Current	Non Current	Current	Non Current

##### (a). Trade and Other Payables

Goods & Services	6,788	-	4,618	-
Payments Received in Advance	3,341	-	3,060	-
Accrued Expenses - Employee Entitlements	710	-	106	-
Accrued Expenses - Finance Costs	42	-	58	-
Accrued Expenses - Other	2,214	-	509	-
Deposits, Retentions & Bonds	9	-	10	-
<b>Total Trade and Other Payables</b>	<b>13,104</b>	<b>-</b>	<b>8,361</b>	<b>-</b>

##### (b). Borrowings

Bank Overdraft	6	-	91	-
Short Term Draw Down Facility	-	-	2,859	-
Loans	236	2,271	669	1,568
<b>Total Borrowings</b>	<b>242</b>	<b>2,271</b>	<b>3,619</b>	<b>1,568</b>

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

## The City of Unley

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019

## Note 8. Liabilities (continued)

\$ '000	Notes	2019		2018	
		Current	Non Current	Current	Non Current
(c). Provisions					
Employee Entitlements (including oncosts)		3,730	357	3,625	448
<b>Total Provisions</b>		<b>3,730</b>	<b>357</b>	<b>3,625</b>	<b>448</b>

## Note 9. Reserves

\$ '000	Notes	1/7/2018	Increments (Decrements)	Transfers	Impairments	30/6/2019
		(a). Asset Revaluation Reserve				
Stormwater Drainage		21,760	-	-	-	21,760
Roads, Lanes, Kerb & Watertable		76,957	-	-	-	76,957
Pathways		17,668	-	-	-	17,668
Traffic & Lighting		2,680	-	-	-	2,680
Bridges		2,453	-	-	-	2,453
Land		205,475	-	-	-	205,475
Buildings		25,616	-	-	-	25,616
Recycled Water		847	-	-	-	847
Other Assets		583	-	-	-	583
JV's / Associates - Other Comprehensive Income		7,164	-	4,508	-	11,672
<b>Total Asset Revaluation Reserve</b>		<b>361,203</b>	<b>-</b>	<b>4,508</b>	<b>-</b>	<b>365,711</b>
<b>Comparatives</b>		<b>400,401</b>	<b>(39,198)</b>	<b>-</b>	<b>-</b>	<b>361,203</b>

The transfer of \$4,508k is a reclassification of amounts related to Council's share of ownership interest on the Centennial Park Asset Revaluation Reserve that was previously recorded in Accumulated Surplus.

\$ '000	Notes	1/7/2018	Tfrs to Reserve	Tfrs from Reserve	Other Movements	30/6/2019
		(b). Other Reserves				
Carpark Contribution Fund		157	2	-	-	159
Urban Tree Fund		30	2	-	-	32
Street Tree Amenity Fund		47	18	-	-	65
<b>Total Other Reserves</b>		<b>234</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>256</b>
<b>Comparatives</b>		<b>219</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>234</b>

## Note 10. Assets Subject to Restrictions

The nature of some of the City of Unley's assets, and in particular Centennial Park, is such that they have restricted use either because of legal restrictions, heritage or community expectation so that these assets would continue to be held for the benefit of the community.

## The City of Unley

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019

## Note 11. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2019	2018
<b>(a). Reconciliation of Cash</b>			
Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:			
Total Cash & Equivalent Assets	5	2,771	3,107
Less: Short-Term Borrowings	8	(6)	(2,950)
<b>Balances per Statement of Cash Flows</b>		<b>2,765</b>	<b>157</b>
<b>(b). Reconciliation of Change in Net Assets to Cash from Operating Activities</b>			
<b>Net Surplus/(Deficit)</b>		<b>5,960</b>	<b>4,881</b>
Non-Cash Items in Income Statements			
Depreciation, Amortisation & Impairment		9,038	8,011
Equity Movements in Equity Accounted Investments (Increase)/Decrease		(145)	(131)
Grants for Capital Acquisitions (Treated as Investing Activity Receipts)		(1,145)	(798)
Net (Gain) Loss on Disposals		(69)	(62)
Other		22	-
		<b>13,661</b>	<b>11,901</b>
<b>Add (Less): Changes in Net Current Assets</b>			
Net (Increase)/Decrease in Receivables		(797)	499
Net Increase/(Decrease) in Trade & Other Payables		4,744	1,317
Net Increase/(Decrease) in Unpaid Employee Benefits		14	(61)
Net Increase/(Decrease) in Other Liabilities		-	15
<b>Net Cash provided by (or used in) operations</b>		<b>17,622</b>	<b>13,671</b>
<b>(c). Financing Arrangements</b>			
<b>Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank Overdrafts		500	500
Corporate Credit Cards		232	297
LGFA Cash Advance Debenture Facility		12,000	12,000

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.



The City of Unley

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019

Note 12a. Functions

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 12(b).									
	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	Actual 2019	Actual 2018	Actual 2019	Actual 2018	Actual 2019	Actual 2018	Actual 2019	Actual 2018	Actual 2019	Actual 2018
<b>\$ '000</b>										
Business Undertakings	-	-	-	-	-	-	-	-	(2,405)	-
Office of the CEO	774	696	3,443	3,348	(2,669)	(2,652)	5	6	16,868	15,571
City Development	2,274	1,962	21,529	21,664	(19,255)	(19,702)	1,326	966	489,678	479,951
Business Support & Improvement	41,980	41,062	7,815	7,848	34,165	33,214	802	1,046	8,250	8,345
City Services	4,757	4,595	11,639	11,565	(6,882)	(6,970)	1,632	1,613	20,282	20,350
<b>Total Functions/Activities</b>	<b>49,785</b>	<b>48,315</b>	<b>44,426</b>	<b>44,425</b>	<b>5,359</b>	<b>3,890</b>	<b>3,765</b>	<b>3,631</b>	<b>532,673</b>	<b>524,217</b>

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



## The City of Unley

### Notes to and forming part of the Financial Statements for the year ended 30 June 2019

#### Note 12b. Components of Functions

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\$ '000

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**The activities relating to Council functions are as follows:**

##### **OFFICE OF THE CEO**

Business & Economic Development Program, Economic Development, Economic Development & Planning, Governance & Risk, Marketing & Communications, Office of the CEO, Strategic Projects

##### **CITY DEVELOPMENT**

City Development Management, Environmental Initiatives, Operational Services, Property Services, Recreation & Sport Planning, Strategic Asset Management, Transportation & Traffic, Urban Design, Urban Policy & Planning, Waste Management

##### **BUSINESS SUPPORT & IMPROVEMENT**

Business Support & Improvement Management, Business Systems & Solutions, Corporate Activities, Culture & Business Capability, Finance & Procurement, Human Resources

##### **CITY SERVICES**

Active Aging Program, Animal Management, Arts & Cultural Development, City Services Management, Community Bus Program, Community Centres, Community Development & Wellbeing Management, Community Events, Community Grants, Customer Experience, Development Services, Library Services, Parking Enforcement, Public & Environmental Health, Unley Museum, Unley Swimming Centre, Volunteer Development, Youth Development

#### Note 13. Financial Instruments

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##### **Recognised Financial Instruments**

##### **Bank, Deposits at Call, Short Term Deposits**

##### **Accounting Policy:**

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

##### **Terms & Conditions:**

Deposits are returning fixed interest rates of 1.5% (2018: between 1.5% and 2.15%). Short term deposits have an average maturity of 30 days and an average interest rate of 1.5% (2018: 30 days and 1.5%).

##### **Carrying Amount:**

Approximates fair value due to the short term to maturity.

## The City of Unley

### Notes to and forming part of the Financial Statements for the year ended 30 June 2019

#### Note 13. Financial Instruments (continued)

\$ '000

#### Recognised Financial Instruments

##### Receivables

##### Rates & Associated Charges

(including legals & penalties for late payment)

##### Accounting Policy:

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

##### Terms & Conditions:

Secured over the subject land, arrears attract interest of 6.35% (2018: 6.75%). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

##### Carrying Amount:

Approximates fair value (after deduction of any allowance).

##### Receivables

##### Fees & Other Charges

##### Accounting Policy:

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

##### Terms & Conditions:

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

##### Carrying Amount:

Approximates fair value (after deduction of any allowance).

##### Receivables

##### Other Levels of Government

##### Accounting Policy:

Carried at nominal value.

##### Terms & Conditions:

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

##### Carrying Amount:

Approximates fair value.

## The City of Unley

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019

## Note 13. Financial Instruments (continued)

\$ '000

**Recognised Financial Instruments****Liabilities****Creditors and Accruals****Accounting Policy:**

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

**Terms & Conditions:**

Liabilities are normally settled on 30 day terms.

**Carrying Amount:**

Approximates fair value.

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

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

**Terms & Conditions:**

Secured over future revenues, borrowings are repayable (describe basis); interest is charged at fixed (or variable - describe) rates between 3.6% and 4.0% (2018: 3.6% and 6.7%).

**Carrying Amount:**

Approximates fair value.

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

Accounted for in accordance with AASB 117.

<b>\$ '000</b>	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>2019</b>					
<b>Financial Assets</b>					
Cash & Equivalents	2,771	-	-	2,771	2,771
Receivables	2,425	-	-	2,425	2,425
Other Financial Assets	10	-	-	10	10
<b>Total Financial Assets</b>	<b>5,206</b>	<b>-</b>	<b>-</b>	<b>5,206</b>	<b>5,206</b>
<b>Financial Liabilities</b>					
Payables	9,763	-	-	9,763	9,763
Current Borrowings	303	-	-	303	242
Non-Current Borrowings	-	1,186	1,235	2,421	2,271
<b>Total Financial Liabilities</b>	<b>10,066</b>	<b>1,186</b>	<b>1,235</b>	<b>12,487</b>	<b>12,276</b>

## The City of Unley

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019

## Note 13. Financial Instruments (continued)

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>2018</b>					
<b>Financial Assets</b>					
Cash & Equivalents	3,107	-	-	3,107	3,107
Receivables	1,853	9	-	1,862	1,853
Other Financial Assets	12	-	-	12	-
<b>Total Financial Assets</b>	<b>4,972</b>	<b>9</b>	<b>-</b>	<b>4,981</b>	<b>4,960</b>
<b>Financial Liabilities</b>					
Payables	6,547	-	-	6,547	5,301
Current Borrowings	3,714	-	-	3,714	3,619
Non-Current Borrowings	-	1,186	593	1,779	1,568
<b>Total Financial Liabilities</b>	<b>10,261</b>	<b>1,186</b>	<b>593</b>	<b>12,040</b>	<b>10,488</b>

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

	30 June 2019		30 June 2018	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Overdraft		6		91
Other Variable Rates	3.60%	938	3.60%	2,859
Fixed Interest Rates	4.00%	1,575	4.45%	2,237
		<u>2,519</u>		<u>5,187</u>

**Net Fair Value**

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

**Risk Exposures**

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

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

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

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

## The City of Unley

### Notes to and forming part of the Financial Statements for the year ended 30 June 2019

#### Note 14. Commitments for Expenditure

\$ '000	Notes	2019	2018
<b>(a). Capital Commitments</b>			
<b>Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:</b>			
Infrastructure		16,656	1,436
Other		267	385
		<b>16,923</b>	<b>1,821</b>
<b>These expenditures are payable:</b>			
Not later than one year		16,923	1,772
Later than one year and not later than 5 years		-	49
Later than 5 years		-	-
		<b>16,923</b>	<b>1,821</b>
<b>(b). Other Expenditure Commitments</b>			
<b>Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:</b>			
Waste Management Services		8,299	971
Other Maintenance Contracts		867	1,695
IT Maintenance Contracts		-	92
		<b>9,166</b>	<b>2,758</b>
<b>These expenditures are payable:</b>			
Not later than one year		2,619	2,758
Later than one year and not later than 5 years		6,547	-
Later than 5 years		-	-
		<b>9,166</b>	<b>2,758</b>

The City of Unley was party to a Memorandum of Agreement with the Cities of Adelaide, Burnside and West Torrens in which the councils together with the City of Mitcham, established primarily for the planning and construction of flood mitigation infrastructure of a Stormwater Management Plan (SMP) for the Brown Hill and Keswick Creek catchment and providing for reuse of stormwater where feasible.

Since 2010, the five catchment councils have responded to direction from the Stormwater Management Authority (SMA) to produce an agreed SMP catering for the critical one in 100 year storm. In 2012 the Councils produced a SMP which was approved by the SMA and gazetted in March 2013. However the Plan required further investigations in relation to a flood mitigation design solution for upper Brown Hill Creek.

## The City of Unley

### Notes to and forming part of the Financial Statements for the year ended 30 June 2019

#### Note 14. Commitments for Expenditure (continued)

\$ '000	Notes	2019	2018
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##### (b). Other Expenditure Commitments (continued)

Subsequently, the 2016 SMP, updated from the 2012 version and incorporated a solution for the upper Brown Hill Creek (increasing the creek's flow capacity together with general rehabilitation of the creek) was submitted to the SMA in March 2016 and was approved. This was gazetted in February 2017. At the same time the State Government confirmed that it would contribute 50% of the cost, and this offer was accepted by the five catchment councils. the SMP proposes that the three spheres of government (federal, state and local) will each subscribe one third of the cost.

Project works under the 2016 SMP have an estimated cost of \$140 million and a planned 10 year construction period. The Councils and the State Government continue to seek Commonwealth assistance as proposed in the SMP. Unley's share of the local government component is set at 21%, which equates to approximately \$15 million based on a 50% local government apportionment.

The Brownhill Kewsick Creeks Storm Water Board was established as a regional subsidiary pursuant to section 43 of Schedule 2 to, the Local Government Act 1999, on 27 February 2018. The Memorandum of Agreement (MOA) that catered for the relationships between the Councils contained a self-executing provision that terminated this MOA on the establishment of the Subsidiary.

Statements for the subsidiary have been prepared for the period between 27 February 2018 and 30 June 2019 to reflect the activities of the entity. Unley continues to act in an implied agency capacity for the subsidiary.

##### (c). Finance Lease Commitments

Council has no Finance Leases.



## The City of Unley

### Notes to and forming part of the Financial Statements for the year ended 30 June 2019

#### Note 15. Financial Indicators

\$ '000	Amounts 2019	Indicator 2019	Prior Periods 2018	2017
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These Financial Indicators have been calculated in accordance with *Information paper 9 - Local Government Financial Indicators* prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia.

#### 1. Operating Surplus Ratio

Operating Surplus	4,746			
Total Operating Income	50,878	9%	8%	10%

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

#### 2. Net Financial Liabilities Ratio

Net Financial Liabilities	14,242			
Total Operating Income	50,878	28%	26%	32%

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

#### Adjustments to Ratios

*In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. These Adjusted Ratios correct for the resulting distortion in key ratios for each year and provide a more accurate basis for comparison.*

<b>Adjusted Operating Surplus Ratio</b>	9%	7%	8%
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<b>Adjusted Net Financial Liabilities Ratio</b>	28%	26%	32%
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#### 3. Asset Renewal Funding Ratio

Net Asset Renewals	12,567			
Infrastructure & Asset Management Plan required expenditure	9,038	139%	84%	116%

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

## The City of Unley

### Notes to and forming part of the Financial Statements for the year ended 30 June 2019

#### Note 16. Uniform Presentation of Finances

\$ '000	2019	2018
<p>The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.</p> <p>All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.</p> <p>The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.</p>		
Income	50,878	48,446
<i>less</i> Expenses	<u>(46,132)</u>	<u>(44,425)</u>
Operating Surplus / (Deficit)	4,746	4,021
<b>Net Outlays on Existing Assets</b>		
Capital Expenditure on Renewal and Replacement of Existing Assets	(12,567)	(7,654)
<i>add back</i> Depreciation, Amortisation and Impairment	9,038	8,011
<i>add back</i> Proceeds from Sale of Replaced Assets	<u>509</u>	<u>922</u>
<b>Subtotal</b>	<b>(3,020)</b>	<b>1,279</b>
<b>Net Outlays on New and Upgraded Assets</b>		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	(3,558)	(3,463)
<i>add back</i> Amounts Received Specifically for New and Upgraded Assets	1,145	798
<i>add back</i> Proceeds from Sale of Surplus Assets (including Investment Property, Real Estate Developments and Non-Current Assets Held for Resale)	<u>-</u>	<u>-</u>
<b>Subtotal</b>	<b>(2,413)</b>	<b>(2,665)</b>
<b>Net Lending / (Borrowing) for Financial Year</b>	<b>(687)</b>	<b>2,635</b>
<b>Net Financial Liabilities at Beginning of Year</b>	<b>(12,565)</b>	<b>(15,200)</b>
Net (gain) / loss Joint Ventures & Associates	-	-
Decrease / (increase) in Other	<u>-</u>	<u>-</u>
<b>Net Financial Liabilities at End of Year</b>	<b>(13,252)</b>	<b>(12,565)</b>

#### Note 17. Operating Leases

Council does not have any Operating Leases

## The City of Unley

### Notes to and forming part of the Financial Statements for the year ended 30 June 2019

#### Note 18. Superannuation

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\$ '000

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

##### **Accumulation only Members**

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2018/19; 9.50% in 2017/18). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

##### **Salarylink (Defined Benefit Fund) Members**

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2017/18) of "superannuation" salary.

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

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

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willie Towers Watson as at 30 June 2017. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

##### **Contributions to Other Superannuation Schemes**

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

## The City of Unley

### Notes to and forming part of the Financial Statements for the year ended 30 June 2019

#### Note 19. Interests in Other Entities

\$ '000

##### Equity Accounted Council Business - Centennial Park

Within the terminology of Section 43 of the Local Government Act 1999, the Centennial Park Cemetery Trust Incorporated is a joint controlling authority of the City of Unley and the City of Mitcham each having a 50% interest in the assets, liabilities and operations of the Authority. The Authority was established in the cemetery industry and no financial contributions have been made to the Authority in the financial year. The City of Unley's investment in the Authority has been accounted for under the equity method.

##### Equity Accounted Council Business - Brownhill Keswick Creek

The Brown Hill Kewswick Creeks Stormwater Board was established on the 27 February 2018 under section 43 of the Local Government Act 1999 and it has been recognised as a jointly controlled subsidiary of the City of Unley, City of Burnside, City of Mitcham, City of Adelaide and City of West Torrens each having a 20% interest in the assets, liabilities and operations of the Subsidiary. The City of Unley's investment in the subsidiary has been accounted for under the Equity method.

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

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

	Council's Share of Net Income		Council's Share of Net Assets	
	2019	2018	2019	2018
Associates	145	131	16,930	15,571
<b>Total</b>	<b>145</b>	<b>131</b>	<b>16,930</b>	<b>15,571</b>

#### (i) JOINT VENTURES, ASSOCIATES AND JOINT OPERATIONS

##### (a) Carrying Amounts

Name of Entity	Principal Activity	2019	2018
Brown Hill Keswick Creek Board	Stormwater Management	1,290	49
Centennial Park Cemetery Authority	Cemetery Industry	15,640	15,522
<b>Total Carrying Amounts - Joint Ventures &amp; Associates</b>		<b>16,930</b>	<b>15,571</b>

##### (b) Relevant Interests

Name of Entity	Interest in Operating Result		Ownership Share of Equity		Proportion of Voting Power	
	2019	2018	2019	2018	2019	2018
Brown Hill Keswick Creek Board	20%	20%	21%	21%	20%	20%
Centennial Park Cemetery Authority	50%	50%	50%	50%	50%	50%

## The City of Unley

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019

## Note 19. Interests in Other Entities (continued)

\$ '000

**(c) Movement in Investment in Joint Venture or Associate**

	Brown Hill Keswick Creek Board		Centennial Park Cemetery Authority	
	2019	2018	2019	2018
Opening Balance	49	-	15,522	15,414
Share in Operating Result	43	49	102	82
Share in Other Comprehensive Income	370	-	16	26
New Capital Contributions	823	-	-	-
Adjustments to Equity	5	-	-	-
<b>Council's Equity Share in the Joint Venture or Associate</b>	<b>1,290</b>	<b>49</b>	<b>15,640</b>	<b>15,522</b>

**(d) Summarised Financial Information of the Equity Accounted Business**

Statement of Financial Position	Brown Hill Keswick Creek Board		Centennial Park Cemetery Authority	
	2019	2018	2019	2018
Cash and Cash Equivalents	3,967	-	9,713	9,797
Other Current Assets	2,024	-	1,729	1,747
Non-Current Assets	3,209	249	37,192	36,973
<b>Total Assets</b>	<b>9,200</b>	<b>249</b>	<b>48,634</b>	<b>48,517</b>
Current Trade and Other Payables	3,059	6	2,147	2,308
Current Provisions	-	-	597	534
Non-Current Provisions	-	-	14,609	14,632
<b>Total Liabilities</b>	<b>3,059</b>	<b>6</b>	<b>17,353</b>	<b>17,474</b>
<b>Net Assets</b>	<b>6,141</b>	<b>243</b>	<b>31,281</b>	<b>31,043</b>

Statement of Comprehensive Income	Brown Hill Keswick Creek Board		Centennial Park Cemetery Authority	
	2019	2018	2019	2018
Other Income	618	407	10,724	10,239
Interest Income	16	-	249	249
<b>Total Income</b>	<b>634</b>	<b>407</b>	<b>10,973</b>	<b>10,488</b>
Employee Costs	235	-	4,646	4,368
Materials, Contracts & Other Expenses	182	164	4,528	4,513
Depreciation, Amortisation and Impairment	2	-	1,595	1,490
<b>Total Expenses</b>	<b>419</b>	<b>164</b>	<b>10,769</b>	<b>10,371</b>
<b>Operating Result</b>	<b>215</b>	<b>243</b>	<b>204</b>	<b>117</b>

## The City of Unley

### Notes to and forming part of the Financial Statements for the year ended 30 June 2019

#### Note 19. Interests in Other Entities (continued)

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\$ '000

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##### (d) Summarised Financial Information of the Equity Accounted Business (continued)

###### Contingent Liabilities of the Associate

Each Member is Jointly and Severally Liable for the Debts of the Operation

- arising from Council's Share of Associate
- arising from Joint and Several Liability of all Members

The Centennial Park Cemetery Authority has contingent liabilities with respect to the redemption of unused licences in the event that the Authority ceases to take any business. The Burial and Cremation Act 2013 mandates the refund of unexercised licences at current prices less a provision for administration, maintenance and establishment costs. The calculation is determined in the regulations. The contingent liability as at 30 June 2019 is \$11,973,510 (2018: \$11,927,978). An actual liability will only arise if a claim is made by existing licence holders in the future. Based on the Board's understanding of the experience of Cemetery operators interstate when similar legislation was introduced, it is considered that the likelihood of future claims arising which could have a significant impact on Centennial Park is remote.

Total unused interment rights account for approximately 6.89% (2018: 7.10%) of 47,439 (2018: 46,658) burial interment rights currently issued.

Total unused interment rights account for approximately 7.94% (2018: 7.28%) of 39,369 (2017: 38,960) memorial interment rights currently issued. Once an interment or placement of a monument has occurred a licence cannot be redeemed.

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

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

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

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

##### 1. LAND UNDER ROADS

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

At reporting date, Council controlled 167.2 km of road reserves of average width 12 metres.

## The City of Unley

### Notes to and forming part of the Financial Statements for the year ended 30 June 2019

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

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##### **2. POTENTIAL INSURANCE LOSSES**

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

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

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

##### **3. BANK GUARANTEES**

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

##### **4. LEGAL MATTERS**

Council is the planning consent authority for its area under the Development Act 1993 (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council had notice of 8 appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

#### Note 22. Events after the Balance Sheet Date

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Events that occur after the reporting date of 30 June 2019, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 25/11/19.

Council is aware of the following "non adjusting events" that merit disclosure;

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

## The City of Unley

### Notes to and forming part of the Financial Statements for the year ended 30 June 2019

#### Note 23. Related Party Transactions

\$ '000	2019	2018
<b>Key Management Personnel</b>		
<b>Transactions with Key Management Personnel</b>		
The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the <i>Local Government Act 1999</i> . In all, 24 persons were paid the following total compensation:		
<b>The compensation paid to Key Management Personnel comprises:</b>		
Short-Term Employee Benefits	842	890
Long-Term Benefits	196	165
<b>Total</b>	<b>1,038</b>	<b>1,055</b>

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



## **The City of Unley**

### **General Purpose Financial Statements for the year ended 30 June 2019**

### **Auditor's Report - Financial Statements**

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## The City of Unley

### General Purpose Financial Statements for the year ended 30 June 2019

### Auditor's Report - Financial Statements

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## The City of Unley

### General Purpose Financial Statements for the year ended 30 June 2019

### Auditor's Report - Internal Controls

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## The City of Unley

### General Purpose Financial Statements for the year ended 30 June 2019

### Auditor's Report - Internal Controls

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## The City of Unley

### General Purpose Financial Statements for the year ended 30 June 2019

#### Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of The City of Unley for the year ended 30 June 2019, the Council's Auditor, Galpins has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

---

Peter Tsokas  
**CHIEF EXECUTIVE OFFICER**

---

David Powell  
**PRESIDING MEMBER, AUDIT COMMITTEE**

**Date:**

## The City of Unley

### General Purpose Financial Statements for the year ended 30 June 2019

#### Statement by Auditor

I confirm that, for the audit of the financial statements of The City of Unley for the year ended 30 June 2019, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

---

????  
Galpins

Dated this      day of      2019.

# Galpins

Accountants, Auditors & Business Consultants

## Financial Controls Review

The City of Unley

2018/19 Interim Management Letter



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## 1. EXECUTIVE SUMMARY

### 1.1 Background

During our interim audit we perform procedures to gain an understanding of the internal controls in place relevant to the financial statements and perform tests of design and effectiveness for these controls. Based on the results of the control testing, we then assess the audit risks to define the extent and nature of our substantive procedures (e.g. inspection of documents, recalculation, reconciliation, etc) for our final visit.

In addition to an opinion on the financial statements, section 129 of the Local Government Act 1999 requires auditors to provide an opinion regarding internal controls of councils. This opinion focuses on council's obligations under s125 of the Local Government Act 1999:

*"A 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 council records."*

The audit opinion is restricted per s129 of the Act to the application of s125 as it relates to financial internal controls, specifically the controls exercised by the council during the relevant financial year in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

To assist the Council in addressing the requirements of s129, we have reviewed a prioritised list of controls from the better practice model based on our initial audit risk assessment. Further details about our scope can be found in item 1.2 of this report.

### 1.2 Objectives and scope

The objectives of our interim audit were to:

- understand Council's business, business cycles and processes relevant to the financial statements
- understand the internal controls in place for the areas we consider critical for the audit of the financial statements
- design internal controls tests for the internal controls identified
- perform the internal controls tests to determine the final risks of material misstatements in the financial statements to be addressed in our final audit
- review a prioritised list of internal financial controls we consider critical for the purpose of issuing a controls opinion.

The scope of our audit included a review of internal controls we consider key controls to be in place for the purpose of addressing the requirements of s129.



These key internal controls consist of a prioritised list of controls from the better practice model. This list was defined based on our risk assessment to determine the key business cycles, and key risks within these business cycles, that we understand should be the focus of the Council's control self-assessment.

The identification of key core controls and key business risks included the following risk assessment procedures:

**Risk review** – A review of Council's inherent risk assessment for internal financial controls.

**Financial statement review** – A high level financial statement review performed to identify key accounts and transaction streams.

**Internal / external audit results review** – The findings and recommendations of internal / external financial audits are reviewed to identify known areas of weakness, and areas known to be attracting audit attention.

The key core controls for the following key business cycles have been identified as critical for the purpose of issuing a controls opinion this financial year:

- Purchasing and Procurement/Contracting
- Fixed Assets
- General Ledger
- Accounts Payable
- Rates / Rates Rebates
- Payroll
- Receipting
- Credit Cards
- Banking
- Debtors

We have included a list of key controls identified by the audit for these business cycles as an appendix to this report (see Appendix 1). This list does not represent a complete population of internal controls that the Council should have in place. There is an expectation that controls not in this list will still exist and be operating effectively within Council.

The list of controls is only intended to be a guide for Council to prioritise its resourcing in readiness for the audit opinion, and for the ongoing monitoring of internal controls i.e. it is a risk based listing of controls which may be desirable for Council to include in its ongoing monitoring program for internal financial controls.

The list should not be considered a minimum standard – rather, it is a starting reference point for Council to consider. It is expected that Council will have performed a risk assessment of financial risks, and given consideration to the need to monitor controls that address High / Extreme risks that may not be included in this listing.

### 1.3 Category of findings

In order to assist the Council in establishing the overall level of control effectiveness and prioritising areas for attention, we have provided an overall assessment of the business cycles for which we have identified performance improvements opportunities (this report is prepared on an exception basis).

We assessed each business cycle using our risk assessment which was focused on the risk of finding material weaknesses which could lead to a modified controls opinion in the 2018/19 financial year. An overall assessment of the risk of a potential modified audit opinion per business cycle is provided in item 1.5 of this report.

Detailed findings including the controls tested as per the Better Practice Model, findings and recommendations are provided in section 2 of this report. The individual findings are also rated to assist the Council in prioritising corrective actions.

The overall assessment of the risk of non-compliance with s125 of the Local Government Act 1999 and the related findings and recommendations were rated as follows:

Category	Description
High Risk Weaknesses	The issue described could lead to a material weakness in the council's internal controls and non-compliance with s125 of the Local Government Act.
Moderate Weaknesses	The issue described does not represent a material weakness due to the existence of compensating controls. However, the failure of the compensating controls or the existence of any other moderate weakness within the same business cycle may lead to a material weakness in the council's internal controls and non-compliance with s125 of the Local Government Act.
Low Risk Weaknesses	The issue described is a low risk weakness due to the existence of compensating controls and/or the failure or absence of the internal controls does not impact significantly on the council's financial risk. However, multiple low-level risk weakness within the same business cycle may lead to a material weakness in the council's internal controls and non-compliance with s125 of the Local Government Act.
Better Practice Weaknesses	The issue described has been included in this report as an opportunity for better practice.

The Council should also perform its own assessment of priority based not only on audit risks, but also other risks management considers relevant such as non-compliance with pertinent legislations and regulations, and reputational risks.

## 1.4 Overall review of the council's internal controls

Overall the Council demonstrated a high level of compliance with the implementation of an internal control framework consistent with the principles within the Better Practice Model.

During our interim visit we found that the majority of key internal controls reviewed were in place and were operating effectively (78 out of 100 core controls reviewed). Our audit of the payroll internal controls is still in progress.

The principles underpinning the model were used by the Council in the identification of its business cycles, the establishment of its internal controls and the implementation of its financial risk management processes.

A summary of the results of our review is provided in the table below:

Business cycles	Controls Reviewed	Operating Effectively 2019	2019 Findings			
			H	M	L	BP
Purchasing & Procurement/Contracting	10	3	-	7	-	-
Fixed Assets	16	13	-	3	-	-
General Ledger	11	9	1	1	-	1
Accounts Payable	13	10	-	2	1	-
Rates / Rates Rebates	10	8	-	2	-	-
Payroll	19	15	-	2	2	-
Receipting	5	4	-	-	1	-
Credit Cards	5	5	-	-	-	-
Banking	5	5	-	-	-	-
Debtors	6	6	-	-	-	-
<b>Total</b>	<b>100</b>	<b>78</b>	<b>1</b>	<b>17</b>	<b>4</b>	<b>1</b>

We recommend that Council prioritises the high and moderate risk findings, as failure in compensating controls addressing the same risk or existence of multiple moderate weakness within the same business cycle may lead to a material weakness and non-compliance with s125 of the Local Government Act.

Audit have concluded that there is a high likelihood of issuing an unmodified controls opinion at the end of the financial year. This will depend on the Council ensuring that the core controls in place continue to operate effectively and that the annual internal control activities are performed at year end.

## 1.5. Summary of findings

Business Cycle	Findings	Risk
<b>Purchase, Procurement and Contracting</b>	2.1.1 Evidence of procurement procedures undertaken were not retained on file for a sample of suppliers	M
	2.1.2 Absence of formal contracts and agreements for a sample of suppliers	M
	2.1.3 Instances where dispensations from procurement policy were not reported to the Audit and Governance Committee	M
	2.1.4 No declaration of conflict of interest documentation on file for the procurement of a sample of suppliers	M
	2.1.5 TechnologyOne electronic contract register is incomplete	M
	2.1.6 Incomplete purchase orders not followed up and actioned	M
	2.1.7 Instances of invoices paid without purchase orders	M
<b>Fixed Assets</b>	2.2.1 Asset management plans overdue for review	M
	2.2.2 Instances of assets which were not included in the financial asset register	M
	2.2.3 Assets included in TechnologyOne not linked and/or reconciled to the GIS system.	M
<b>General Ledger</b>	2.3.1 Absence of formal review of IT users' access	H
	2.3.2 Absence of formal review of balance sheet reconciliations	M
	2.3.3 Amendments to the structure of the General Ledger framework are not formally reviewed and approved	BP
<b>Accounts Payable</b>	2.4.1 Improvements are necessary in the process of uploading suppliers EFT files into the online banking system	M
	2.4.2 The audit trail of changes to the suppliers' master files are not formally reviewed by management.	M
	2.4.3 Suppliers with invalid or cancelled ABNs registrations included in the creditors' master file	L
<b>Rates</b>	2.5.1 A report containing rates adjustments performed during the financial year is not independently reviewed	M
	2.5.2 A list of rate rebates and non-rateable properties are not formally reviewed	M
<b>Payroll</b>	2.6.1 Absence of evidence that payroll reports are independently reviewed	M
	2.6.2 Employee records and information are recorded in a number of different locations	L
	2.6.3 Absence of appropriate segregation of duties in the processes of adding new employees to CHRIS	M
	2.6.4 Improvement opportunities in the process of reviewing changes to the payroll master file	L
<b>Receipting</b>	2.7.1 Absence of approval of reversal of receipts	L
<b>Credit Cards</b>	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act	N/A
<b>Banking</b>	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act	N/A
<b>Debtors</b>	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act	N/A
<b>Control Self-Assessment</b>	2.8.1 Improvements to the internal controls self-assessment process	N/A

## 2. DETAILED AUDIT FINDINGS

### 2.1 PURCHASING AND PROCUREMENT

#### 2.1.1 Evidence of procurement procedures undertaken were not retained on file for a sample of suppliers

Moderate

##### Control

Council has a Procurement Policy that provides direction on acceptable methods and the process for procurement activities to ensure transparency and value for money within a consistent framework.

##### Risk

Council does not obtain value for money in its purchasing and procurement.

Finding	Recommendations	Management Response															
<p>The Procurement Framework requires a tender process and a formal evaluation for purchases greater than \$100,000.</p> <p>Audit noted that the following evidence of the procurement procedures undertaken was not retained on file for the suppliers listed below:</p> <table border="1"> <thead> <tr> <th>Supplier</th> <th>Cumulative spend in 18/19</th> <th>Evaluation forms*</th> <th>Request for Tender</th> <th>Tender responses from other suppliers</th> </tr> </thead> <tbody> <tr> <td>Supplier 2</td> <td>\$233,620</td> <td>no</td> <td>yes</td> <td>no</td> </tr> <tr> <td>Supplier 3</td> <td>\$126,517</td> <td>no</td> <td>no</td> <td>no</td> </tr> </tbody> </table> <p>* Evaluation forms detailing criteria and reason for selecting the suppliers listed above.</p>	Supplier	Cumulative spend in 18/19	Evaluation forms*	Request for Tender	Tender responses from other suppliers	Supplier 2	\$233,620	no	yes	no	Supplier 3	\$126,517	no	no	no	<p>All documents evidencing procurement procedures undertaken (e.g. request for tender, tender responses and evaluation forms detailing the decision made) are retained on file.</p>	<p>Supplier 2 - This tender was undertaken by a temporary member of staff who had expertise in ICT tendering. He left the organisation before the evaluation process had been completed. It was commenced in November 2017 but awarding of the contract was put on hold until later in 2018. A signed copy of the Recommendation Report did not get returned to the Procurement Officer, so no contract was prepared. Only unsigned copies of the evaluation forms are on record and have been supplied. RFT forms have been supplied.</p> <p>Supplier 3 - This supplier was engaged without the knowledge of the Procurement Section, no documentation is available.</p> <p>Documentation usage and processing systems will be reviewed for a more consistent compliance</p>
Supplier	Cumulative spend in 18/19	Evaluation forms*	Request for Tender	Tender responses from other suppliers													
Supplier 2	\$233,620	no	yes	no													
Supplier 3	\$126,517	no	no	no													

**2.1.2 Absence of formal contracts and agreements for a sample of suppliers****Moderate**

<b>Control</b>	Employees must ensure all purchases are in accordance with Council's Procurement Policy and approved in accordance with the Delegations of Authority and other relevant policies.
<b>Risk</b>	Council does not obtain value for money in its purchasing and procurement.

Finding	Recommendations	Management Response
<p>Audit selected suppliers for review based on cumulative spend. Council could not locate in its records a signed contract for the following suppliers:</p> <ul style="list-style-type: none"> <li>Supplier 2 – in 2018/19 the total cumulative spend was \$233,620</li> <li>Supplier 3 – in 2018/19 the total cumulative spend was \$126,517</li> <li>Supplier 7 – in 2018/19 the total cumulative spend was \$229,098 – original contract expired on 31 October 2017.</li> </ul>	<p>Council ensures that there are formal agreements in place with suppliers with significant cumulative spend, and that works are not commenced prior to signing contracts.</p>	<p>Supplier 2 – a contract was not issued, only purchase orders (see Supplier 2 explanation above in item 2.1.1)</p> <p>Supplier 3 – No contract was prepared for this supplier. (see Supplier 3 explanation above in item 2.1.1).</p> <p>Supplier 7 - Although this contract had finished in 2017, contract manager/s advised that there had been a delay in the work being actioned and there were a number of variations to be completed. Also there was a change in contract managers and the staff in that section had not picked up that the contract expiry date had passed. An external prudential report for the project also failed to identify this problem.</p> <p>Documentation usage and processing systems will be reviewed for a more consistent compliance.</p>



<b>2.1.3 Instances where dispensations from procurement policy were not reported to the Audit and Governance Committee</b>		<b>Moderate</b>
<b>Control</b>	Council has a Procurement Policy that provides direction on acceptable methods and the process for procurement activities to ensure transparency and value for money within a consistent framework.	
<b>Risk</b>	Council does not obtain value for money in its purchasing and procurement.	

Finding	Recommendations	Management Response
<p>The procurement policy provides that when there is a dispensation from the policy for amounts over \$100,000, the purchase must be reported to the next available Audit and Governance Committee meeting.</p> <p>Audit performed a review of the Council's register for dispensation from procurement policy and noted that the following dispensations were not reported to the next available Audit and Governance Committee:</p> <ul style="list-style-type: none"> <li>• Supplier 8 – value of purchase - \$580,000</li> <li>• Supplier 9 – value of purchase - \$270,000</li> </ul> <p>Audit acknowledges that the above dispensations were approved by the CEO.</p>	<p>Ensure that dispensations from the procurement policy for purchases over \$100,000 are reported to the Audit and Governance Committee in accordance with policy requirements.</p>	<p>The recommendation is noted.</p> <p>As there were no savings to report for the period the Dispensation Report was subsequently omitted. It has since been included in the 1st quarter report for 2019/2020. Scheduled to be held 11 November 2020.</p>

<b>2.1.4 No declaration of conflict of interest documentation on file for the procurement of a sample of suppliers</b>		<b>Moderate</b>
<b>Control</b>	The selection panel is made up of appropriate personnel who have declared any relevant conflict of interest to ensure that informed and objective decision is made when selecting contractors.	
<b>Risk</b>	Council is not able to demonstrate that all probity issues have been addressed in the Contracting process.	

Finding	Recommendations	Management Response
<p>Audit selected a sample of suppliers based on cumulative spend and found that there were no conflict of interest declarations signed by the members of the selection panel for the procurement of the following suppliers:</p> <ul style="list-style-type: none"> <li>• Supplier 1 - in 2018/19 the total cumulative spend was \$1,085,356.</li> <li>• Supplier 5 – in 2018/19 the total cumulative spend was \$374,207.</li> <li>• Supplier 4 – in 2018/19 the total cumulative spend was \$121,701.</li> </ul>	<p>Panel members are required to provide conflict of interest declarations when assessing a procurement / tendering process, and records of these declarations are retained.</p>	<p>Supplier 1 – a search of the ECM Records system has not located these documents.                      Supplier 5 – An outdated Acquisition Plan template was used for this purchase which did not include the Declaration of Interest form.                      Supplier 4 - there was no tender process undertaken for this contract, therefore, no declaration of interest forms were completed.</p> <p>Documentation usage and processing systems will be reviewed for a more consistent compliance.</p>

<b>2.1.5 TechnologyOne electronic contract register is incomplete</b>		<b>Moderate</b>
<b>Control</b>	Council maintains a current contract register.	
<b>Risk</b>	Council is not able to demonstrate that all probity issues have been addressed in the Contracting process.	

Finding	Recommendations	Management Response
Historically, Council has maintained a manual spreadsheet containing information regarding contracts in place between Council and its suppliers. During the 2018/19 financial year, Council made a decision to replace this spreadsheet with an electronic contract register in TechnologyOne. Council is currently in the process of updating this new contract register and, as a result, not all current contract information has been entered in TechnologyOne yet.	Audit supports the use of electronic contract registers and recommends that Council continues to update the register to ensure that all current contracts are recorded.	Currently contracts are recorded in Technology One but there have been issues with the system so a backup spreadsheet is maintained until the problems with Technology One are resolved.

<b>2.1.6 Incomplete purchase orders not followed up and actioned</b>		<b>Moderate</b>
<b>Control</b>	There is a process in place to follow up and action incomplete purchase orders.	
<b>Risk</b>	Purchase orders are either recorded inaccurately or not recorded at all.	

Finding	Recommendations	Management Response
TechnologyOne generates reports containing a list of purchase orders not receipted (i.e. incomplete purchase orders).  As at 29 May 2019, this report indicated a total of \$6,921,487 of purchase orders not receipted. Among these, more than \$4 million was aged over 12 months.	Ensure that incomplete purchase orders are followed up and actioned.	A system will be established whereby purchasing officers are notified on a 4 monthly basis of any incomplete purchase orders for their attention/action.



<b>2.1.7 Instances of invoices paid without purchase orders</b>		<b>Moderate</b>
<b>Control</b>	Employees must ensure all purchases are in accordance with Council’s Procurement Policy and approved in accordance with the Delegations of Authority and other relevant policies	
<b>Risk</b>	Council does not obtain value for money in its purchasing and procurement / Purchase of goods and services are made from non-preferred suppliers	

Finding	Recommendations	Management Response
<p>The Procurement framework provides that purchase orders are required for all purchases over \$2,000, unless the purchase is related to an item described in the list of purchases exempted from purchase order.</p> <p>Audit selected a sample of purchases and noted three purchases that did not have a related purchase order or contract, and that did not fall into the list of purchases exempted from having a purchase order.</p>	<p>Management investigates non-compliance with purchase order usage. This could include reviewing system reports detailing purchase order usage (e.g. “AP Invoices Entered Without Purchase Orders”), analysing the nature of non-compliances and speaking to any repeat offenders to understand the reasons for non-compliance.</p> <p>Depending on the outcome of this review, Council may determine that:</p> <ul style="list-style-type: none"> <li>• additional education and training in the Policy is warranted to improve compliance; and/or</li> <li>• there is an opportunity to amend the policy on purchase order use to better reflect the desired use of purchase orders. This could, for example, include:                             <ul style="list-style-type: none"> <li>○ reviewing the low-value item threshold, below which a purchase order is not required</li> <li>○ updating the list of exemptions for purchase order use detailed within the policy.</li> </ul> </li> </ul>	<p>The recommendation is noted.</p> <p>Management will investigate the compliance performance under the Procurement Policy and Procedures to determine appropriate actions.</p>

## 2.2 FIXED ASSETS

### 2.2.1 Asset management plans overdue for review

Moderate

#### Control

Asset Management Plans for all major asset classes are adopted and reviewed by Council as required by the Local Government Act 1999

#### Risk

Fixed Asset maintenance and/or renewals are inadequately planned

Finding	Recommendations	Management Response
<p>Audit noted the following asset management plans overdue for review:</p> <ul style="list-style-type: none"> <li>• Bridges – last adopted in 2012</li> <li>• Footpath – last adopted in 2011</li> <li>• Open Space – last adopted in 2008</li> <li>• Drainage – last adopted in 2008</li> <li>• Kerb &amp; Water – last adopted in 2008</li> <li>• Roads – last adopted in 2008</li> </ul> <p>At minimum, the Local Government Act 1999 requires that council undertakes a comprehensive review of its asset management plans within 2 years after each general election of the council.</p>	<p>Asset management plans are updated and adopted by Council.</p>	<p>Council has completed a review of the pre-existing Asset Management Plans during 2018/19 FY and have identified gaps in data quality &amp; data integrity within the asset register and GIS system. These identified improvements are currently being addressed in order to improve confidence in the data to inform the asset management plans.</p> <p>We have employed an additional resource (1.0 FTE commenced in Feb 2019 as an Asset Management Officer) to ensure the delivery of the new asset management plans by Nov. 2020 (2 years after election). Our Asset condition data is current and we have purchased 'Assetic' software to undertake predictive modelling of our asset deterioration to assist with the development of the LTFP. These works have commenced.</p>

**2.2.2 Instances of assets which were not included in the financial asset register**

**Moderate**

<b>Control</b>	Fixed assets are recorded on acquisition, creation or when provided free of charge to facilitate accurate identification of assets and recording of details with regards to the Asset Accounting Policy.
<b>Risk</b>	Fixed asset acquisitions, disposals and write-offs are fictitious, inaccurately recorded or not recorded at all. Fixed Asset Register (FAR) does not remain pertinent.

Finding	Recommendations	Management Response
<p>When an asset is physically created the asset description, attributes and work details are included in TechnologyOne. After the asset is created the accounting team is responsible to allocate a financial reporting category (e.g. land, buildings, roads, etc) to the asset to enable the asset to be included in the financial asset register.</p> <p>Audit noted that a list of unallocated assets are not being generated and reviewed on a regular basis. Such a review would ensure that all relevant assets have been allocated a financial reporting category.</p> <p>Audit requested a list of unallocated assets and noted the following assets were not allocated to any financial reporting category at the time of our audit:</p> <ul style="list-style-type: none"> <li>• Unley Oval – current asset cost - \$17,004,600</li> <li>• Scammell Reserve – current asset cost - \$4,363,650</li> </ul> <p>As a result, these assets were not appearing in the land financial asset register.</p>	<p>A list of unallocated assets is reviewed on a regular basis.</p>	<p>The Unley Oval and Scammell Reserve assets have been allocated into the 'Land &amp; Buildings' Financial category.</p> <p>The recommendation is noted. The Asset register's report will be reviewed on a 6-monthly basis to ensure information captured under Financial categories is complete.</p>

<b>2.2.3 Assets included in TechnologyOne are not linked and/or reconciled to the GIS system.</b>		<b>Moderate</b>
<b>Control</b>	There is a process in place for the verification of fixed assets which is reconciled to the FAR	
<b>Risk</b>	Fixed asset acquisitions, disposals and write-offs are fictitious, inaccurately recorded or not recorded at all. Fixed Asset Register (FAR) does not remain pertinent.	

Finding	Recommendations	Management Response
<p>Assets included in TechnologyOne are not linked and/or reconciled to the GIS system.</p> <p>Councils are highly asset intensive in delivering services to rate payers. Councils' infrastructure assets are widespread and require a strong geographical inventory to manage and monitor effectively.</p> <p>A Geographic Information System (GIS software) is designed to store, retrieve, manage, display and analyse geographic and spatial data, including geographical features and their characteristics.</p> <p>To ensure accuracy and completeness of asset databases, it is important for Councils to perform a reconciliation between GIS systems and the asset register. The reconciliation ensures that all assets, components of assets and modifications to assets captured by the GIS system are reflected in the asset register.</p> <p>The standard TechnologyOne GIS reconciliation functionality can be used to update the physical features of assets in the asset register.</p>	<p>A process is introduced to ensure that all assets included in TechnologyOne are linked and/or reconciled to the GIS system.</p>	<p>As part of our recent review with regard to data management, the discrepancies between GIS and Asset Register data has been identified and currently being addressed.</p> <p>Comprehensive system training will be undertaken by staff in October 2019 this includes staff from Finance, Assets and the Depot to ensure that assets are created &amp; disposed of appropriately and all asset attribute data is accurate and maintained.</p> <p>A part of this process is to amend the segmentation of assets and uniquely identify individual assets to enable the ability to manage the assets appropriately.</p> <p>The appointment of a dedicated Asset Management Officer has enabled the ability to ensure that GIS and TechOne data are linked/reconciled.</p>

## 2.3 GENERAL LEDGER

### 2.3.1 Absence of formal review of IT users' access

High

#### Control

Access to General Ledger maintenance is restricted to appropriately authorised personnel.

#### Risk

General Ledger does not contain accurate financial information / Data contained within the General Ledger is permanently lost.

Finding	Recommendations	Management Response
There are no current mechanisms to ensure a complete lists of users with access to finance functions in TechnologyOne, Pathway and CHRIS 21 are formally reviewed on a regular basis.	Management performs a formal review of a complete list of users' access rights to ensure adequate segregation of duties within the finance function in TechnologyOne, Pathway and CHRIS 21.	<p>The recommendation is noted.</p> <p>Technology One Access : Management will implement a formal review process of user's access to be performed on a regular basis.</p> <p>CHRIS 21 Access : Management will implement a formal review process of review of user's access to be performed on a regular basis.</p> <p>Pathway Access : permissions are regularly reviewed as a role function of the Business Systems Support Officer. A full audit of active accounts and group memberships was completed in August 2019 and a detailed group access review is scheduled to take place in January 2020.</p>



**2.3.2 Absence of formal review of balance sheet reconciliations****Moderate**

<b>Control</b>	All balance sheet reconciliations are reviewed by a person other than the preparer at least annually
<b>Risk</b>	General Ledger does not contain accurate financial information

Finding	Recommendations	Management Response
The finance department has begun adopting a paperless approach to record keeping since December 2018. The balance sheet reconciliations are electronically filed in the network. Since this paperless approach was introduced, no evidence of review of these files is maintained.	<p>Audit encourages Council to continue with its paperless approach.</p> <p>Provide evidence of the review of the reconciliations. Examples of this evidence could be password protected electronic signatures or an email from the reviewer advising that the reconciliations were reviewed.</p>	<p>The recommendation I noted.</p> <p>An electronic solution to record evidence of review of the reconciliations will be researched and implemented as a matter of priority.</p>

**2.3.3 Amendments to the structure of the General Ledger framework are not formally reviewed and approved****Better Practice**

<b>Control</b>	Amendments to the structure of the General Ledger framework and accounts are reviewed and approved by appropriately authorised personnel
<b>Risk</b>	General Ledger does not contain accurate financial information

Finding	Recommendations	Management Response
<p>The process for amending the structure of the general ledger framework such as creating/modifying general ledger accounts, chart of accounts, costs centres, etc can be improved.</p> <p>Currently, there are no formal forms or procedures for requesting changes in the general ledger framework. Usually, changes are initiated via emails sent to the management accountant. It is better</p>	<p>Change request forms are developed for use by staff when requesting amendments to the general ledger.</p> <p>These forms are approved by appropriately authorised personnel.</p>	<p>The recommendation is noted.</p> <p>An electronic solution to request, authorise and undertake amendments to the general ledger framework will be researched and implemented as a matter of priority.</p>



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practice to implement forms to request changes to the general ledger framework and to ensure that these forms are approved by appropriately authorised personnel.		
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## 2.4 ACCOUNTS PAYABLE

### 2.4.1 Improvements are necessary in the process of uploading suppliers EFT files into the online banking system

Moderate

#### Control

Payments (Cheques and EFTs) are endorsed by authorised officers separate to the preparer who ensure that they are paid to the specified payee.

#### Risk

Accounts payable amounts and disbursements are either inaccurately recorded or not recorded at all.

Finding	Recommendations	Management Response
<p>Audit reviewed the process of processing the accounts payable batch of payments and noted the following:</p> <p>Council's financial system generates an EFT file which is stored on council's internal drive prior to being manually uploaded into the online banking system. The EFT file can be opened as TXT (text format) file and potentially be manually manipulated prior to being uploaded. Currently, staff members from the finance department and system administrators have access to the folders where the EFT file is stored.</p>	<p>Council to investigate whether it is possible to implement a way to enable a direct interface between the finance system and the online banking system.</p> <p>Alternatively, Council can investigate ways to ensure that the file is generated as "read-only".</p> <p>If the direct interface cannot be implemented, Management should consider comparing the bank account details provided by the online banking system to a register of supplier's bank accounts provided by the finance system (supplier master file) before authorising each payment batch. This matching does not need to be a manual process as it can be automated, for example using an Excel spreadsheet.</p> <p>In addition, it is recommended that Finance Management review the appropriateness of the users with access to the folder where the EFT file is stored.</p>	<p>The EFT file is exported to a secure location within the TechnologyOne application folder structure. This is not a published share and is only made accessible to Finance staff.</p> <p>Council audits file shares and logs all file access and changes.</p> <p>Within the next 30 days the folder will be changed to "read-only" to prevent modifications to the file and a review of access permissions undertaken.</p> <p>Discussions are underway with our banking provider to implement a Direct Link module with our banking provider. Implementation timeframes is within the next 3 months.</p>

**2.4.2 The audit trail of changes to the suppliers' master files are not formally reviewed by management.****Moderate****Control**

Requested changes or additions to supplier master file are verified independently of source documentation.

**Risk**

Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file.

Finding	Recommendations	Management Response
There is no process in place to ensure a formal review of an audit trail of changes to the suppliers' master file.	Ensure that a review of the audit trail of changes to the suppliers' master file is independently reviewed on a regular basis.	A process of review is in place to review changes to the master files however improvements will be implemented to formalise the process.

**2.4.3 Suppliers with invalid or cancelled ABNs registrations included in the creditors' master file****Low****Control**

There is a process in place to ensure the supplier master file is periodically reviewed for ongoing pertinence

**Risk**

Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file.

Finding	Recommendations	Management Response
<p>There is no process to ensure the supplier master file is periodically reviewed for ongoing pertinence.</p> <p>Audit performed a review of the Council's creditors master file and noted the following:</p> <ul style="list-style-type: none"> <li>there were 205 suppliers with cancelled ABN registrations; and</li> <li>there were 69 suppliers with invalid ABN registrations.</li> </ul>	Finance Management performs a regular (e.g. on an annual basis) review of the supplier master file to ensure that only current and valid suppliers are active in the system.	The recommendation is noted. A process will be implemented to ensure the supplier master files are reviewed periodically for ongoing pertinence.

## 2.5 RATES

### 2.5.1 A report containing rates adjustments performed during the financial year is not independently reviewed

Moderate

<b>Control</b>	Recorded changes to property master file data and any rate adjustments are compared to authorised source document to ensure the they were input accurately. An audit trail is maintained for all changes.
<b>Risk</b>	The property master file data does not remain pertinent.

Finding	Recommendations	Management Response
TechnologyOne does not generate an audit trail of changes to the property master file. Consequently, and audit trail report containing all changes in the property master file is not formally reviewed by an officer independent from the rates function.	<p>Audit acknowledges the system limitation. An alternative solution is to review the rates debtors controls general ledger transaction listing. This report provides all the adjustment in rates performed during the financial year.</p> <p>The debtors control general ledger transaction listing does not need to include all transactions resulting from the normal daily operations (e.g. receipting, fines, etc). Once the report is generated, it can be filtered by Management to only show adjustments in rates.</p>	<p>The recommendation is noted.</p> <p>A process will be developed to ensure that adjustments to rates are reviewed by an officer independent from the rates function.</p>

<b>2.5.2 A list of rate rebates and non rateable properties are not formally reviewed</b>		<b>Moderate</b>
<b>Control</b>	All rate rebates and adjustments including write offs are appropriately authorised with reference to Delegation of Authority and source documents.	
<b>Risk</b>	Rates and rebates are either inaccurately recorded or not recorded at all..	

Finding	Recommendations	Management Response
A list of rate rebates and non rateable properties were not formally reviewed by Finance Management for the 2018/19 financial year.	A list of rate rebates and non rateable properties is formally independently reviewed prior to rates generation occurring.	The recommendation is noted.  Rate rebates and non rateable properties will be reviewed at least annually by Finance Management in future.

## 2.6 PAYROLL

### 2.6.1 Absence of evidence that payroll reports are independently reviewed

Moderate

**Control** Managers periodically review listings of current employees and variances are investigated.

**Risk** Payments made to employees are inaccurate or fraudulent

Finding	Recommendations	Management Response
<p>Currently as part of the payroll process the Payroll Officer uses the PLD report generated from CHRIS for reviewing the accuracy of wages for individuals. This report lists all employees, hours worked by type, leave taken and payment details (Gross pay, net pay, deductions, superannuation etc).</p> <p>Audits review of a sample of PLD reports indicated that there was satisfactory review by the Payroll Officer of these reports. The review was evidenced by numerous comments that the Payroll Officer has recorded in the reports. There was no evidence that these reports have been reviewed by a person independent of the Payroll officer.</p> <p>There was evidence of peer-level review of other source documents filed for each pay run including manual timesheets, extra hours timesheets, overtime timesheets, TOIL banking timesheets, termination pays and employee update forms. These documents were generally marked as 'entered' by the Payroll Officer and 'checked' by a peer.</p> <p>A variance report comparing the current pay vs the prior period pay was being run as part of the payroll process. Until recently, this report was prepared and reviewed by the Payroll Officer and peer reviewed. Whilst the report is still being prepared and filed, it no longer appears to be reviewed.</p>	<p>Managerial review of payroll reports is performed and evidenced as part of the payroll process.</p> <p>Audit recommends the following reports be reviewed by Management prior to authorisation of payroll batch payment:</p> <ul style="list-style-type: none"> <li>• PLD – Review reasonableness of rates and hours at employee level</li> <li>• PRD – Agree total net pay to the NAB EFT Payment Report</li> <li>• Variance Report – review the reasonableness of material variances in pay</li> <li>• NAB EFT Payment Report – Agree to PRD report and authorization of payment (note: this report is currently being reviewed and signed off)</li> <li>• Overtime report – review of reasonableness of overtime claimed (currently being supplied to depot, but no evidence of review)</li> </ul>	<p>The recommendation is noted.</p> <p>An electronic solution to recording evidence of managerial review of the listed reports prior to payroll authorisation will be researched and implemented as a matter of priority.</p>



There is a lack of evidence that management has reviewed payroll reports as part of the pay process each fortnight prior to authorisation of payment.

As part of a paperless philosophy, these reports are being saved electronically and not printed. There are a number of options for evidencing review in a digital environment, including:

- Use of a secure digital signature on the individual reports (not simply an image of a signature)
- Use of a check list detailing the reviewed reports, with either an electronic signature or email confirmation of review (with a copy of the email filed with the reports).

Alternatively, a copy of the checklist could be filed physically printed and filed with the printed NAB EFT reports.



<b>2.6.2 Employee records and information are recorded in a number of different locations</b>		<b>Low</b>
<b>Control</b>	Employee records to include employment details and/or contract terms and conditions, authorisations for payroll deductions and leave entitlements.	
<b>Risk</b>	Inappropriate access to employee records	

Finding	Recommendations	Management Response
Employee information is stored in multiple locations, including the finance drive, HR office, Payroll office, within CHRIS, email archive or the HR Portal. Whilst the finance drive is restricted to employees working within the finance department, not all finance staff require access to payroll information to perform their jobs.	Storage of employee records is reviewed to ensure that information is being stored in appropriate locations accessible only by staff requiring payroll information to perform their jobs.	All employee records will be transitioned from Finance and HR drives to ECM to ensure access is only available to appropriate staff. Explore options to limit finance staff access to payroll drives to only for purposes of checking.

<b>2.6.3 Absence of appropriate segregation of duties in the processes of adding new employees to CHRIS</b>		<b>Moderate</b>
<b>Control</b>	There is a segregation of duties from those preparing the payroll to those responsible for preparation of source documents (e.g. timesheets, leave requests etc).	
<b>Risk</b>	Payments made to employees are inaccurate or fraudulent	

Finding	Recommendations	Management Response
The payroll officer is responsible for adding new employees to CHRIS upon commencement of employment. For segregation of duties reasons, it is preferable for this role to be performed by a person independent of payroll processing.	New employees are added to CHRIS by the HR department. The payroll officer's access to this functionality in CHRIS is restricted.	New employees are now added by an HR officer, not the payroll officer.

<b>2.6.4 Improvement opportunities in the process of reviewing changes to the payroll master file</b>		<b>Low</b>
<b>Control</b>	Payroll system generates audit reports detailing all payroll changes and there is a process in place to ensure all changes are reviewed and verified against source documents.	
<b>Risk</b>	Errors in payments made to employees	

Finding	Recommendations	Management Response
<p>The process of checking masterfile changes in CHRIS is performed by filing all relevant source documentation (change of detail forms etc) by pay period in a 'to be checked' folder on the finance drive. These documents are checked against CHRIS by a peer to confirm that the change details have been entered correctly.</p> <p>This process can be improved by also running a masterfile change report and ensuring that all changes made are supported by appropriate documentation. Using such a report may also streamline the review process, by referring to this one report to confirm both the accuracy of data and completeness of supporting documentation.</p>	<p>A masterfile changes report is run from CHRIS and used as the basis to ensure that Masterfile changes are supported with approved source documents and have been accurately reflected in CHRIS.</p>	<p>Currently individual changes to the Masterfile are checked by payroll team.</p> <p>Implementation of a Masterfile changes report to be automatically generated after every payrun, to be cross checked and signed off by HR manager or delegate will be undertaken. This work is to be completed by Dec ember 2019.</p>

## 2.7 RECEIPTING

### 2.7.1 Absence of approval of reversal of receipts

Low

**Control** There is a review process for the authorisation of the reversal of transactions.

**Risk** Receipts are either inaccurately recorded or not recorded at all.

Finding	Recommendations	Management Response
There is no process for the authorisation of the reversal of receipts.	<p>Establish mechanisms to ensure that reversal of receipts are independently approved.</p> <p>Ensure that a daily list of receipt reversals is independently approved. This can be achieved by reviewing the "Bank Deposit Receipt Dissection Report" which contains a list of reversals.</p>	<p>The recommendation is noted.</p> <p>A review of the daily process to independently approve reversals will be conducted.</p>

## 2.8 INTERNAL CONTROLS SELF ASSESSMENT

### 2.8.1 Improvements to the internal controls self-assessment process

<b>Control</b>	Self-Assessment of the adequacy of internal controls
<b>Risk</b>	Inherent risks not appropriately assessed and mitigated / Controls not operating effectively

Finding	Recommendations	Management Response
<p>The Better Practice Model requires a Council's internal controls framework includes a monitoring function to ensure the ongoing operating effectiveness of controls, and as mechanism for continuous improvement.</p> <p>Council conducted a risk assessment of the internal controls around Sept/Oct 2018. Shortly after this risk assessment was completed there were significant staff vacancies within the finance team, including the finance manager. The internal control self-assessment was put on hold during this time.</p> <p>Once the CFO position had been officially completed, the CFO and the Principal Risk Management Officer had a discussion on the controls to be included as part of the 2018/19 internal controls self-assessment.</p> <p>The following factors were considered:</p> <ul style="list-style-type: none"> <li>▪ Staffing levels within Finance</li> <li>▪ Process improvements projects/consultation that were either under way or about to commence within certain areas in finance</li> <li>▪ Current risk and control environment within finance</li> <li>▪ Controls selected by the external audit</li> </ul>	<p>Audit supports Council adopting a risk-based approach to perform its internal controls self-assessment.</p> <p>Audit encourages ongoing refinement of the scope of controls to be reviewed, with a view to ensuring a good coverage of controls being reviewed to provide comfort that all significant financial risks are managed to an acceptable level.</p>	<p>The recommendation is noted and will be considered as a part of the next risk assessment process.</p>



The Council selected a total of 35 controls to be reviewed for the 2018/19 financial year.

Audit understands that the current self-assessment will enable Council to establish a base level to build upon for future assessments.



## **APPENDIX 1 – CRITICAL INTERNAL FINANCIAL CONTROLS**

### Purchasing and Procurement

#### Risks

- |    |  |
|----|--|
| R1 | Council does not obtain value for money in its purchasing and procurement. |
| R2 | Purchases of goods and services are made from non-preferred suppliers.     |
| R3 | Purchase orders are either recorded inaccurately or not recorded at all.   |
| R4 | Purchase orders are made for unapproved goods and services.                |

RISKS	Control	Control Type
R1	Council has a Procurement Policy that provides direction on acceptable methods and the process for procurement activities to ensure transparency and value for money within a consistent framework, with consideration of any potential conflicts of interest.	Core
R1,R2	Employees must ensure all purchases are in accordance with Council's Procurement Policy and approved in accordance with the Delegations of Authority and other relevant policies.	Core
R1	The organisation has a process in place to ensure use of preferred suppliers where relevant to maximise the best value for money to Council	Core
R2,R3	There is a process in place to review purchasing patterns and ensure maximum use of preferred suppliers	Additional
R3	Purchase order numbers are either system generated and/or sequentially numbered.	Core
R3	There is a process in place to ensure all invoices for payment are matched to relevant source documents such as purchase orders where applicable and are in line with Procurement Policy guidelines.	Core
R3	There is a process in place to follow up and action incomplete purchase orders.	Additional

### CONTRACTING

#### Risks

- |    |  |
|----|--|
| R1 | Council is not able to demonstrate that all probity issues have been addressed in the Contracting process. |
| R2 | Council does not obtain value for money in relation to its Contracting.                                    |

RISKS	Control	Control Type
R1,R2	There are robust and transparent evaluation and selection processes in place to engage contractors where relevant in accordance with the Code of Conduct, Conflict of Interest and Procurement Policy.	Core
R1	The selection panel is made up of appropriate personnel who have declared any relevant conflict of interest to ensure that informed and objective decision is made when selecting contractors.	Core
R1	Council maintains a current contract register.	Core

## FIXED ASSETS

## Risks

R1	Fixed asset acquisitions, disposals and write-offs are fictitious, inaccurately recorded or not recorded at all. Fixed Asset Register (FAR) does not remain pertinent.
R2	If fixed assets are not securely stored, they may be subject to damage or theft.
R3	If fixed assets are not valued correctly, the management reports and financial statements will be misstated. For example, incorrect carrying values may result from the use of inappropriate depreciation rates.
R4	Depreciation charges are either invalid, not recorded at all or are inaccurately recorded which includes inappropriate useful lives and residuals.
R5	Fixed Asset maintenance and/or renewals are inadequately planned.

RISKS	Control	Control Type
R1	There is a process in place for the verification of fixed assets which is reconciled to the FAR.	Core
R1	Recorded changes to the FAR and/or masterfile are approved by appropriate staff compared to authorised source documents and General Ledger to ensure accurate input.	Core
R1	All fixed asset acquisitions and disposals are approved in accordance with Delegation of Authority and relevant Procurement and Fixed Asset Policies.	Core
R1	Maintenance of the fixed asset register is limited to appropriate staff with consideration to segregation of duties.	Core
R1	Council has an asset accounting policy which details thresholds for recognition of fixed assets which is monitored to ensure adherence.	Core
R1	Reconciliation of fixed assets to the General Ledger is performed in accordance with schedule of review or procedure.	Core
R1	Asset register calculations are reviewed for accuracy.	Core
R1	Fixed assets are recorded on acquisition, creation or when provided free of charge to facilitate accurate identification of assets and recording of details with regards to the Asset Accounting Policy.	Core
R1	Asset maintenance is planned and monitored with relevant staff in accordance with the Asset Management Plans	Additional
R2	Where appropriate, fixed assets are secured and access is restricted to appropriate staff and authorised users.	Core





RISKS	Control	Control Type
R2	Where appropriate, identification details are recorded for portable and attractive assets such as IT and fleet assets, on acquisition to facilitate accurate identification.	Additional
R3	Relevant staff review useful lives, residuals, valuations, depreciation methodology and test for impairment as required by Accounting Standards and legislation to ensure that methods used are still appropriate and significant changes are incorporated into Asset Management Plans.	Core
R3	Profit or loss on disposal calculations can be substantiated and verified with supporting documentation.	Core
R4	Depreciation charges are calculated in accordance with the asset accounting policy and compliant with relevant accounting standards, including the useful life, depreciation method and residual values.	Core
R5	Asset Management Plans are prepared and renewal expenditure and programmed maintenance required is reviewed periodically to reflect changing priorities, additional asset data and other relevant factors.	Core
R5	Asset Management Plans for all major asset classes are adopted and reviewed by Council as required by the Local Government Act 1999.	Core

## GENERAL LEDGER

## Risks

R1	General Ledger does not contain accurate financial information
R2	Data contained within the General Ledger is permanently lost.

RISKS	Control	Control Type
R1,R2	All major updates and changes to General Ledger finance system are authorised, tested and documented.	Core
R1,R2	Access to General Ledger maintenance is restricted to appropriately authorised personnel.	Core
R1	Reconciliation of all balance sheet accounts are completed in accordance with a schedule of review and/or procedure.	Core
R1	All balance sheet reconciliations are reviewed by a person other than the preparer at least annually.	Core
R1	Journal entry access is restricted to appropriately authorised personnel.	Core
R1,R2	Financial data is backed up and stored offsite.	Core
R1	Finance system does not allow posting of unbalanced journals or if it does regular reviews are conducted on the suspense account and discrepancies investigated and actioned.	Core
R1	Amendments to the structure of the General Ledger framework and accounts are reviewed and approved by appropriately authorised personnel.	Core
R1,R2	General Ledger policies and procedures are appropriately created, updated and communicated to relevant staff.	Core
R2	Formal disaster recovery plan is in place and communicated to relevant staff.	Core
R1	There is a process in place to review actual vs budget and significant variances investigated.	Core

## ACCOUNTS PAYABLE

## Risks

R1	Accounts payable amounts and disbursements are either inaccurately recorded or not recorded at all.
R2	Credit notes and other adjustments to accounts payable are either inaccurately recorded or not recorded at all.
R3	Disbursements are not authorised properly.
R4	Accounts are not paid on a timely basis.
R5	Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file.

RISKS	Control	Control Type
R1,R2,R4	Statements received from suppliers are reconciled to the supplier accounts in the accounts payable subledger regularly and differences are investigated.	Additional
R3	Records must be maintained of all payments with supporting documentation.	Core
R1	Payments are endorsed by relevant staff separate to the preparer, who ensures that they are paid to the correct payee.	Core
R5	Access to the supplier masterfile is restricted to authorised staff	Core
R2,R5	Separation of Accounts Payable and Procurement duties.	Core
R3	All invoices and payment requests are approved in accordance with relevant policies and/or Delegations of Authority.	Core
R1	Predetermined variances between Purchase Orders and Invoices are assessed and payment released only after verification by the officer with delegation to do so.	Additional
R1	Payments are verified to appropriate supporting documentation and are in line with Delegations of Authority.	Core
R4	Relevant staff to review aged payables listing on a predetermined basis and investigate where appropriate.	Core
R5	Recorded changes to the supplier master file are compared to authorised source documents to ensure that they were input accurately.	Core



RISKS	Control	Control Type
R5	Requested changes or additions to supplier masterfile are verified independently of source documentation.	Additional
R4	There is a system generated report detailing supplier invoices due for payment at any one time.	Core
R5	There is a process in place to ensure the supplier master file is periodically reviewed for ongoing pertinence.	Additional

## RATES / RATES REBATES

## Risks

R1	Council does not raise the correct level of rate income.
R2	Rates and rate rebates are either inaccurately recorded or not recorded at all.
R3	The Property master file data does not remain pertinent.
R4	Rates are not collected on a timely basis.

RISKS	Control	Control Type
R1,R2	Rates are automatically generated by the rate system, including the calculation of rate rebates and other parameters as applicable.	Core
R2	Rates are generated and tested for accuracy of calculation methodology prior to the rates billing run	Core
R1	All software changes to rate modelling functionality fully tested and reviewed by relevant staff.	Core
R1	There is a rating policy in place that is reviewed annually that provides clear guidance on rating methodology and relevant rebates and remissions in line with legislation.	Core
R2	Annual valuation update is balanced prior to the generation of rates; all mismatches resolved prior to finalising rate generation.	Core
R2	All rate rebates and adjustments including write offs are appropriately authorised, with reference to Delegations of Authority and source documents.	Core
R4	There is a process in place to ensure that rates are collected in a timely manner and overdue rates are followed up.	Core
R3	Recorded changes to property master file data and any rate adjustments are compared to authorised source documents to ensure that they were input accurately. An audit trail is maintained for all changes.	Core
R3	Access to the Property master file is restricted to appropriately designated personnel, with a process in place to ensure changes are in line with policies and procedures.	Core
R2	Employees responsible for processing rate payments and rebates cannot process their own payments or rebates unless the transaction is approved by someone independent of the process	Core

## PAYROLL

## Risks

R1	Payroll expense is inaccurately calculated.
R2	Payroll disbursements are made to incorrect or fictitious employees.
R3	Time and/or attendance data is either invalid, inaccurately recorded or not recorded at all.
R4	Payroll master file does not remain pertinent and/or unauthorised changes are made to the payroll master file.
R5	Voluntary and statutory payroll deductions are inaccurately processed or without authorisation.
R6	Employees termination payments are not in accordance with statutory and enterprise agreements.

RISKS	Control	Control Type
R1	Where possible standard programmed formulae perform payroll calculations.	Core
R1, R3	There is a process to ensure all overtime is verified and approved by relevant appropriate staff.	Core
R1	All calculations for generating payroll payments are verified for accuracy.	Core
R4, R5	Managers periodically review listings of current employees within their departments and variances are investigated.	Additional
R1	Payroll is periodically reconciled to the General Ledger accounts.	Additional
R2	The payment for the payroll must be reconciled to a system generated report detailing amount and employee prior to payment.	Core
R2	There is a process to ensure an independent review of proposed payroll payments by authorised staff.	Additional
R2	The payment of the payroll is authorised by appropriate staff not involved in the preparation of the payroll.	Core
R2	Employee records to include employment details and/or contract terms and conditions, authorisations for payroll deductions and leave entitlements.	Core
R2	There is a process to ensure employees are made inactive in payroll records upon termination	Core

RISKS	Control	Control Type
R5	All payroll deductions must be approved by the relevant employee.	Core
R3	Relevant staff are required to complete timesheets and/or leave forms, authorise them and have approved by the relevant supervisor.	Core
R2	There is a segregation of duties from those preparing the payroll to those responsible for preparation of source documents (e.g. timesheets, leave requests etc).	Core
R2	Payroll system generates audit reports detailing all payroll changes and there is a process in place to ensure all changes are reviewed and verified against source documents.	Core
R2	There is a process in place to ensure employees are not added to the payroll masterfile, nor details amended or amounts paid without receipt of the appropriate forms which have been authorised by relevant staff.	Core
R5	Access to the payroll deduction listing is restricted to authorised staff.	Core
R6	There is a process in place to ensure termination payments comply with relevant policies, procedures and legislation.	Core
R3	Time recording and attendance exceptions such as TOIL or flexitime are based on relevant policies/agreement are identified, monitored and corrected.	Core
R4	The ability to access, modify or transfer information contained in the payroll master files is restricted to authorised staff.	Core

## CREDIT CARDS

## Risks

- |    |   |
|----|---|
| R1 | Credit Cards are issued to unauthorised employees.        |
| R2 | Credit Cards are used for purchases of a personal nature. |
| R3 | Credit Card limits are set at inappropriate levels.       |

RISKS	Control	Control Type
R1,R3	There is a process in place to ensure there are appropriate approvals prior to the issuing of Credit Cards and limits.	
R1,R2	Credit card holders sign a declaration confirming compliance with Council policy and procedures prior to the Credit Card being released.	
R2	There is a process in place to approve all credit card transactions to ensure compliance with the policies and procedures covering credit card usage.	
R2	Cardholders must check their statement to ensure all transactions are correct and identify any transactions of a personal nature which must be reimbursed to Council.	
R3	There is a process in place to ensure credit card limits and usage is reviewed for operational efficiency.	

## BANKING

## Risks

- |    |   |
|----|---|
| R1 | Banking transactions are either inaccurately recorded or not recorded at all. |
| R2 | Fraud (i.e. misappropriation of funds)  |

RISKS	Control	Control Type
R1,R2	There is a process in place to ensure all cash, blank cheques and/or cheque signing machine are adequately safeguarded.	Core
R1	Access to EFT Banking system is restricted to appropriately designated personnel.	Core
R1,R2	Bank reconciliations are performed on a predetermined basis and are reviewed by an appropriate person. Any identified discrepancies are investigated.	Core
R2	Cash transfers between bank accounts and investment bodies are undertaken by appropriate staff.	Core
R2	There is a process in place to ensure all cash collected is adequately recorded and banked regularly.	Core



## DEBTORS

## Risks

R1	Debtors are either inaccurately recorded or not recorded at all.
R2	Rebates and credit notes to debtors are either inaccurately recorded or not recorded at all
R3	An appropriate provision for doubtful debts is not recorded
R4	Debtors are either not collected on a timely basis or not collected at all
R5	The Debtors master file data does not remain pertinent.

RISKS	Control	Control Type	CSA Importance Weighting
R1, R4	Debtor's reconciliation performed on a regular basis to the General Ledger and reviewed by an independent person.	Core	4
R1	Council maintains a Debt Collection Policy.	Core	5
R2, R3, R4	Management and/or Council review and approve all rebates, credit notes, bad debt write-offs and movements in the provision for doubtful debts, in accordance with delegations of authority and Local Government Act.	Core	5
R3, R4	Management reviews debtors ageing profile on a regular basis and investigates any outstanding items.	Core	4
R5	Access to the debtor's master file is restricted to appropriately designated personnel and is reviewed by management for accuracy and on-going pertinence.	Core	5
R5	Recorded changes to debtor's master file data are compared to authorised source documents or confirmed with customers/ratepayers to ensure that they were input accurately.	Core	4

## RECEIPTING

## Risks

R1	Receipts are either inaccurately recorded or not recorded at all.
R2	Receipts are not deposited at the bank on a timely basis.

RISKS	Control	Control Type
R2	Prior to and during the banking process, cash is stored securely at all times.	Core
R1	Customers are provided with a system generated or pre-numbered (manual) sequential tax compliant receipt detailing payment made.	Core
R1	There is a review process for the authorisation of the reversal of transactions.	Additional
R1	Receipt transactions are reconciled to the daily takings and out-of-balance banking is corrected promptly.	Core
R2	Receipts are deposited regularly at the bank by a person independent from the initial recording of the cash receipts.	Additional



# Galpins

Accountants, Auditors & Business Consultants

## 2018/19 Audit Completion Report

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## EXECUTIVE SUMMARY

### To the members of the audit committee of The City of Unley

We are pleased to present our Audit Completion Report for the financial year ended 30 June 2019. The purpose of this document is to summarise the key accounting and audit matters that have arisen during the engagement and our audit conclusions.

We intend to issue the following opinions (subject to the satisfactory completion of the items described in section 1 – *Status of our Audit Work* of this document):

Intended opinions	Type of opinion	Proposed Auditor's Report
Opinion on the Financial Statements	Unmodified	Refer to the Appendix 1 of this report.
Controls Opinion	Unmodified	Refer to the Appendix 2 of this report.

We have included in this report the following information to ensure that councillors, management and audit committee members are aware of all significant matters relating to the audit.

Matters	Sections
Status of our audit work	Section 1
Summary of Audit Risks and Overall Responses	Section 2
Key Audit Matters	Section 3
Internal Controls Opinion and Recommendations	Section 4
Final Management Letter	Section 5
Corrected Adjustments	Section 6
Immaterial Uncorrected Misstatements	Section 7
Proposed Independent Auditor's Report on the Financial Report	Appendix 1
Proposed Independent Auditor's Report on the Internal Controls	Appendix 2
Draft Statement by Auditor	Appendix 3
Better Practice Model (BPM) Risks	Appendix 4
Risk Ratings	Appendix 5

We also confirm our intention to sign the statement by auditor regarding our independence, and confirm that for the audit of the year ended 30 June 2019 we have maintained our independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.

Yours faithfully

**Tim Muhlhausler** CA Registered Company Auditor

Date: 6 November 2019



## 1. Status of Our Audit Work

Below a summary of the status of audit activities and key documents related to the completion of our final audit.

Activities/Documents	Responsibility	Status
Final draft of the financial report	Management	Completed
Final audit visit	Audit	Completed
Final substantive procedures	Audit	Completed
Audit verification of the final draft of the financial report	Audit	Completed
Final draft of the financial report after audit verification	Management	Completed
Audit Completion Report	Audit	Completed
Final financial report after considerations from the audit committee	Management	To be completed
Signed certification of financial statements	Management	To be completed
Signed certification of auditor independence	Management	To be completed
Signed management representation letter	Management	To be completed
Signed statement by auditor	Audit	To be completed
Review of the subsequent events up to the date of the auditor's report.	Audit	To be completed
Final Independent Auditor's Report on the Internal Controls	Audit	To be completed
Final Independent Auditor's Report on the Financial Report	Audit	To be completed

Our final independent auditor's reports on the internal controls and on the financial report will be issued upon receipt of the final financial report (containing the signed certification of financial statements and the signed certification of auditor independence) and the signed management representation letter.

## 2. Summary of Audit Risks and Overall Responses

Below, a summary of our initial audit risks identified in our audit plan presented to the audit committee, the audit approach and responses to address these risks and the final audit risks (residual risks) after the execution of our audit procedures.

### Statement of Comprehensive Income – Income

Accounts	Initial Audit Risk	\$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Rates and charges	High	41,336	RA1/RA2/RA3/RA4/RE1/RE2	Controls and substantive tests	Low	Fairly presented
Statutory charges	Moderate	1,593	US1/US2/US3/RE1/RE2	Substantive tests	Low	Fairly presented
User charges	Moderate	1,826	US1/US2/US3/RE1/RE2	Substantive tests	Low	Fairly presented
Grants	Moderate	4,713	GR1/GR2/GR3/RE1/RE2	Controls and substantive tests	Low	Fairly presented
Investment Income	Low	16	I1	Substantive tests	Low	Fairly presented
Reimbursements	Low	535	OR1	Substantive tests	Low	Fairly presented
Other Income	Low	714	OR1	Substantive tests	Low	Fairly presented
Equity Accounted Businesses	Low	145	OR1/OE1	Substantive tests	Low	Fairly presented

### Statement of Comprehensive Income - Expenses

Accounts	Initial Audit Risk	\$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Employee costs	High	16,596	PA1/PA2/PA3/PA4/PAS/PA6	Controls and substantive tests	Low	Fairly presented
Materials / Contracts / Other Expenses	High	20,337	PP1/PP2/PP3/PP4/PP5/PP6 CO1/CO2/CO3 CC1/CC2/CC3	Controls and substantive tests	Low	Fairly presented
Depreciation and amortisation	High	9,038	F4	Controls and substantive tests	Low	Fairly presented
Finance Costs	Low	161	BO1	Substantive tests	Low	Fairly presented
Equity Accounted Businesses	Low	-	OR1/OE1	Substantive tests	Low	Fairly presented

### Statement of Comprehensive Income – Other Comprehensive Income

Accounts	Initial Audit Risk	\$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Asset Disposals & FV Adjust	High	69	F11/F13	Controls and substantive tests	Low	Fairly presented
Amounts Received Specifically for New or Upgraded Assets	Moderate	1,145	GR1/GR2/GR3/RE1/RE2	Substantive tests	Low	Fairly presented
Physical Resources Received Free of Charge	Low	-	F11	Substantive tests	Low	Fairly presented

## Statement of Financial Position – Assets

Accounts	Initial Audit Risk	\$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Cash and cash equivalents	High	2,771	BA1/BA2/IN1/IN2/IN3	Controls and substantive tests	Low	Fairly presented
Trade and other receivables	Moderate	2,681	DE1/DE2/DE3/DE4/DE5/PR1	Controls and substantive tests	Low	Fairly presented
Other Financial Assets	Low	2	LO1	Substantive tests	Low	Fairly presented
Financial Assets – NC	Low	8	LO1	Substantive tests	Low	Fairly presented
Equity Accounted Businesses	Low	16,930	OR1/OE1	Substantive tests	Low	Fairly presented
IPPE	High	510,281	F11/F12/F13/F14/F15	Controls and substantive tests	Low	Fairly presented

## Statement of Financial Position - Liabilities

Accounts	Initial Audit Risk	\$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Trade and other payables	High	13,104	AP1/AP2/AP3/AP4/AP5/TA1/AE1	Controls and substantive tests	Low	Fairly presented
Borrowings	Low	242	BO1/BO2/BO3/BO4	Substantive tests	Low	Fairly presented
Provisions	Moderate	3,730	EP1	Substantive tests	Low	Fairly presented
Borrowings - NC	Low	2,271	BO1/BO2/BO3/BO4	Substantive tests	Low	Fairly presented
Other Non-current liabilities	Low	-	AE1	Substantive tests	Low	Fairly presented
Provisions - NC	Moderate	357	EP1	Substantive tests	Low	Fairly presented

## Statement of Financial Position - Equity

Accounts	Initial Audit Risk	\$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Accumulated Surplus	Low	147,002	N/A	Substantive tests	Low	Fairly presented
Asset Revaluation Reserves	High	365,711	FB	Controls and substantive tests	Low	Fairly presented
Other Reserves	Low	256	N/A	Substantive tests	Low	Fairly presented

## Intended Audit Opinion

In our opinion, subject to the satisfactory completion of the items described in section 1 of this report, the financial report prepared by the Council presents fairly, in all material respects, the Council's financial position as at the end of current financial year and its financial performance for the year ended on that date.

\* A list of the main risks as per the Better Practice Model (BPM) addressed during our audit and related risk references is provided in Appendix 4.



### 3. Key Audit Matters

Key audit matters are those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial report. We address these matters in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### 3.1 Valuation of Infrastructure assets

Why the matter is significant	How the matter was addressed
<p>Infrastructure assets are valued at fair value. The fair values of these assets were based on depreciated current replacement costs which is comprised by the gross replacement cost less accumulated depreciation.</p> <p>Council values the gross replacement cost using the estimated average cost (unit cost) at which it could construct a substitute asset of comparable quality in the normal course of business. There was inherent subjectivity involved in making judgments in relation to assumptions used to estimate unit rates which also involved determining the:</p> <ul style="list-style-type: none"> <li>▪ components of assets that are replaced at different times in the asset lifecycle</li> <li>▪ costs required to replace these components using current prices for materials, labour, and plant costs</li> <li>▪ indices for measuring subsequent changes in unit rates.</li> </ul> <p>The useful lives of assets and the measurement of accumulated depreciation are determined by external valuers. Significant judgement is used to determine the different useful lives for different components of assets and to calculate the depreciation that would have accumulated since original construction using these estimated useful lives.</p> <p>The significant professional judgments used to estimate the gross replacement cost and the accumulated depreciation are also relevant to the calculation of the annual depreciation expense of these assets.</p>	<p>Our audit included but was not limited to the following activities:</p> <ul style="list-style-type: none"> <li>▪ reconciled closing balances to the asset registers</li> <li>▪ reconciled the movements in note 7 to the asset register</li> <li>▪ reviewed the basis for valuation used by external valuers</li> <li>▪ assessed the competence of external valuers (experts) in accordance with Australian Accounting Standards</li> <li>▪ reviewed the fair value hierarchy provided in note 7 for each category of asset</li> <li>▪ reconciled the useful lives used to calculate the accumulated depreciation and the depreciation for the period to the revaluation reports</li> <li>▪ reviewed the useful lives mentioned above for different components and compared them to other local government entities</li> <li>▪ performed a recalculation of depreciation</li> <li>▪ reviewed the methodology used by Council to perform componentisation of infrastructure assets and compared the methodology used to Council's actual asset management practices and to other local government entities</li> <li>▪ reconciled the unit rates used for different components of infrastructure assets to the unit rates provided in the revaluation report</li> <li>▪ reviewed the unit rates mentioned above and compared them to different local government entities</li> <li>▪ assessed the adequacy of disclosures in the financial report.</li> </ul>

### 3.2 Valuation of Land and Buildings

Why the matter is significant	How the matter was addressed
<p>Land and buildings are valued at fair value. The basis of valuation to be used for these assets depends on a number of factors such as the nature of the asset, purpose of their use, the highest and best use of the asset, potential restrictions to the disposal of these assets among other factors.</p> <p>Valuation of land depends on whether the land is classified as Crown land or community land. Community land and Crown land are valued using unobservable (level 3) inputs as the allowance for the restriction on sale (requiring Ministerial consent) is usually an unobservable input, and is likely to have a significant effect on valuation.</p> <p>Land, where Council has an unfettered right to sell them, is usually valued at current market value based on their highest and best use. Level 2 inputs are primarily used for land during the valuation process.</p> <p>Valuation of buildings depends on the nature of these assets. Some Council buildings have no active market due to the specialised nature of the assets and the services they provide. For such buildings fair value is usually determined on the basis of replacement with a new building having similar service potential. Valuation techniques used to measure fair value of these buildings include significant unobservable inputs (level 3).</p> <p>For buildings that have an active market, buildings are assessed on market value principles which is deemed to be their fair value based on level 2 inputs. The most significant input into this valuation approach is sales transactions of comparable properties within the City, adjusted for any pertinent differences.</p> <p>The significant professional judgments used to estimate the value of land and buildings are also relevant to the calculation of the annual depreciation expense of these assets.</p>	<p>Our audit included but was not limited to the following activities:</p> <ul style="list-style-type: none"> <li>▪ reconciled closing balances to the asset registers</li> <li>▪ reconciled the movements in note 7 to the asset registers</li> <li>▪ reviewed the basis for valuation used by external valuers</li> <li>▪ assessed the competence of external valuers (experts) in accordance with Australian Accounting Standards</li> <li>▪ analysed the nature of the land building assets and concluded whether the fair value hierarchy provided in note 7 for each category of asset was reasonable</li> <li>▪ reconciled the useful lives used to calculate the accumulated depreciation and the depreciation for the period to the revaluation reports</li> <li>▪ reviewed the useful lives mentioned above for different components and compared them to other local government entities</li> <li>▪ performed a recalculation of depreciation; and</li> <li>▪ assessed the adequacy of disclosures in the financial report.</li> </ul>

### 3.3 Accounting treatment of capitalisation of assets

Why the matter is significant	How the matter was addressed
<p>Councils are asset intensive and highly dependent on multiple assets to deliver services to customers. Hence, there is a high volume of transactions and significant amounts involved in relation to capitalisation of assets.</p> <p>Due to the unique characteristics of Council's assets a number of considerations are taken into account when an expenditure is capitalised which include:</p> <ul style="list-style-type: none"> <li>▪ whether Council is incurring capital expenditure to physical resources that are controlled by Council. Control is the most difficult of the characteristics of an asset to be defined as this usually goes beyond the legal ownership;</li> <li>▪ Inclusions and exclusions of costs at initial recognition of an assets in accordance with AASB 116;</li> <li>▪ Cost involved in dismantling and removing the asset and/or restoring the site under AASB 137;</li> <li>▪ Borrowing costs to be capitalised into the cost of IPPE where the asset is a "qualifying asset" as per AASB 123; and</li> <li>▪ accounting for subsequent costs and defining the nature of these costs as being capital or maintenance expenditure.</li> </ul>	<p>Our audit included but was not limited to the following activities:</p> <ul style="list-style-type: none"> <li>▪ performed analytical procedures to define whether the amounts capitalised for the FY was in accordance with our expectation and our understanding of the entity;</li> <li>▪ reviewed internal controls in place for capitalisation of assets;</li> <li>▪ selected a sample of additions and performed an assessment of the nature of the addition and concluded whether the addition was recognised in accordance with Australian Accounting Standards;</li> <li>▪ reviewed the WIP schedule and selected a sample of transfers out to ensure that the asset was appropriately valued and capitalised in the right account; and</li> <li>▪ reviewed the WIP schedule in order to identify projects that should have been capitalised but were not.</li> </ul>

### 3.4 Revenue Recognition

Why the matter is significant	How the matter was addressed
<p>AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities commence from 1 January 2019 – effectively 1 July 2019 for SA Councils.</p> <p>The main change for Council is that income from capital and other specific purpose grants previously recognised on receipt may be recognised over time as performance obligations are met (where these obligations are sufficiently specific and rise from enforceable contracts) and a liability recognised for unspent monies.</p>	<p>Our audit included but was not limited to the following activities:</p> <ul style="list-style-type: none"> <li>▪ evaluated Council's work to implement AASB 15 and AASB 1058 and assessed whether Council's accounting practices comply with Australian Accounting Standards</li> <li>▪ performed analytical procedures to identify any variance that would represent a risk or incorrect application of AASB 15 and AASB 1058</li> <li>▪ reviewed a sample of grant agreements and assessed whether agreements contain sufficiently specific performance obligations</li> <li>▪ evaluated the accounting treatment used by Council to account for the existing grant agreements in place selected for our tests</li> <li>▪ tested a sample of financial transactions for compliance with Australian Accounting Standards.</li> </ul>



### 3.5 Management Override of Controls

Why the matter is significant	How the matter was addressed
<p>Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare a fraudulent report by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, the risk of material misstatement due to fraud is considered, by default, a significant risk.</p>	<p>Our audit included but was not limited to the following activities:</p> <ul style="list-style-type: none"> <li>▪ tested the appropriateness of journal entries recorded in the general ledger</li> <li>▪ reviewed accounting estimates for biases</li> <li>▪ performed final analytical procedures to conclude as to whether the financial report is consistent with our understanding of the entity</li> <li>▪ requested written representation from Management</li> <li>▪ reviewed IT access controls rights processes in place</li> <li>▪ reviewed processes in place to ensure independent reviews of exception reports generated by Council</li> <li>▪ reviewed processes in place to ensure independent reviews of audit trails of changes to master files.</li> </ul>



### 3.6 Other High Risk Areas

The other high risk areas described in this section are account balances and/or audit areas that are not subject to a high degree of professional judgement, however we assessed their inherent risks as being high due to the materiality of the account balances, the high volume of transactions involved and other reasons outlined below:

Account balance	Why the risk is High	Overall audit response
Rates and charges	<ul style="list-style-type: none"> <li>- largest revenue item</li> <li>- rates are often used as a reference point for analysing expenditure decisions</li> <li>- politically sensitive – reputational risk involved if rates are raised incorrectly.</li> </ul>	<ul style="list-style-type: none"> <li>- walkthroughs and tests of effectiveness of controls from the Better Practice Model</li> <li>- analytical procedures</li> <li>- comparison of total capital values from the VG report to the total capital value recorded in the rates system</li> <li>- reconciliation of the rates modelling to the rates system and to the general ledger</li> <li>- recalculation of rates for a sample of rate payers</li> </ul>
Employee costs	<ul style="list-style-type: none"> <li>- one of the largest expense items</li> <li>- high volume of transactions / data – subject to error.</li> <li>- errors impact individuals financially.</li> </ul>	<ul style="list-style-type: none"> <li>- walkthroughs and tests of effectiveness of controls from the Better Practice Model</li> <li>- analytical procedures</li> <li>- inspection of employee files (contracts, awards, EBs)</li> <li>- inspection of timesheets</li> <li>- recalculation of a sample of individual payments.</li> </ul>
Materials, Contracts & Other expenses	<ul style="list-style-type: none"> <li>- one of the largest expense items</li> <li>- high volume of transactions / date – subject to error</li> <li>- fraud risk area (procurement, payments and credit cards)</li> <li>- procurement and contracting are key focus areas for ICAC and the Auditor-General's Department.</li> </ul>	<ul style="list-style-type: none"> <li>- walkthroughs and tests of effectiveness of controls from the Better Practice Model</li> <li>- analytical procedures</li> <li>- inspection of supporting documents (contracts, invoices, purchase orders, subsequent payments, etc) for a sample of expenses</li> </ul>
Cash and cash equivalents	<ul style="list-style-type: none"> <li>- material balance</li> <li>- fraud risk</li> <li>- if there is any instance of errors and/or fraud it will be indicative of broader errors</li> <li>- poor attitude to cash controls may be indicative of overall culture related to the entity's controls environment</li> <li>- public money</li> </ul>	<ul style="list-style-type: none"> <li>- walkthroughs and tests of effectiveness of controls from the Better Practice Model</li> <li>- analytical procedures</li> <li>- bank confirmation</li> <li>- inspection of bank statements</li> <li>- verification of outstanding reconciling items</li> <li>- reperformance of bank reconciliations.</li> </ul>
Trade and other payables	<ul style="list-style-type: none"> <li>- one of the largest liabilities</li> <li>- material balance</li> <li>- opportunity for understatements</li> <li>- poor use of accrual basis of accounting can be indicative of poor controls culture</li> <li>- payments represent an opportunity for fraud</li> </ul>	<ul style="list-style-type: none"> <li>- walkthroughs and tests of effectiveness of controls from the Better Practice Model</li> <li>- analytical procedures</li> <li>- reconciliation between subsidiary ledgers and the general ledger</li> <li>- inspection of subsequent payments for a sample of creditors</li> <li>- inspection of a sample of subsequent payments for completeness test.</li> </ul>

## 4. Internal Controls Opinion and Recommendations

We have performed an extensive review of the Council's financial controls for the purpose of forming our control opinion as required by section 129 of the *Local Government Act 1999* based on council's obligations under s125 of that Act.

Our controls opinion is restricted per s129 of the Act to the application of s125 as it relates to financial internal controls, specifically the controls exercised by the Council during the relevant financial year in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

A summary of the results of our review is provided in the table below:

Business cycles	Controls Reviewed	Operating Effectively 2019	2019 Findings			
			H	M	L	BP
Purchasing & Procurement/Contracting	10	3	-	7	-	-
Fixed Assots	16	13	-	3	-	-
General Ledger	11	9	1	1	-	1
Accounts Payable	13	10	-	2	1	-
Rates / Rates Rebates	10	8	-	2	-	-
Payroll	19	15	-	2	2	-
Receipting	5	4	-	-	1	-
Credit Cards	5	5	-	-	-	-
Banking	5	5	-	-	-	-
Debtors	6	6	-	-	-	-
<b>Total</b>	<b>100</b>	<b>78</b>	<b>1</b>	<b>17</b>	<b>4</b>	<b>1</b>

Overall the Council demonstrated a satisfactory level of compliance with the implementation of an internal control framework consistent with the principles within the Better Practice Model.

During our interim audit visit we found that the majority of key internal controls reviewed were in place and were operating effectively (78 out 100 core controls reviewed). Risks were rated based on an assessment of the risk of non-compliance with s125 of the Local Government Act 1999 as described in the Appendix 5 – Risk Ratings.

A draft **interim audit management letter** was issued and provided to Management in June 2019 containing our overall assessment of the council's internal controls and all the controls weaknesses identified during our review of the Council's financial controls. The draft is currently in discussion between Management and audit.

We recommended that Council prioritises the high and moderate risk findings, as failure in compensating controls addressing the same risk or existence of multiple moderate weakness within the same business cycle may lead to a material weakness and non-compliance with s125 of the Local Government Act.

In our opinion, subject to the satisfactory completion of the items described in the section 1 of this report, the Council has complied, in all material aspects, with Section 125 of the Local Government Act 1999 in relation to Internal Controls established by the Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities.

## 5. Final Management Letter

We have identified the following additional performance improvement observations when performing our substantive procedures during our final audit:

		Risk
<b>1. Capitalisation of road assets</b>		<b>Moderate</b>
<b>Finding</b>	<p>Capitalisation of road works usually involves the allocation of costs to different road components and segments as well as the valuation of the disposal of the surface and pavement being replaced during the reconstruction of a road.</p> <p>Audit noted that capitalisations of roads since the previous revaluation have been recorded as a lump sum in the asset register without the appropriate allocation to different components and segments of roads. This has implications for the accuracy of depreciation expense, as different components have different useful lives.</p> <p>Additionally, as capitalisations are not allocated at a component level, nor allocated to the specific road segment in the asset register, Council has not valued the cost of surface and pavement being replaced during the reconstruction of roads and, consequently, has not accounted for the disposal of roads replaced during the 2018/19 financial year.</p>	
<b>Risk</b>	Risk of the financial statements being misstated.	
<b>Recommendation</b>	<ol style="list-style-type: none"> <li>1. Perform an allocation of capitalisation costs to different components and sections of road, at the time of capitalisation.</li> <li>2. Calculate the amount related to the component of road being disposed to reconstruct the new component.</li> <li>3. Account for the disposal of roads based on the amount calculated as described in item 2.</li> </ol>	

		Risk
<b>2. Revaluation of Assets</b>		<b>Moderate</b>
<b>Finding</b>	<p>Council uses the revaluation model of accounting under <i>AASB 116 – Property, Plant and Equipment</i> for various classes of infrastructure, property, plant and equipment (IPPE).</p> <p>Where the revaluation model is used, AASB 116 requires that revaluations be made with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at the reporting date. It is common practice in local government to revalue assets every three to five years, with five years being the maximum acceptable gap between valuations.</p> <p>Audit noted that the following asset classes require a new revaluation:</p> <ul style="list-style-type: none"> <li>- Pathways (last revalued in July 2014)</li> <li>- Traffic and Lighting (last revalued in June 2015)</li> </ul>	
<b>Risk</b>	Risk of the financial statements being misstated.	
<b>Recommendation</b>	Perform a new revaluation of pathways and traffic and lighting assets.	

3. Reconciliation between the asset register and the GL		Risk																
		<b>Moderate</b>																
<b>Finding</b>	Audit identified the following differences between the asset registers and the general ledger (in \$'000):																	
	<table border="1"> <thead> <tr> <th>Asset class</th> <th>Register</th> <th>GL</th> <th>difference</th> </tr> </thead> <tbody> <tr> <td>Other assets*</td> <td>8,905</td> <td>8,247</td> <td>658</td> </tr> <tr> <td>Land and buildings</td> <td>245,364</td> <td>245,459</td> <td>-95</td> </tr> <tr> <td>Equipment, furniture &amp; fittings</td> <td>7,540</td> <td>7,580</td> <td>-40</td> </tr> </tbody> </table>		Asset class	Register	GL	difference	Other assets*	8,905	8,247	658	Land and buildings	245,364	245,459	-95	Equipment, furniture & fittings	7,540	7,580	-40
Asset class	Register	GL	difference															
Other assets*	8,905	8,247	658															
Land and buildings	245,364	245,459	-95															
Equipment, furniture & fittings	7,540	7,580	-40															
	* Reserves and open space																	
<b>Risk</b>	Risk of the financial statements being misstated																	
<b>Recommendation</b>	Ensure that the asset registers reconcile to the general ledger accounts.																	

4. Payroll clearing account		Risk
		<b>Moderate</b>
<b>Finding</b>	Audit noted an account called "22001 – Payroll – Clearing" showing a balance of \$613,111. This amounts relates to unreconciled payroll transactions recorded as a liability.	
<b>Risk</b>	Risk of the financial statements being misstated	
<b>Recommendation</b>	Perform a reconciliation of the payroll clearing account to ensure that the final balance of the account is zero.	

5. Employees with excessive annual leave balances		Risk
		<b>Low</b>
<b>Finding</b>	Audit identified 10 employees with annual leave balances in excess of 300 hours (being approximately 2 years entitlement).	
<b>Risk</b>	Leave balances exceeding the allowable balances under the relevant EB. Staff not taking leave has financial implications as leave is paid at higher rates than it was accrued, and may lead to health safety and welfare issues.	
<b>Recommendation</b>	Implement strategies to systematically reduce excessive leave balances, and review monitoring procedures to ensure that employees do not accumulate excessive annual leave balances.	

Risks were rated based on an assessment of the risk of non-compliance with s125 of the Local Government Act 1999 as described in Appendix 5 – Risk Ratings.



## 6. Corrected Adjustments

<b>Adjustment 1 – System error in the calculation of the depreciation expense</b>					
D/C	Account at FS level	Assets	Liabilities	Surplus/Deficit	Other Comprehensive Income
		Increase/ (decrease) \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease) \$'000
<b>D</b>	Depreciation expense	-		1,706	-
<b>C</b>	Infrastructure, Property, Plant & Equipment	-	(1,706)	-	-
<b>Description:</b> An amount of \$1,705,703.53 was deducted from the depreciation expense recorded in the asset register due to an error in the system. This resulted in the depreciation expense being understated. Audit recommended the adjustment detailed above to correct the error.					

<b>Adjustment 2 – Accrual not recorded in the financial report</b>					
D/C	Account at FS level	Assets	Liabilities	Surplus/Deficit	Other Comprehensive Income
		Increase/ (decrease) \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease) \$'000
<b>D</b>	Infrastructure, Property, Plant & Equipment	1,949	-	-	-
<b>C</b>	Trade and Other Payables	-	(1,949)	-	-
<b>Description:</b> Council did not accrue an invoice related to the completion of works performed on King William Road. The invoice was issued on 8 July 2019 and the work was completed in June 2019.					



<b>Adjustment 3 – Annual and LSL calculations</b>					
D/C	Account at FS level	Assets	Liabilities	Surplus/Deficit	Other Comprehensive Income
		Increase/ (decrease) \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease) \$'000
<b>D</b>	Employee costs	-	-	575	-
<b>C</b>	Provisions	-	(575)	-	-
<b>Description:</b> Recalculations of provision for annual and long service leave revealed that provisions were understated.					

<b>Adjustment 4 – Annual leave recorded in Trade &amp; Other Payables</b>					
D/C	Account at FS level	Assets	Liabilities	Surplus/Deficit	Other Comprehensive Income
		Increase/ (decrease) \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease) \$'000
<b>D</b>	Trade & Other Payables	-	1,015	-	-
<b>C</b>	Provisions	-	(1,015)	-	-
<b>Description:</b> Reclassification of \$1,015 related to annual leave provisions from Trade & Other Payables to Provisions.					



<b>Adjustment 5 – Recalculation of accrued salaries and wages</b>					
D/C	Account at FS level	Assets	Liabilities	Surplus/Deficit	Other Comprehensive Income
		Increase/ (decrease) \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease) \$'000
<b>D</b>	Employee costs	-	-	107	-
<b>C</b>	Trade and other payables	-	(107)	-	-
<p><b>Description:</b> Council had not recorded a salaries and wages accrual until. Audit requested that Management calculate and record this accrual.</p>					

<b>Adjustment 6 – Current and non-current borrowings</b>					
D/C	Account at FS level	Assets	Liabilities	Surplus/Deficit	Other Comprehensive Income
		Increase/ (decrease) \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease) \$'000
<b>D</b>	Borrowings - current	-	938	-	-
<b>C</b>	Borrowings – non-current	-	(938)	-	-
<p><b>Description:</b> The amount owed by Council to the Local Government Authority (LFGA) related to a CAD (Cash in Advance Debenture) was recorded as current borrowings. The CAD facility expires on 15/06/2026. Council has an unconditional right to defer payment until the expiry date. Audit recommended the reclassification of this amount to non-current borrowings.</p>					

<b>Adjustment 7 – Reclassification of revenue to Grants, subsidies and contributions</b>					
D/C	Account at FS level	Assets	Liabilities	Surplus/Deficit	Other Comprehensive Income
		Increase/ (decrease) \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease) \$'000
<b>D</b>	Amounts received specifically for new or upgraded assets	-	-	613	-
<b>C</b>	Grants, subsidies and contributions	-	-	(613)	-

**Description:**  
Council included a total of \$613,370 in the revenue item called “Amounts received specifically for new or upgraded assets” in the Statement of Comprehensive Income (SCI). This amount relates to the Supplementary Roads grant as part of the Financial Assistance Grant program from federal government to local government.

The 2019 SA Local Government Model Financial Statements provides that only amounts that have been paid to Council for a specific, nominated project should be recorded as “Amounts received specifically for new or upgraded assets”. In the case of the Supplementary Roads grant, Council is itself entitled to determine the purpose or the project on which the amount is spent. Hence, audit recommended Council to record this amount as Grants, subsidies and contributions in the SCI.

<b>Adjustment 8 – Urban Tree / Car Park Funding</b>					
D/C	Account at FS level	Assets	Liabilities	Surplus/Deficit	Equity
		Increase/ (decrease) \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease) \$'000
<b>D</b>	Other non-current liabilities	-	256	-	-
<b>C</b>	Other reserves	-	-	-	(256)

**Description:**  
Council recognised developer contributions, such as parking, open space or urban tree as a non-current liability. The 2019 Local Government Model Financial Statements provides that these contributions cannot give rise to a liability because no amount is owed to any external party to Council arising from the receipt of the contribution. Certainly Council has an obligation to expend the monies for the purpose for which they were contributed, but a liability can only arise after Council determines on a specific project and enters contracts for its execution. Council can establish a reserve to reflect amounts unexpended.

<b>Adjustment 9 – Revenue recognition - Grant funding – King William Road</b>					
D/C	Account at FS level	Assets	Liabilities	Surplus/Deficit	Other Comprehensive Income
		Increase/ (decrease) \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease) \$'000
<b>D</b>	Trade and other payables	-	700	-	-
<b>C</b>	Grants, subsidies and contributions	-	-	(700)	-

**Description:**  
Council received \$700 from the South Australian Local Government Grants Commission for the reconstruction of the King William Road and recognised this amount as payment received in advance under trade and other payables.

Audit noted that Council incurred a total of \$3.4m during the 2018/19 financial year for this project. Audit recommended Council to recognise this amount as revenue given that AASB 15 and AASB 1058 requires entities to recognise revenue for capital grants as they construct the assets the grants were provided for.

<b>Adjustment 10 – Revenue recognition - Grant funding – Daily Moves Program</b>					
D/C	Account at FS level	Assets	Liabilities	Surplus/Deficit	Other Comprehensive Income
		Increase/ (decrease) \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease) \$'000
<b>D</b>	Trade and other payables	-	249	-	-
<b>C</b>	Grants, subsidies and contributions	-	-	(249)	-

**Description:**  
Council recognised as payment received in advance the amount of \$248,558 related to the Daily Moves Program deferring the revenue recognition of this grant as an application of AASB 15 and AASB 1058.

AASB 15 applies for grant agreements that have sufficiently specific performance criteria. In audit's opinion, the grant agreement does not provide sufficiently specific performance criteria.

In the absence of sufficiently specific performance criteria the grant should be recorded as revenue when Council obtains control of the contribution (i.e. on receipt).

<b>Adjustment 11 – Equity Accounted Investment</b>					
D/C	Account at FS level	Assets	Liabilities	Surplus/Deficit	Other Comprehensive Income / Equity
		Increase/ (decrease) \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease) \$'000
D	Equity Accounted Investments	61	-	-	-
D	Revaluation Reserve	-	-	-	1,180
C	Material Contracts and Other Expenses	-	-	(823)	-
C	Net gain – Equity Accounted Businesses	-	-	(43)	-
C	Other Comprehensive Income	-	-	-	(375)

**Description:**  
The journals described above were processed to correct the following errors:

- Council recorded its capital contribution to the Brown Hill and Keswick Creeks Stormwater Board (BHKC) as a contract expense. The correct treatment is to record the contribution as an increase in Equity Accounted Investments (non-current assets)
- Council did not create any account in the chart of accounts to record the net gain on Equity Accounted Businesses and it is share of Other Comprehensive Income on its subsidiaries. The increase in Equity Accounted Investments was being recorded in an equity account called "30017 - Revaluation Reserve – Joint Ventures – BHKC".
- Council was considering its ownership share of equity to be 20%. This percentage relates to Council's interest in the operating result. Council's ownership share of equity is 21% as per the Charter.

Below, a summary of the balances before and after the audit affected by the adjustment proposed above:

Accounts	Before audit	Journals D / (C)	After audit
Equity Accounted Investments – BHKC <sup>1</sup>	1,228	61	1,290
Revaluation Reserve – BHKC <sup>2</sup>	-1,228	1,180	-48
Material, Contracts and Other Expenses <sup>3</sup>	18,631	-823	17,808
Net gain – Equity Accounted Business <sup>4</sup>	-	-43	-43
Share of Other Comprehensive Income <sup>5</sup>	-	-375	-375

1. Adjustment to ensure that Equity Accounted Investment is 21% of the Equity provided in the BHKC financial report (\$6,141 \* 21% = \$1,290). Council was using 20% which is the share of operating result in BHKC.
2. Reversal of amounts related to increase in Equity Accounted Investment that was being recorded as Revaluation Reserve.
3. Reclassification of capital contributions to BHKC initially recorded as expense in the Statement of Comprehensive Income to Equity Accounted Investments – BHKC.
4. Journal to reflect Council's share of operating result of 20% in BHKC (Surplus for the year - \$215 \* 20% = \$43)
5. Journal to reflect Council's share of other increase in BHKC equity other than operating result.



<b>Adjustment 12 – Share of ownership interest on the Centennial Park Asset Revaluation Reserve</b>					
D/C	Account at FS level	Assets	Liabilities	Surplus/Deficit	Equity
		Increase/ (decrease) \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000
<b>D</b>	Accumulated Surplus	-	-	-	\$10,671
<b>C</b>	Asset Revaluation Reserve	-	-	-	\$10,671

**Description:**  
Council has recorded its share of interest on the Centennial Park asset revaluations as an increase in accumulated surplus in the Statement of Changes in Equity in past years. Audit requested to reclassify these amounts to Asset Revaluation Reserve.

The Centennial Park has a total of \$23,227,000 recorded as Asset Revaluation Reserve. Considering that Council has 50% ownership share of Equity on the Centennial Park, the total revaluation reserve to be recorded in The City of Unley financial report is \$11,613,000.

Council has taken this opportunity to also record its share on other reserves recorded in the Centennial Park financial report (i.e. \$116,000 recorded as other reserves in the Centennial park financial report divided by 2 = \$58,000). This resulted in a total reserve recorded in the Asset Revaluation Reserve disclosed in note 9 of \$11,671,000 (\$11,613,000 + 58,000).

Audit recommend that Council's share of interest on the Centennial's park other reserves to be recorded under other reserves in note 9(b). Please see the immaterial misstatement 3 provided in item 7 of this report.

## 7. Immaterial Uncorrected Misstatements

Immaterial misstatement 1 – Provision for Long Service Leave					
D/C	Account at FS level	Assets	Liabilities	Surplus/Deficit	Other Comprehensive Income
		Increase/ (decrease) \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease) \$'000
D	Provisions	-	195	-	-
C	Employee costs	-	-	(195)	-
<p><b>Description:</b> Council has accrued long service leave for part-time and casual staff members accruing 0.249 hours per hour worked using the total hours worked since they started. The Long Service Leave Act 1987 requires the long service leave entitlements to be calculated based on the average hours worked per week in the past three years.</p> <p>Audit estimated that the provision for long service leave is overstated by approximately \$195,000.</p>					

Immaterial misstatement 2 – Accrued Salaries and Wages					
D/C	Account at FS level	Assets	Liabilities	Surplus/Deficit	Other Comprehensive Income
		Increase/ (decrease) \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease) \$'000
D	Trade and Other Payables	-	64	-	-
C	Employee costs	-	-	(64)	-
<p><b>Description:</b> Council used the total amount provided by the first payroll report generated during the 2019/20 to record the balance of accrued salaries and wages. Audit performed a recalculation only considering the days related to the 2018/19 financial year included in this payroll report and noted that the accrual is overstated by \$64,000.</p>					





<b>Immaterial misstatement 3 – Share of ownership interest on Other Reserves from the Centennial Park</b>					
D/C	Account at FS level	Assets	Liabilities	Surplus/Deficit	Equity
		Increase/ (decrease) \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000
<b>D</b>	Asset Revaluation Reserve	-	-	-	\$58
<b>C</b>	Other Reserves	-	-	-	\$58

**Description:**  
Council has recorded its share of interest on the Centennial Park asset revaluations as an increase in accumulated surplus in the Statement of Changes in Equity in past years. Audit requested to reclassify these amounts to Asset Revaluation Reserve.

The Centennial Park has a total of \$23,227,000 recorded as Asset Revaluation Reserve. Considering that Council has 50% ownership share of Equity on the Centennial Park, the total revaluation reserve to be recorded in The City of Unley financial report is \$11,613,000.

Council has taken this opportunity to also record its share on other reserves recorded in the Centennial Park financial report (i.e. \$116,000 recorded as other reserves in the Centennial park financial report divided by 2 = \$58,000). This resulted in a total reserve recorded in the Asset Revaluation Reserve disclosed in note 9 of \$11,671,000 (\$11,613,000 + 58,000).

Audit recommend that Council's share of interest on the Centennial's park other reserves to be recorded under other reserves in note 9(b).

<b>Immaterial misstatement 4 – Absence of allocation of buildings amounts to different fair value level hierarchies.</b>	
<b>Description:</b>	Our review of note 7a – Infrastructure, Property, Plant & Equipment revealed that Council has not performed an allocation of the movements and the closing balance of buildings into different fair value level hierarchies (i.e. Level 2 and Level 3).

<b>Immaterial misstatement 5 – Incorrect calculation of the Asset Renewal Funding Ratio.</b>	
<b>Description:</b>	Council calculated the asset renewal funding ratio using the depreciation expense as the denominator for the calculation of this financial indicator. The SA Model Financial Statements 2019 requires South Australian Councils to use the Infrastructure & Asset Management Plan required expenditure.



## 8. Contact Details



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**Partner**

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## Appendix 1 – Proposed Independent Auditor’s Report on the Financial Report

### To the members of The City of Unley

#### Opinion

We have audited the accompanying financial report of The City of Unley (the Council), which comprises the statements of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Council Certificate of The City of Unley.

In our opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of the Council as at 30 June 2019, and its financial performance and its cash flow for the year then ended in accordance with the Australia Accounting Standards, *Local Government Act 1999* and *Local Government (Financial Management) Regulations 2011*.

#### Basis for Opinion

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

#### Council’s Responsibility for the Financial Report

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

In preparing the financial report, Council is 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 Council either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Council’s financial reporting process.

#### Auditor’s Responsibility for the Audit of the Financial Report

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



be expected to influence the economic decision of users taken on the basis of this financial report.

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

- Identify and assess the risk of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the financial report in order to design procedures that are appropriate in the circumstances, but for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of Council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

#### **GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS**

**Tim Muhlhausler** CA Registered Company Auditor  
Partner

Date:



## Appendix 2 – Proposed Independent Auditor’s Report on the Internal Controls

To the members of The City of Unley

### Independent Assurance Report on the Internal Controls of The City of Unley

#### Opinion

We have audited the compliance of The City of Unley (the Council) with the requirements of Section 125 of the *Local Government Act 1999* in relation only to the internal controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2018 to 30 June 2019 have been conducted properly and in accordance with the law.

In our opinion, The City of Unley has complied, in all material respects, with Section 125 of the *Local Government Act 1999* in relation to internal controls established by the Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2018 to 30 June 2019.

#### Basis for Opinion

We conducted our engagement in accordance with applicable Australian Standards on Assurance Engagement ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE 3150 *Assurance Engagement on Controls*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the *Local Government Act 1999* in relation only to the internal controls specified above for the period 1 July 2018 to 30 June 2019. ASAE 3000 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

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

#### The Council’s Responsibility for Internal Controls

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

#### Our Independence and Quality Control

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

**Auditor's responsibility**

Our responsibility is to express an opinion on the Council's compliance with Section 125 of the *Local Government Act 1999* in relation only to the internal controls established by the Council to ensure that financial transactions relating to receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Information* and ASAE 3150 *Assurance Engagements on Controls*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the *Local Government Act 1999* in relation only to the internal controls specified above for the period 1 July 2018 to 30 June 2019. ASAE 3000 also requires us to comply with the relevant ethical requirements for the Australian professional accounting bodies.

**Limitations of Controls**

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

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

**Limitation of Use**

This report has been prepared for the members of the Council in accordance with section 129 of the *Local Government Act 1999* in relation to the internal controls specified above. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the members of the Council, or for any purpose other than that for which it was prepared.

**GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS**

**Tim Muhlhausler** CA Registered Company Auditor  
Partner

Date:



## Appendix 3 – Statement by Auditor

I confirm that, for the audit of the financial statements of The City of Unley for the year ended 30 June 2019, I have maintained my independence in accordance with the requirements of APES 110 – *Code of Ethics for Professional Accountants*, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

### **GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS**

**Tim Muhlhausler** CA Registered Company Auditor  
Partner

Date:

## Appendix 4 – Better Practice Model (BPM) Risks

The risks outlined below are the main BPM risks addressed when determining our audit approach / response as described in section 2 of this report.

Business Cycles	Risk REF	Risks
Rates	RA1	Council does not raise the correct level of rate income
	RA2	Rates and rate rebates are either inaccurately recorded or not recorded at all
	RA3	The property master file data does not remain pertinent
	RA4	Rates are not collected on a timely basis
User Pay Income / Fee for services	US1	The fee charged does not reasonably reflect the value of the services provided
	US2	Council does not apply User Pay principles consistently
	US3	User pay income is either inaccurately recorded or not recorded at all
Investment / Interest Income	II1	Investment income is either inaccurately recorded or not recorded at all
Other Revenue	OR1	Other revenue is either inaccurately recorded or not recorded at all
Grants	GR1	Council loses recurrent grant funding to provide existing services
	GR2	Grant funding is not claimed by Council on a timely basis or not claimed at all
	GR3	Grants are either inaccurately recorded or not recorded at all
Receipting	RE1	Receipts are either inaccurately recorded or not recorded at all
	RE2	Receipts are not deposited at the bank on a timely basis
Purchasing & Procurement	PP1	Council does not obtain value for money in its purchasing and procurement
	PP2	Purchase of goods and services are made from non-preferred suppliers
	PP3	Purchase orders are either recorded inaccurately or not recorded at all
	PP4	Purchase orders are made for unapproved goods and services
	PP5	Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file
Payroll	PA1	Payroll expense is inaccurately calculated
	PA2	Payroll disbursements are made to incorrect or fictitious employees
	PA3	Time and/or attendance data is either invalid, inaccurately recorded or not recorded at all
	PA4	Payroll master file does not remain pertinent and/or unauthorised changes are made to the payroll master file.
	PA5	Voluntary and statutory payroll deductions are inaccurately processed or without authorisation
	PA6	Employees termination payments are not in accordance with statutory and enterprise agreements
Credit cards	CC1	Credit cards are issued to unauthorised employees
	CC2	Credit cards are used for purchases of a personal nature
	CC3	Credit card limits are set at inappropriate levels





Business Cycles	Risk REF	Risks
Other Expenses	OE1	Other expenses are invalid, inaccurately recorded or not recorded at all
Contracting	CO1	Council is not able to demonstrate that all probity issues have been addressed in the Contracting process
	CO2	Council does not obtain value for money in relation to its Contracting
	CO3	Commitments are made for unapproved goods and services
Banking	BA1	Banking transactions are either inaccurately recorded or not recorded at all
	BA2	Fraud (i.e. misappropriation of funds)
Investments	IN1	Council makes poor investment decisions
	IN2	Investment transactions are either not recorded or are recorded inaccurately
	IN3	Investment income is inaccurately calculated or not recorded in the appropriate period
Debtors	DE1	Debtors are either inaccurately recorded or not recorded at all
	DE2	Rebates and credit notes to debtors are either inaccurately recorded or not recorded at all
	DE3	An appropriate provision for doubtful debts is not recorded
	DE4	Debtors are either not collected on a timely basis or not collected at all
	DE5	The Debtors master file data does not remain pertinent.
Fixed Assets	FI1	Fixed asset acquisitions, disposals and write-offs are fictitious, inaccurately recorded or not recorded at all. Fixed Asset Register (FAR) does not remain pertinent
	FI2	Fixed assets are inadequately safeguarded
	FI3	Fixed assets are not valued correctly initially or on subsequent revaluation
	FI4	Depreciation charges are either invalid, not recorded at all or are inaccurately recorded which includes inappropriate useful lives and residuals
	FI5	Fixed asset maintenance and/or renewals are inadequately planned
Prepayments	PR1	Prepayments are either inaccurately recorded or not recorded at all
Loans to Community groups	LO1	Loans to community groups are inaccurately recorded or not recorded at all
Accounts Payable	AP1	Accounts payable amounts and disbursements are either inaccurately recorded or not recorded at all
	AP2	Credit notes and other adjustments to accounts payable are either inaccurately recorded or not recorded at all
	AP3	Disbursements are not authorised properly
	AP4	Accounts are not paid on a timely basis
	AP5	Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file
Accrued Expenses	AE1	Accrued Expenses are either inaccurately recorded or not recorded at all
Borrowings	BO1	Borrowings are either not recorded or are recorded inaccurately
	BO2	Loans are taken out without appropriate approval



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Business Cycles	Risk REF	Risks
	BO3	Loans are not repaid in accordance with agreed terms
	BO4	Loan repayments are not recorded at all or are recorded inaccurately
Employee Provisions	EP1	Employee provisions are either inaccurately recorded or not recorded at all
Taxation	TA1	Tax liabilities are either inaccurately recorded or not recorded at all

## Appendix 5 – Risk Ratings

The audit findings identified during our interim audit documented in our interim management letter and in section 4 of this report were rated as follows:

Category	Description
Potential Material Weaknesses	The issue described could lead to a material weakness in the council's internal controls and non-compliance with s125 of the Local Government Act.
Moderate Weaknesses	The issue described does not represent a material weakness due to the existence of compensating controls. However, the failure of the compensating controls or the existence of any other moderate weakness within the same business cycle may lead to a material weakness in the council's internal controls and non-compliance with s125 of the Local Government Act.
Low Risk Weaknesses	The issue described is a low risk weakness due to the existence of compensating controls and/or the failure or absence of the internal controls does not impact significantly on the council's financial risk. However, multiple low-level risk weakness within the same business cycle may lead to a material weakness in the council's internal controls and non-compliance with s125 of the Local Government Act.
Better Practice Weaknesses	The issue described has been included in this report as an opportunity for better practice.



## The City of Unley

### General Purpose Financial Statements

for the year ended 30 June 2019

### Statement by Auditor

I confirm that, for the audit of the financial statements of The City of Unley for the year ended 30 June 2019, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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



---

Tim Muhlhauser  
Galpins

Dated this 6th day of November 2019.



## The City of Unley

### General Purpose Financial Statements for the year ended 30 June 2019

### Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of The City of Unley for the year ended 30 June 2019, the Council's Auditor, Galpins has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

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Peter Tsokas  
**CHIEF EXECUTIVE OFFICER**

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David Powell  
**PRESIDING MEMBER, AUDIT COMMITTEE**

**Date:**









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## From the Chair

It is a pleasure and a privilege to Chair the Centennial Park Board. Centennial Park is so much more than a cemetery for mourning, it is a place that connects people through a rich tapestry of beautiful gardens, services, events and stories.

### **2018/19 has seen many great achievements including:**

- Several improvements to the Park to enhance the experience of visitors including upgraded climate control in the Jubilee Complex, enhancements to the Children's areas, improved traffic management, landscaping in memorial gardens and improved accessibility through the purchase of electric buggies.
- A successful collaboration with owner councils to achieve cost efficiencies for many of our essential services such as waste management, cleaning and audit services.
- The ongoing commitment to reduce our environmental impact through the replacement of old technology and equipment, and use of renewable energy.
- Achieved an agreement between the Board, owner councils and auditors on how to implement changes to Australian Accounting Standards.
- Enhanced our community engagement through an effective Community Engagement program including hosting community and well-being events.
- Reaching an important milestone with plans for the Café and function spaces being submitted to Mitcham Council for approval. This successful completion of the project will enable us to continue to meet the changing needs of our families and the broader community into the future.



**Geoff Vogt**  
– Chair

This year we saw several changes to the Board composition due to council elections. I take this opportunity to extend a warm welcome to our new members – Jane Russo and Michael Rabbitt representing the City of Unley, and Karen Hockley and David Munro representing the City of Mitcham. I would also like to thank our outgoing Board members Peter Hughes, Luke Smolucha, Glenn Spear and Adriana Christopoulos as well as our Interim Board members Peter Tsokas, Heather Holmes-Ross and Matthew Pears. Their collaborative and constructive approach to their duties as Board members is to be commended.

Thank you to CEO Janet Miller for her continued dedication and outstanding leadership throughout the year. Janet leads a dedicated team who continue to deliver on our Strategic Plan (2017 – 2022), developed to ensure Centennial Park will continue to operate commercially and meet the changing needs of the community. They do so with a demonstrable commitment to our values of compassion, inclusion, excellence and innovation. We are proud to share our progress towards our strategic priorities in this report.

It is particularly pleasing to report that Centennial Park generated an operating surplus of \$204k, after payment of a liability guarantee fee to each of the owner councils. This result is \$40k better than the prior year and demonstrates excellent financial management by the Centennial Park team. Importantly the surplus provides financial security for the long term future of the Park and assurance that the cost of maintaining the memorials and grounds at a high standard in accordance with our memorial and burial rights contractual commitments.

## From the CEO

I would like to thank the team at Centennial Park, and the Board, for their support and continued hard work and dedication this year. There has been a strong commitment to the delivery of our Strategic Plan 2017-2022, which is helping us prepare to serve the communities of the future better.

Ours is a growing responsibility as thousands of families continue to choose Centennial Park as the final resting place for their loved ones. To ensure the Park continues to meet expectations, a balance of compassion and diligent financial and commercial management is required.

As a self-funding commercial enterprise, we are subject to competition and market pressures like any other business. With a clear focus on operational excellence, innovation and establishing meaningful community connections, we are progressing towards our goal of being South Australia's pre-eminent end of life resting place.

We welcomed a new member of our Senior Management team this year, Nadia Andjelkovic as Manager of Corporate Services. Nadia has overseen the day to day operations of Finance, ICT and Records Management as well as overseeing special projects such as the Server and Technology Infrastructure Upgrade and the procurement of a new Cemetery Management System. She has done so with professionalism and great diligence.

When it comes to funerals and memorialisation, families have many choices. Our facilities and processes are the best, and we ensure those that come into our care are treated with dignity and respect every step of the way. We are fully transparent about all our operations, including our crematorium and invite people to come behind the scenes and learn more by joining our regular guided tours.

We continue to advocate for the importance of memorialisation. This can mean different things to different people, but research has shown that rituals such as funeral services and memorials are important in helping us move through grief. A memorial provides an emotional and physical anchor point for those left behind.



Janet Miller  
– CEO

**This year we have undertaken several projects to improve the experience of visitors, including:**

- A state-of-the-art cremator in our crematorium. The new cremator uses the latest technology and is the first of its kind in the country. It is more energy-efficient and provides improved ergonomics for operators.
- Upgraded the climate control system in the Jubilee Chapels Complex to provide a comfortable environment year-round for people attending services and functions within the chapels.
- We have made many enhancements to our children's memorial areas culminating in beautiful and whimsical areas where families can reflect upon lives lost too soon. Improvements include additional seating, gazebos, new plants and garden art.
- We have undertaken a server and technology infrastructure upgrade to ensure the stability and efficiency of our business systems.
- The tender to replace our Cemetery Management System was completed in November 2018. A detailed evaluation process followed, which considered replacing the current system against upgrading the current system. A supplier is expected to be appointed in 2019 with the system planned to go live in 2020.

Our café project continued to progress this year with the appointment of an architect. Conceptual plans were drafted and submitted to Mitcham Council for planning approval. We aim to appoint a builder and have construction underway this coming year. All things going well, we anticipate the café to be completed and operating by December 2020.

We have continued to improve our engagement with the community through media, social media, Park Life (our e-newsletter) and by hosting community events. Our events are always respectful of those memorialised here and the families and friends who visit. We warmly invite the community to come and enjoy the stunning botanical gardens and other facilities that we offer. Events this year included a children's book launch for The Present Box, a celebration to acknowledge Wally Shiers and his contribution to the Epic Flight, Mother's Day and Father's Day events, Christmas Carols and an outdoor sculptural exhibition in our gardens, in partnership with SALA.

In 2018 – 19, we collaborated with students from Torrens University to explore the memorialisation for the homeless. At Centennial Park, we believe all lives have worth and we recognise the need to remember the lives of those who are homeless and who may have lost touch with those who will mourn their loss and remember them. As a result of the research, we will be considering how Centennial Park can acknowledge the homeless and assist in their remembrance.

The team and I are looking forward to the year ahead as we continue to work towards delivering our strategic objectives and continue to provide the best possible service to our families and visitors.

## OUR KEY STAKEHOLDERS

Centennial Park works with a diverse range of internal and external stakeholders. We value their contribution in helping us to continue to provide quality services and a beautiful space for the community to use.



Families



Funeral directors



Celebrants



Suppliers



Employees



Local residents



Monumental masons



Cultural, religious and special interest groups



Local government



Community groups



AT A GLANCE

**684**  
BURIALS 

**3,502**  
CREMATIONS 

  
**53**  
EMPLOYEES

  
**1,524**  
MEMORIAL  
APPOINTMENTS

  
**150+**  
VARIETIES  
OF ROSES

  
**1,500**  
SQUARE METRES  
OF LAWN

  
**1,325** FUNERAL  
SERVICES

  
**3,500**  
TREES PLANTED

  
**19**  
COMMUNITY  
EVENTS  
**1,795**  
ATTENDEES

**40** HECTARES  
OF GARDENS  
MAINTAINED 

**500,000**  
PARK VISITORS PER YEAR 

  
**338**  
JOINED A  
BEHIND THE  
SCENES TOUR

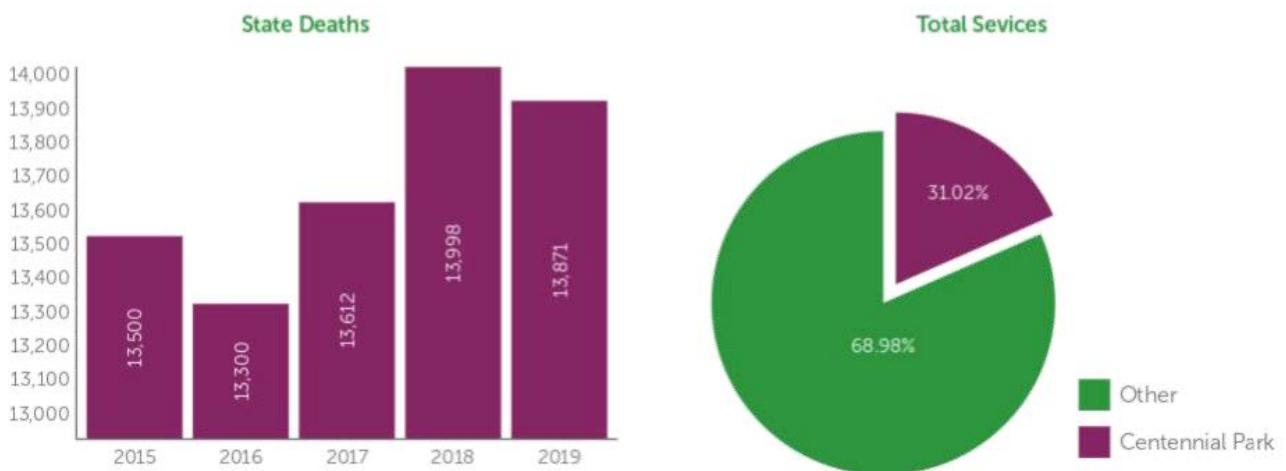


# Operating environment

The provision of burial and cremation services, memorialisation of loved ones, memorial service spaces and after service gatherings are our core business activities. We undertake these activities with compassion, sensitivity and dignity.

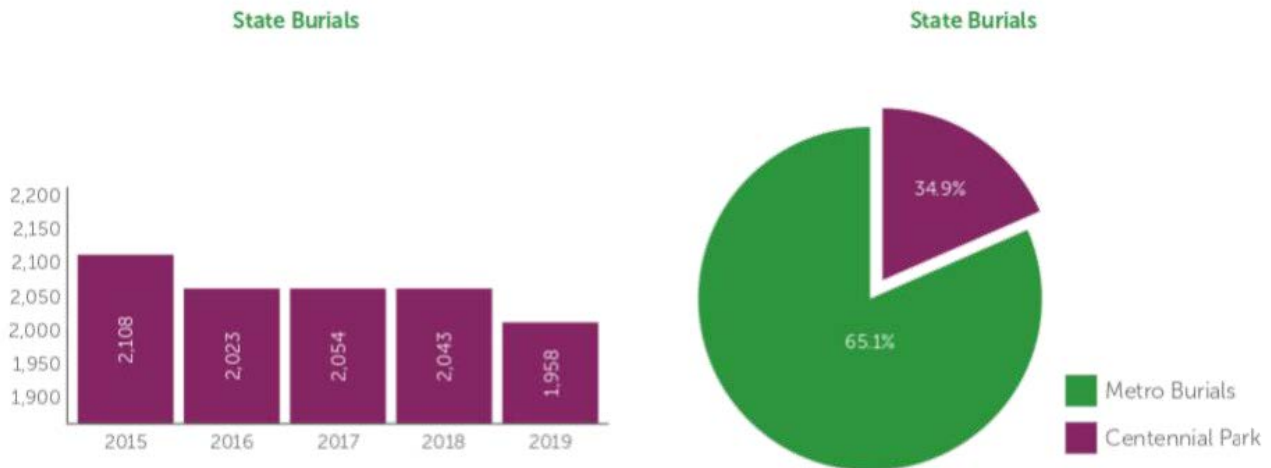
### State deaths

There was a slight decrease in deaths in South Australia during 2018/19. Centennial Park continues to provide a burial or cremation service for 31% of all recorded deaths in the state.



### Burials

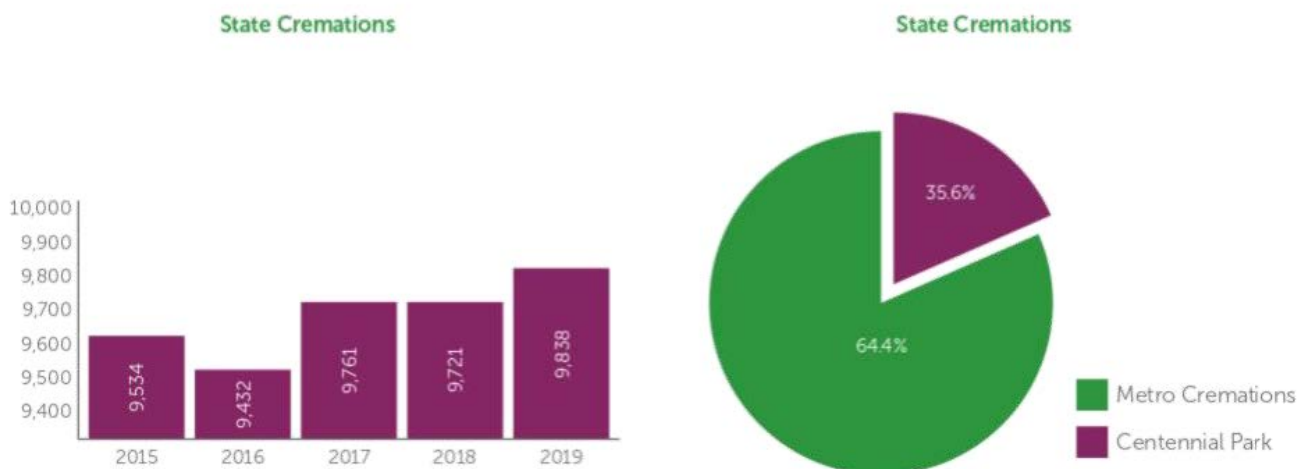
This period, there were 684 burials at Centennial Park, representing 34.9% of all metropolitan burials. This is a slight decline from the previous period, which is in line with the trend towards choosing cremation over burial.



### Cremations

A total of 3,502 cremations occurred at Centennial Park during 2018/19, representing 35.6% of all cremations in South Australia.

Cremations continue to be the preferred choice over burials across the state. Centennial Park continues to maintain the largest market share of all crematoria in South Australia. This success is a reflection of our premium service and facilities.



# Progress on Strategic Priorities

## PRIORITY 1: MAXIMISE OUR EXISTING ASSETS

### Cremator replacement upgrade

Centennial Park strives to be an industry leader and ensuring we continue to enhance and upgrade our infrastructure is a critical component of our strategy. In 2018/19, we replaced one of the three existing TABO Cremators with a state of the art Facultatieve Technologies FTIII Dual End Cremator.

This new cremator is the first of its kind in Australia and utilises the latest technology to improve efficiency and reduce maintenance. We anticipate energy savings will be achieved in the crematorium of a result of replacing the older high revolution furnace and ejector fans with new highly efficient variable speed fans.

### Jubilee Complex - upgraded climate control

To improve the comfort of guests attending funeral services and events in our award-winning Jubilee Complex, a significant upgrade to the air-conditioning and ducting system has been completed. The old evaporative-boiler system has been replaced with a fully ducted reverse-cycle system allowing us to effectively control the climate within all areas of the building.

"Two wonderful hours spent walking around your beautiful wonderful peaceful park. It is a credit to you all. Please pass on my congratulations to your Gardeners"  
— Susan



#### **Landscaping & beautifying our park**

We are continually working to keep our Park looking beautiful. We have completed several projects during the year including:

- Improvements to Children's areas including new landscaping, colourful plants, installation of garden art and covered seating areas. Granite beams for plaques to be mounted on have replaced the concrete beams and each grave has a pebble section for tributes to be placed.
- Levelling pathways within our cemetery grounds to offer improved access in all weather conditions.
- Installed 21 new beams, upon which headstones are placed, in Orthodox C, Catholic H and Acacia E areas to ensure we can continue to meet the demand for burial positions.
- Brick edges have been installed around several garden beds to help reduce the number of bare earth edges. This has improved the garden aesthetics and helped reduce the grounds maintenance work.

- Ensuring our staff have the tools required to keep Centennial Park looking as good as it does is very important to us. We carefully manage our fleet of vehicles and heavy machinery and this year introduced a rubber tracked excavator, beavertail truck and transfer van.
- Innovative storage options were introduced to the Operations Complex to help improve operational efficiency and protect our equipment.

#### **Traffic Monitoring**

Monitoring the number of visitors to our beautiful Park helps us manage our assets better. This year we have purchased and installed road traffic counters at each of our entrances. These have also allowed us to complete a traffic management plan, install new signage & improve line marking throughout the Park.

# Progress on Strategic Priorities

## PRIORITY 2: IMPROVE COMMUNICATION & ENGAGEMENT WITH OUR COMMUNITY

We continue to engage with the broader community by staging events and celebrations that embrace life, art, culture, horticulture, music and much more. These events and activities encourage a sense of connection to Centennial Park among the community and contribute to our goal of demystifying cemeteries. Below are just some of the highlights from the year.

### Creating Community Conversations

We have developed a dedicated program of events and seminars to engage with a diverse range of community groups. Under this program, we have also conducted research to gain a better understanding of the expectations and customs of different cultural groups

With the support of DBH and MT Lawyers, we conduct free planning ahead seminars to provide information about wills and estate planning, advanced care directives, powers of attorney and pre-planned funeral arrangements.

We provide personalised bus and walking tours of the gardens and facilities at Centennial Park for a wide range of community groups as well as the general public. These increasingly popular tours are an excellent opportunity for us to not only showcase our gardens and facilities but to educate the community about the inner workings of a cemetery, including our crematorium.

### Sculptures in the Park

In December the sculpture at the main entrance, Connection, was unveiled. It is a stunning sculpture - a beautifully emotive representation of all that Centennial Park stands for. The piece received considerable public attention, including coverage in The Advertiser.

During August, our stunning grounds were once again transformed into a sculptural walk as part as the SALA festival. We were pleased to have 18 sculptures throughout the gardens to attract visitors to contemplate life and art in the gardens.



### Share the Dignity

Centennial Park partnered with Share the Dignity as a registered drop-off point for their "It's in the Bag" Christmas campaign. The initiative aimed to collect and distribute handbags filled with personal hygiene products and everyday luxuries to homeless women, women at risk and women experiencing domestic violence. We received an overwhelming response with 190 bags donated. As a result of this campaign partnership we received an abundance of positive social media engagement and feedback from the community.

### Embracing Life Program

A wellness program, Embracing Life, was launched this financial year, to help us spread the message that there is life inside the gates of Centennial Park. This program allows us to create a connection to the Park via community inclusion and cultural diversity. We have partnered with local businesses and cultural groups to offer free wellness activities to the public, including Tai Chi, Yoga, Walking Meditation and Vedic Meditation. The program is still in its infancy and continues to develop.

"Thank you to  
Tammy, and Evelyn  
of Yogita Yoga, for the  
pleasant experience on the  
lush green lawns, under those  
huge shady trees, as we  
stretched and breathed in  
the rose perfumed air"  
— Lynn

# Progress on Strategic Priorities

## PRIORITY 3: GROW THROUGH INNOVATION

### Environmental Performance

We are continually looking at new and innovative ways to reduce our overall environmental footprint at Centennial Park. Since 2007/08, we have instigated annual audits of our greenhouse gas (GHG) emissions and purchased certified carbon credits to offset those emissions we cannot eliminate.

Our most recent independent audit was commissioned by Pangolin Associates to conduct a comprehensive assessment of the greenhouse gas (GHG) emissions accountable to the operations of Centennial Park Cemetery Authority for the financial year FY 2017/18.

### New Pricing Structure for Services

This year we introduced a new pricing structure for our chapel services. Mid-week services are now offered at a discounted rate to try to smooth demand across the week and also provide an option for the more budget-conscious families.

This year our estimated net total carbon emissions decreased by 13.9% from the previous period. In comparison to the base year of 2007/08, overall emissions have reduced by 42.5% (677.8 tonnes). Utilities remain the most significant contributor to our GHG emissions at 64.2% of gross emissions, primarily due to natural gas consumption in our crematorium operations.

### Ceremonial Viewings and Rosaries

We now offer viewings in the Mawson Chapel the day before a service. The Mawson Chapel is larger than our Viewing Room, allowing for ceremonial viewings and gatherings to spend time with their loved one together before burial.





#### **Electric Buggies for Visitors**

We have invested in two electric buggies, each accommodating five passengers, to show people around the gardens. The open-air buggies allow us to drive visitors with reduced mobility along garden pathways so they can comfortably experience all areas of the gardens. We also use these buggies for our regular Behind the Scenes Tours showcasing our facilities

#### **Community Partnerships**

We partner with several not-for-profit organisations to help us maintain and improve our facilities.

#### **Bedford Group**

Local disability and support services provider, Bedford Group, help us to maintain our grounds. Bedford employees learn new skills and gain hands-on experience while working in our gardens. It helps us to expand our workforce on demand during busy periods in the park.

#### **Urrbrae TAFE**

Our gardens become a classroom for Urrbrae TAFE students who gain practical experience pruning our roses under the supervision of their lecturers. Rose pruning is one of the biggest tasks in the garden during the year, and we are pleased to be part of this mutually beneficial arrangement.

#### **Trees for Life**

As part of our commitment to a sustainable environment, we have planted 1,900 native trees and shrubs along the boundary of the Park. These plants were provided as tube stock by Trees for Life as part of our annual membership. Native plants are a vital part of our gardens; they add colour and texture and attract native fauna and bees.

# Progress on Strategic Priorities

## PRIORITY 4: STRENGTHEN ORGANISATIONAL CAPACITY

### Information & Communications Technology

Our business is increasingly relying on Information & Communications Technology. A number of key initiatives were undertaken this year to ensure our systems can carry us into the future and equip us to provide a better user experience for staff and customers. These initiatives included:

- Commenced planning for the replacement of our Cemetery Management System which is our core software system. Ensuring we safeguard our data and leverage contemporary system architecture to improve work practices and ultimately, the service we provide to our customers and stakeholders.
- Replaced our IT infrastructure hardware to improve performance and capacity to meet our current and future needs. This has increased our data security and reduced downtime, resulting in a better experience for our employees and customers.
- Upgraded our electronic records management software to ensure we continue to receive system support and meet our compliance requirements.
- Upgraded our desktop hardware and software resulting in improved efficiencies, workplace flexibility and a more stable technology environment.
- Planning for the migration to the cloud-based Office 365 which will increase availability and capacity of systems.

### People & Culture

A high performing team culture is essential to achieving our vision. Our departmental business and action plans continue to underpin the objectives of the broader strategic plan, and our values drive our decisions, actions and behaviours.

This year we have implemented a new Performance Development Review (PDR) framework, with our values at the forefront in the way we view strong performance and achievement. This new framework will ensure that we effectively recognise the contributions of all team members in attaining our strategic objectives and provide a mechanism to discuss feedback, challenges, professional development and career aspirations. It will also ensure that our core values are the principles by which we conduct business as individuals and as an organisation.

We recognise that establishing and sustaining long-term high-performance centres around the capacity of our team and the culture we foster. We therefore continue to explore ongoing professional development opportunities that strengthen our leadership capacity and the expertise of our team members.

This year we have had a strong focus on mental health in the workplace and have commenced the roll-out of Mental Health First Aid training across the organisation. This will continue to be a focus for the business, as will other complementary programs that support the well-being of our team and customers.

We continue to review our resourcing needs to ensure that we respond and adapt to the needs of customers while anticipating future needs.



### Work Health & Safety

In line with our broader culture of care and compassion, Centennial Park takes seriously its responsibility to provide a safe and healthy working environment. Our goal is to eliminate, where possible, the risk of accident or incident, customer complaints and work-related injuries.

To continue to measure our performance in Work Health Safety and Injury Management against the key performance indicators set out by the LGAWCS in November 2017. The next review is scheduled for October 2019.

To foster general good health among our employees, we continue to offer the CHG Healthy Lifestyle Program.

The below table summarises our WHS data for the last 5 years:

Indicator	FY18/19	FY 17/18	FY 16/17	FY 15/16	FY 14/15
Number of injuries resulting in lost time at work	3	0	0	0	1
Lost days due to injury	3	0	0	0	73
Number of accidents/incidents reported	27	36	46	44	43
Number of hazards reported	4	7	9	12	10
Number of workplace inspections completed	12	12	12*	23	23
Attendance record at WHS Committee meetings	875%	89%	89.5%	96%	89%

\*Following the completion of a formal risk assessment, the frequency of workplace inspections were reduced from bimonthly in all areas to 6 monthly in low-risk areas and quarterly in medium-risk areas.

## The Board

The Centennial Park Cemetery Board is our main decision-making body and is comprised of seven members – two members from each of the constituent councils and three independent members.

Each board member contributes unique skills as well as considerable commercial or local government experience. This ensures robust discussion, sound strategic decision-making, and high levels of transparency, accountability and corporate governance. All board members are active in their attendance at meetings and on committees to ensure they keep abreast of industry and other developments for the continual improvement of the Park.

Council Elections held during 2018/19 saw the departure of four board members and the appointment for four new board members. We thank the outgoing and interim board members for their service and welcome our new board members.

### CURRENT BOARD MEMBERS



**Geoff Vogt**  
(Chair since July 2017 –  
appointed to the Board June 2011)



**Andrew Kay**  
(Independent –  
appointed April 2017)



**Amanda Heyworth**  
(Independent –  
appointed July 2017)



**Jane Russo**  
(City of Unley –  
appointed February 2019)



**Michael Rabbitt**  
(City of Unley –  
appointed February 2019)



**Karen Hockley**  
(City of Mitcham –  
appointed February 2019)



**Dave Munro**  
(City of Mitcham –  
appointed February 2019)



**PREVIOUS BOARD MEMBERS**

**Peter Hughes**  
(City of Unley appointed  
January 2017 – February 2019)

**Luke Smolucha**  
(City of Unley appointed January  
2015 – November 2018)

**Glenn Spear**  
(City of Mitcham appointed  
June 2016 – November 2018)

**Adriana Christopoulos**  
(City of Mitcham appointed  
November 2014 – November 2018)

**INTERIM BOARD MEMBERS**

**Peter Tsokas**  
(City of Unley appointed  
November 2018 – February 2019)

**Heather Holmes-Ross**  
(City of Mitcham appointed  
November 2018 – February 2019)

**Matthew Pears**  
(City of Mitcham appointed  
November 2018 – February 2019)

**Board/ Committee Member Meeting Attendance**

Board /Committee Member	Committee	Meeting Attendance
A Heyworth	Audit & Risk Management (Chair)	4/4
A Kay	Audit & Risk Management	3/4
G Martinella (Independent)	Audit & Risk Management	3/4

**Board Member Meeting Attendance**

Board Member	Meeting Attendance
G Vogt (Chair)	10/10
A Kay	10/10
A Heyworth	8/10
A Christopoulos	2/3
L Smolucha	3/3
G Spear	2/3
P Hughes	5/5
H Holmes-Ross (interim BM)	1/1
M Pears (interim BM)	0/1
P Tsokas (interim BM)	1/2
J Russo	5/5
M Rabbitt	5/5
K Hockley	6/6
D Munro	6/6

## Financial Performance

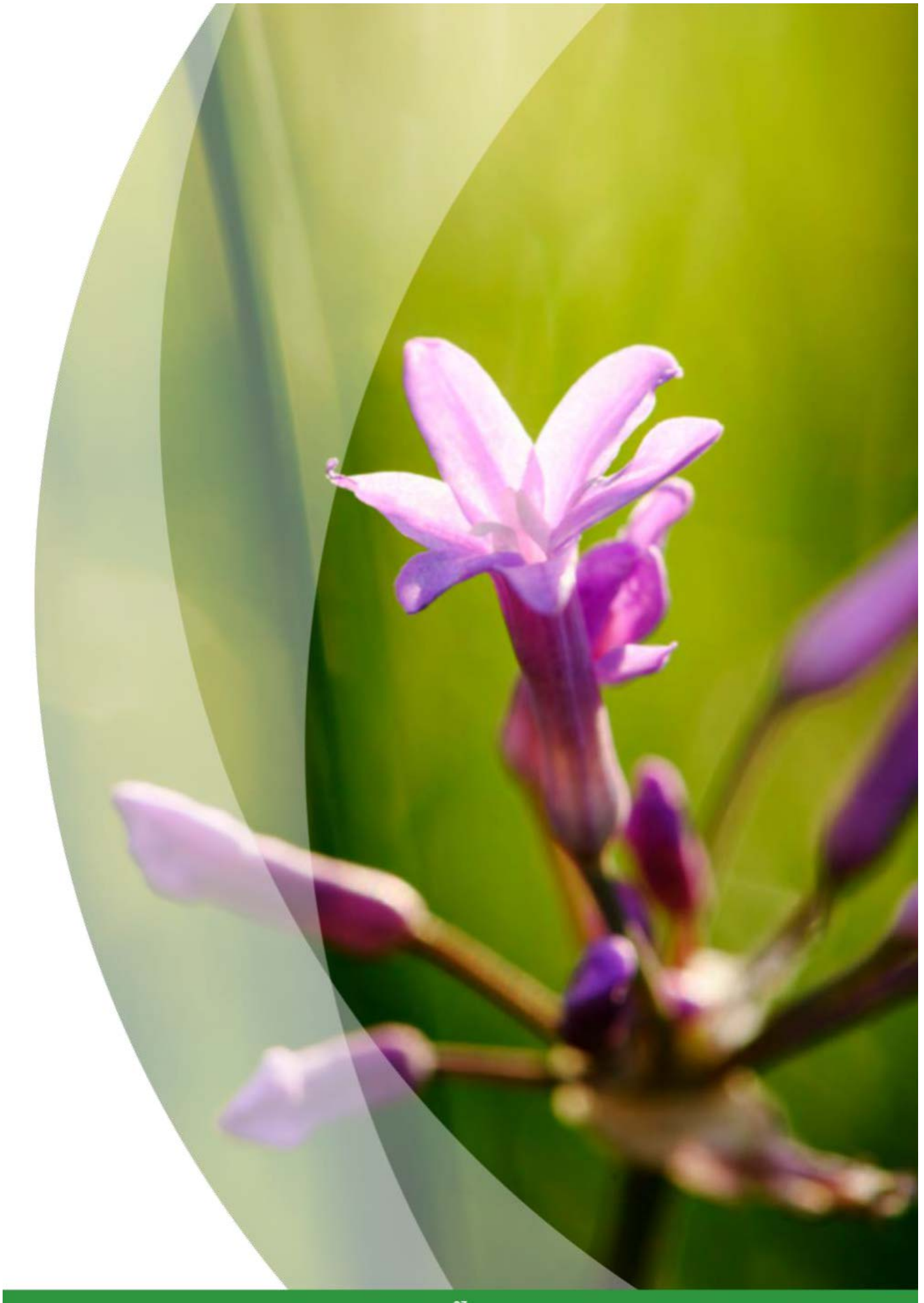
The Authority once again recorded an operating surplus. The final result of \$204K was \$40k better than the previous period, a 24% improvement.

The Liability Guarantee Fee paid to the owner Councils was \$626K in total, which is 2% more than last year.

Before the payment of Liability Guarantee Fee, the result for the year was \$830K, resulting in a net operating surplus of 8% of revenue.

Cash at Bank is \$9.7M, which is much higher than budgeted due to capital works occurring at a slower rate than initially forecasted.

A complete set of audited general purpose financial reports follows in this Annual Report.





# ANNUAL ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2019

**Centennial Park Cemetery Authority**

760 Goodwood Road, Pasadena, South Australia 5042

Telephone: (08) 8276 6011 – Facsimile (08) 8275 2266

Email: [enquiry@centpark.org.au](mailto:enquiry@centpark.org.au)

Website: [www.centennialpark.org.au](http://www.centennialpark.org.au)



# CENTENNIAL PARK CEMETERY AUTHORITY GENERAL PURPOSE FINANCIAL REPORTS

FOR THE YEAR ENDED 30 JUNE 2019

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# CENTENNIAL PARK CEMETERY AUTHORITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

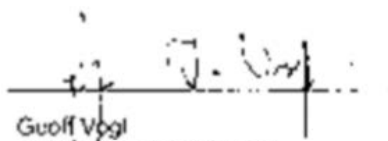
### CERTIFICATION OF FINANCIAL STATEMENTS

We have been authorised by the Centennial Park Cemetery Authority to certify the financial statements in their final form. In our opinion:

- The accompanying financial statements comply with the *Local Government Act 1999*, *Local Government (Financial Management) Regulations 2011* and the Australian Accounting Standards.
- The financial statements present a true and fair view of the Authority's financial position at 30 June 2019 and the results of its operations and cash flows for the financial year.
- Internal controls implemented by the Authority provide a reasonable assurance that the Authority's financial records are complete, accurate and reliable and were effective throughout the financial year.
- The financial statements accurately reflect the Authority's accounting and other records.



Jonel Miller  
CHIEF EXECUTIVE OFFICER



Geoff Vogl  
CHAIR OF THE BOARD

Dated this 2<sup>nd</sup> day of August 2019

# CENTENNIAL PARK CEMETERY AUTHORITY

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$	2018 \$
<b>Income</b>			
User charges - Sales	2	10,723,617	10,238,964
Investment income	2	249,173	248,883
<b>Total Income</b>		<b>10,972,790</b>	<b>10,487,847</b>
<b>Expenses</b>			
Employee costs	3	4,645,568	4,368,239
Materials, contracts & other expenses	3	4,528,403	4,512,534
Depreciation, amortisation & impairment	3	1,594,475	1,490,169
<b>Total Expenses</b>		<b>10,768,446</b>	<b>10,370,942</b>
<b>Operating Surplus / (Deficit)</b>		<b>204,345</b>	<b>116,905</b>
Net gain (loss) on disposal or revaluation of assets	4	(231)	47,130
<b>Net Surplus / (Deficit)</b>		<b>204,114</b>	<b>164,035</b>
<b>Other Comprehensive Income</b>			
Changes in revaluation surplus	9	-	-
<b>Total Other Comprehensive Income</b>		<b>-</b>	<b>-</b>
<b>Total Comprehensive Income</b>		<b>204,114</b>	<b>164,035</b>

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies

# CENTENNIAL PARK CEMETERY AUTHORITY

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	2019 \$	2018 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	9,713,151	9,796,520
Trade & Other Receivables	5	871,642	850,275
Inventories	5	857,131	896,377
<b>Total Current Assets</b>		<b>11,441,924</b>	<b>11,543,172</b>
<b>Non-Current Assets</b>			
Infrastructure, Property, Plant & Equipment	7	36,696,943	36,404,152
Other Non-current Assets	6	495,086	569,152
<b>Total Non-current Assets</b>		<b>37,192,029</b>	<b>36,973,304</b>
<b>TOTAL ASSETS</b>		<b>48,633,953</b>	<b>48,516,476</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & Other Payables	8	2,147,375	2,307,824
Provisions	8	596,800	533,701
<b>Total Current Liabilities</b>		<b>2,744,175</b>	<b>2,841,525</b>
<b>Non-Current Liabilities</b>			
Provisions	8	14,608,865	14,631,636
<b>Total Non-current Liabilities</b>		<b>14,608,865</b>	<b>14,631,636</b>
<b>TOTAL LIABILITIES</b>		<b>17,353,040</b>	<b>17,473,161</b>
<b>Net Assets</b>		<b>31,280,913</b>	<b>31,043,315</b>
<b>EQUITY</b>			
Contributed Equity		48,702	48,702
Accumulated Surplus		7,888,780	7,684,666
Asset Revaluation Reserve	9	23,227,097	23,227,097
Other Reserves	9	116,334	82,850
<b>Total Authority Equity</b>		<b>31,280,913</b>	<b>31,043,315</b>

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies

# CENTENNIAL PARK CEMETERY AUTHORITY

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Accumulated Surplus \$	Asset Revaluation Reserve \$	Other Reserves \$	Contributed Equity	TOTAL EQUITY \$
<b>2019</b>						
Balance at end of previous reporting period		7,684,666	23,227,097	82,850	48,702	31,043,315
<b>Restated opening balance</b>		<b>7,684,666</b>	<b>23,227,097</b>	<b>82,850</b>	<b>48,702</b>	<b>31,043,315</b>
<b>Net Surplus / (Deficit) for Year</b>		204,114	-	-	-	204,114
<b>Other Comprehensive Income</b>						
Gain (loss) on Revaluation of I, PP & E						
Impairment / Recoupments offset to asset revaluation reserve	9			33,484	-	33,484
Transfers to Reserves						
<b>Balance at end of period</b>		<b>7,888,780</b>	<b>23,227,097</b>	<b>116,334</b>	<b>48,702</b>	<b>31,280,913</b>
<b>2018</b>						
Balance at end of previous reporting period		7,520,631	23,227,097	30,769	48,702	30,827,199
<b>Net Surplus / (Deficit) for Year</b>		164,035	-	-	-	164,035
<b>Other Comprehensive Income</b>						
Gain (loss) on Revaluation of I, PP & E						
Impairment / Recoupments offset to asset revaluation reserve				52,081	-	52,081
<b>Balance at end of period</b>		<b>7,684,666</b>	<b>23,227,097</b>	<b>82,850</b>	<b>48,702</b>	<b>31,043,315</b>

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies

# CENTENNIAL PARK CEMETERY AUTHORITY

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$	2018 \$
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Operating Receipts		10,702,250	10,086,718
Investment Receipts		249,173	248,883
<b>Payments</b>			
Operating Payments to Suppliers & Employees		(9,221,358)	(8,200,434)
<b>Net Cash provided by (or used in) Operating Activities</b>	10	<b>1,730,065</b>	<b>2,135,167</b>
<b>Cashflow from Investing Activities</b>			
<b>Receipts</b>			
Sale of Replaced Assets	4	77,071	98,499
<b>Payments</b>			
Expenditure on Renewal/Replacement of Assets	14	(1,530,949)	(2,555,834)
Expenditure on New/Upgraded assets	14	(359,556)	(518,874)
<b>Net Cash provided by (or used in) Investing Activities</b>		<b>(1,813,434)</b>	<b>(2,976,209)</b>
<b>Cashflow from Financing Activities</b>			
<b>Net Cash provided by (or used in) Financing Activities</b>		-	-
<b>Net Increase (Decrease) in Cash Held</b>		<b>(83,369)</b>	<b>(841,042)</b>
Cash & Cash Equivalents at beginning of period		<b>9,796,520</b>	<b>10,637,562</b>
<b>Cash &amp; Cash Equivalents at end of period</b>		<b>9,713,151</b>	<b>9,796,520</b>

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies

# CENTENNIAL PARK CEMETERY AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers Centennial Park Cemetery Authority ("the Authority") as an individual entity and regional subsidiary in South Australia under the Local Government Act.

The Authority is a regional subsidiary under the Local Government Act 1999 jointly controlled by the City of Mitcham and the City of Unley.

#### 1 Basis of Preparation

##### 1.1 Compliance with Australian Accounting Standards

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

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

##### 1.2 Historical Cost Convention

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

##### 1.3 Critical Accounting Estimates

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

The Board evaluates estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Authority.

##### 1.4 Rounding

All amounts in the financial statements have been rounded to the nearest dollar.

#### 2 The Reporting Entity

The Centennial Park Cemetery Authority is established under the SA Local Government Act 1999 and has its principal place of business at 760 Goodwood Road, Pasadena.

The principal activities relating to the Authority's functions are:

Provision of cremation, cemetery, chapel services and memorial garden facilities.

Cont Note 1

# CENTENNIAL PARK CEMETERY AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

#### 3 Income recognition

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

All revenue is recognised when the transaction is completed. Cremation, burial interment and monumental permit fees are recognised when the service is performed. Plaque and base sales are recognised when payment is received. Cemetery and memorial interment right fees are regarded as the sale of the right of interment to the purchaser. The transaction is considered complete once the right of interment is granted and does not constitute a rental agreement. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

#### 4 Cash, Cash Equivalents and other Financial Instruments

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

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful. As at 30<sup>th</sup> June 2019 there were no doubtful debts (2018: \$0.00).

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments forms part of Note 11.

#### 5 Inventories

All inventories are valued at the lower of cost or net realisable value. Costs are assigned on a specific identification basis and include costs and appropriate overheads if any.

#### 6 Infrastructure, Property, Plant & Equipment

##### 6.1 Initial Recognition

All assets are initially recognised at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition.

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

##### 6.2 Materiality

The current policy is to expense all capital items less than \$1,000.

##### 6.3 Subsequent Recognition

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

##### 6.4 Depreciation of Non-Current Assets

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



Cont Note 1

# CENTENNIAL PARK CEMETERY AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

Plant & Equipment	2.5 to 10 years
Buildings	65 to 70 years
Other Structures	35 to 65 years
Infrastructure	12 to 100 years
Motor Vehicles	4 to 10 years

#### 6.5 Impairment

Assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if the Authority were deprived thereof, are not subject to impairment testing.

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

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

Land used for cemetery purpose is zoned Institutional and subject to legislative restrictions and considered to be impaired.

### 7 Payables

#### 7.1 Goods & Services

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

#### 7.2 Payments Received in Advance & Deposits

Amounts received from external parties in advance of service delivery are recognised as liabilities until the service is delivered, or the amount is refunded as the case may be.

### 8 Employee Benefits

#### 8.1 Salaries, Wages & Compensated Absences

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

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

Cont Note 1

# CENTENNIAL PARK CEMETERY AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Present values are calculated using the 10 year government bond rate – weighted average of 2.20% (2018: 2.20%)

No accrual is made for sick leave as the Authority experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods. The Authority does not make payment for untaken sick leave, except when a staff member leaves and within 13 weeks of having done so, is engaged by an entity covered by the Local Government Act (SA) 1999.

#### **8.2 Superannuation**

The Authority makes employer superannuation contributions in respect of its employees to Statewide Superannuation Scheme (the Scheme), and other superannuation schemes selected by employees under the "choice of fund" legislation. The Scheme has two types of membership, each of which is funded differently. Details are included in Note 16.

#### **9 Leases**

Lease arrangements have been accounted for in accordance with Australian Accounting Standard AASB 117. Lease payments are charged to expense over the lease term.

#### **10 GST Implications**

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax" Receivables and Creditors include GST receivable and payable. Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable. Non-current assets and capital expenditures include GST net of any recoupment. Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the item of expense.

#### **11 Comparative Information**

Comparative information has been reclassified to be consistent with the current year disclosure of equivalent information in accordance with AASB 101.

#### **12 Future Upkeep Provision**

Interment Rights are issued for varying terms from 25 years up to and including perpetuity. Interment Rights can be extended for a minimum of five year increments. Interment Right holders have an expectation that the Park environs will be maintained to an appropriate standard for the interment right period. The Authority considers this to be a constructive obligation.

In accordance with AASB 137 "Provisions, Contingent Liabilities and Contingent Assets" a provision is recognised when there is a legal or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required and that outflow can be reliably measured.

There was no change made to the Future Upkeep Provision for the 2018/19 financial year.

The 2019/20 financial year will see a significant change to the Future Upkeep Provision due to the application of new accounting standards as per note 1.15.

Cont Note 1

# CENTENNIAL PARK CEMETERY AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

#### 13 Payments to Constituent Councils

A Liability Guarantee fee of \$626,000 was paid to the Constituent Councils (2018 Liability Guarantee Fee (\$616,047)).

#### 14 Income Tax

Centennial Park is exempt from Income Tax by virtue of it satisfying the provisions of section 24AR of the Income Tax Assessment Act 1936 so as to constitute a State/Territory body.

#### 15 New Accounting Standards

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2019 reporting period and have not been used in preparing these reports.

AASB7	Financial Instruments – Disclosures
AASB9	Financial Instruments
AASB15	Revenue from Contracts with Customers
AASB16	Leases
AASB1058	Income of Not-for-Profit Entities

The Authority is of the view that other than AASB 15 and AASB 16, none of the above new standards or interpretations will affect any of the amounts recognised in the financial statements, but that they may impact certain information otherwise disclosed.

The Authority has reviewed the introduction of AASB 15 and AASB 16 and have determined that the application of AASB 16 will have a material impact to the revenue of the Authority from the 2019/20 financial year. It is estimated that the impact to revenue will be a deferred amount of approximately \$869,000.

# CENTENNIAL PARK CEMETERY AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 2 - INCOME

	2019 \$	2018 \$
<b>USER CHARGES - SALES</b>		
Cremation	1,592,279	1,553,477
Memorial	2,766,186	1,884,068
Burial	4,886,135	4,792,866
Chapel Fees	1,422,322	1,369,391
Sundry Income	56,695	639,162
	<b>10,723,617</b>	<b>10,238,964</b>
<b>INVESTMENT INCOME</b>		
Interest on Investments		
Local Government Finance Authority	215,242	181,889
Banks & Other	33,931	66,994
	<b>249,173</b>	<b>248,883</b>

# CENTENNIAL PARK CEMETERY AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 3 - EXPENSES

	Notes	2019 \$	2018 \$
<b>EMPLOYEE COSTS</b>			
Salaries and Wages		3,848,433	3,657,127
Employee leave expense		343,175	315,392
Superannuation - defined contribution plan contributions	16	371,874	371,990
Workers' Compensation Insurance		117,500	106,287
Less: Capitalised and distributed costs		(35,415)	(82,557)
<b>Total Operating Employee Costs</b>		<b>4,645,568</b>	<b>4,368,239</b>
 <b>Total Number of Employees</b>		<b>53</b>	<b>51</b>
<i>(Full time equivalent at end of reporting period)</i>			
<b>MATERIALS, CONTRACTS &amp; OTHER EXPENSES</b>			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		18,603	16,500
Subtotal - Prescribed Expenses		<b>18,603</b>	16,500
<u>Other Materials, Contracts &amp; Expenses</u>			
Contractors		477,762	656,580
Energy		281,332	273,346
Insurance		119,253	83,878
Maintenance		569,413	590,589
Legal Expenses		47,796	38,155
Parts, accessories & consumables		1,840,809	1,716,776
Professional services		276,976	277,413
Sundry		270,460	243,250
Individually Significant Items			
Liability Guarantee		626,000	616,047
Subtotal - Other Materials, Contracts & Expenses		<b>4,509,800</b>	4,496,034
		<b>4,528,403</b>	4,512,534
 <b>INDIVIDUALLY SIGNIFICANT ITEMS</b>			
Liability Guarantee Fee		<b>626,000</b>	616,047

Cont Note 3

## CENTENNIAL PARK CEMETERY AUTHORITY

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### NOTE 3 - EXPENSES (CONT)

	Notes	2019 \$	2018 \$
<b>DEPRECIATION, AMORTISATION &amp; IMPAIRMENT</b>			
<b>Depreciation</b>			
Buildings & Other Structures		298,161	282,481
Infrastructure		785,235	740,249
Plant & Equipment		328,655	305,164
Motor Vehicle		182,241	162,275
		<b>1,594,292</b>	<b>1,490,169</b>
<b>Amortisation</b>			
Trademarks		183	-
		<b>183</b>	-
		<b>1,594,475</b>	<b>1,490,169</b>

Note:  
There is no Impairment that affects the Statement of Comprehensive Income.

# CENTENNIAL PARK CEMETERY AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

	Notes	2019 \$	2018 \$
<b>INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>			
<i>Assets Renewed or Directly Replaced</i>			
Proceeds from disposal		77,071	98,499
Less: Carrying amount of assets sold		77,302	51,369
<b>Gain (Loss) on Disposal</b>		<u>(231)</u>	<u>47,130</u>
<b>Net Gain (Loss) on Disposal or Revaluation of Assets</b>		<u>(231)</u>	<u>47,130</u>

# CENTENNIAL PARK CEMETERY AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 5 - CURRENT ASSETS

	Notes	2019 \$	2018 \$
<b>CASH &amp; CASH EQUIVALENTS</b>			
Cash on Hand and at Bank		226,912	201,089
Deposits at Call		886,239	1,095,431
Short Term Deposits & Bills, etc		8,600,000	8,500,000
		<b><u>9,713,151</u></b>	<b><u>9,796,520</u></b>
<b>TRADE &amp; OTHER RECEIVABLES</b>			
Debtors - General		652,701	680,094
Prepayments & Other Receivables		218,941	170,181
Total		<b><u>871,642</u></b>	<b><u>850,275</u></b>
<b>INVENTORIES</b>			
Stores & Materials		10,274	5,939
Trading Stock		846,857	890,438
		<b><u>857,131</u></b>	<b><u>896,377</u></b>



# CENTENNIAL PARK CEMETERY AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 6 - NON-CURRENT ASSETS

	Notes	2019 \$	2018 \$
<b>OTHER NON-CURRENT ASSETS</b>			
Capital Works-in-Progress		489,276	569,152
Trademarks		5,810	-
		<b>495,086</b>	<b>569,152</b>

# CENTENNIAL PARK CEMETERY AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	as at 30 June 2018				Asset Movements during the Reporting Period							as at 30 June 2019			
	Fair Value Level	At Fair Value	At Cost	Acc. Dep'n	Carrying Amount	New / Upgrade	Renewals	WDV of Asset Disposals	Depreciation Expense (Note 3)	Adjustments & Transfers	Revaluation Increments to Equity (ARR)	At Fair Value	At Cost	Accumulated Dep'n	Carrying Amount
Land	2	5,650,000	606,730	-	5,650,000	-	-	-	-	-	-	5,650,000	-	-	5,650,000
Buildings & Other Structures	2	25,000	606,730	(5,965)	625,765	-	560,792	-	(21,486)	-	-	25,000	1,167,522	(27,453)	1,165,069
Buildings & Other Structures	3	20,317,672	2,116,789	(7,714,656)	12,602,814	395,046	21,444	(45,744)	(276,673)	-	-	20,293,372	2,530,473	(7,991,531)	12,301,841
Infrastructure	2	25,000	2,116,789	(16,709)	2,125,080	18,638	18,638	(73,862)	(711,373)	-	-	25,000	2,530,473	(80,571)	2,464,902
Infrastructure	3	51,997,150	3,228,545	(38,007,860)	13,989,290	81,536	608,075	(1,430)	(328,655)	-	-	51,997,150	3,918,156	(38,720,663)	13,276,487
Plant & Equipment		-	1,350,012	(2,542,195)	696,350	-	278,857	(7,133)	(182,241)	-	-	-	1,628,869	(2,877,983)	1,040,173
Motor Vehicles		-	1,350,012	(625,159)	724,853	-	-	(22,988)	-	-	-	-	-	(830,398)	798,471
<b>Total Infrastructure, Property, Plant &amp; Equipment</b>		<b>78,014,822</b>	<b>7,302,076</b>	<b>(48,912,746)</b>	<b>36,404,152</b>	<b>476,582</b>	<b>1,487,806</b>	<b>(77,305)</b>	<b>(1,594,292)</b>	<b>-</b>	<b>-</b>	<b>77,990,522</b>	<b>9,245,020</b>	<b>(50,538,599)</b>	<b>36,696,943</b>
<b>Comparatives</b>		<b>78,067,729</b>	<b>4,595,334</b>	<b>(47,984,477)</b>	<b>34,678,586</b>	<b>1,692,394</b>	<b>1,570,609</b>	<b>(51,369)</b>	<b>(1,490,169)</b>	<b>4,100</b>	<b>1,725,565</b>	<b>78,014,822</b>	<b>7,302,076</b>	<b>(48,912,746)</b>	<b>36,404,152</b>

# CENTENNIAL PARK CEMETERY AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

**1 Valuation of Assets**

**2 Fair Value Measurement**

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

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

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Authority can access at measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to fair value measurement.

Valuation techniques used to derive Level 2 and Level 3 fair values recognised in the financial statements

The following table sets out the valuation techniques used to measure fair value within Level 2, including a description of the significant inputs used.

Description	Valuation approach and inputs used
Land	Sale price comparison approach. Sales prices of comparable land in a similar location are adjusted for differences in key attributes such as land size. The valuation model is based on price per square metre.
Buildings & Other Structures	Depreciated replacement cost being the current cost to construct the asset (or its modern engineering equivalent) less an allowance for depreciation that would have accumulated since original construction. Buildings and other structures have been allocated to Level 2 where unobservable inputs do not have a significant impact on the valuation.

The following table sets out the valuation techniques used to measure fair value within Level 3, including a description of the significant inputs used.

Description	Valuation approach and inputs used
Buildings & Other Structures	Depreciated replacement cost being the current cost to construct the asset (or its modern engineering equivalent) less an allowance for depreciation that would have accumulated since original construction.
Infrastructure	Depreciated replacement cost being the current cost to construct the asset (or its modern engineering equivalent) less an allowance for depreciation that would have accumulated since original construction.

Cont Note 7

# CENTENNIAL PARK CEMETERY AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

Building & Other Structures and Infrastructure shown in fair value hierarchy level 2 and 3 were revalued as at 30 April 2017 by Martin Burns, Senior Commercial Valuer – Certified Practising Valuer of Liquid Pacific. Subsequent additions at cost have been disclosed in the respective fair value hierarchy on the basis that cost is a material representation of fair value.

Land for cemetery purposes is zoned Institutional and is considered a restricted asset. The valuation of the Land was based on sales of similarly zoned land which prohibit development.

Increases in the carrying amount arising on revaluation of land, buildings, improvements, plant, machinery and contents are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset class are charged against fair value reserves directly in equity; all other decreases are charged to the income statement.

#### **3 Land & Land Improvements**

Estimated future costs of reinstatement of land, capitalised in accordance with AASB 116.16(c), are reviewed annually (see Note 1) and depreciated over the estimated remaining life of the relevant asset.

Land available for burials and memorials is a restricted asset as the Authority has issued interment rights to third parties for perpetuity and the site must be maintained for the term of the interment right.

#### **4 Buildings & Other Structures**

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

The cost of assets constructed within the Authority includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred

#### **5 Infrastructure**

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

The cost of assets constructed within the Authority includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Cont Note 7

# CENTENNIAL PARK CEMETERY AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

#### 6 Plant, Furniture & Equipment

Plant and equipment is carried at cost, less any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

#### 7 Motor Vehicles

Motor vehicles are measured on the cost basis less accumulated depreciation and impairment losses..

The carrying amount of motor vehicles is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

#### 8 Capitalisation Thresholds

All items where the purchase price is less than \$1,000 excluding GST are expensed.

#### 9 Estimated Useful Lives

The range of useful lives for the classes of assets is shown below:

Class		Useful Life
Plant, Furniture & Equipment	Plant & Equipment	2.5 to 10 years
Building & Other Structures	Buildings	65 to 70 years
	Other Structures	35 to 65 years
Infrastructure	Infrastructure	12 to 100 years
Motor Vehicles	Motor Vehicles	4 to 10 years

# CENTENNIAL PARK CEMETERY AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 8 - LIABILITIES

		2019 \$		2018 \$	
TRADE & OTHER PAYABLES	Notes	Current	Non-current	Current	Non-current
Goods & Services		712,212		488,788	-
Payments Received in Advance		1,197,032		742,236	-
Accrued expenses - Employee Entitlements		34,971		164,257	-
Accrued expenses - Other		191,699		668,460	-
Other		11,461		244,083	-
		<b>2,147,375</b>	<b>-</b>	<b>2,307,824</b>	<b>-</b>
<b>PROVISIONS</b>					
Employee entitlements (including oncosts)		596,800	46,865	533,701	69,636
Heritage Monuments Restoration			36,000	-	36,000
Future Upkeep Provision	1.12		14,526,000	-	14,526,000
		<b>596,800</b>	<b>14,608,865</b>	<b>533,701</b>	<b>14,631,636</b>

# CENTENNIAL PARK CEMETERY AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 9 - RESERVES

ASSET REVALUATION RESERVE	01-Jul-18	Net Increments (Decrements)	Transfers	30-Jun-19
Notes	\$	\$	\$	\$
Land	3,743,237	-	-	3,743,237
Buildings & Other Structures	7,907,528	-	-	7,907,528
Infrastructure	11,576,332	-	-	11,576,332
<b>Total Asset Revaluation Reserve</b>	<b>23,227,097</b>	<b>-</b>		<b>23,227,097</b>
<b>Comparatives</b>	<b>23,227,097</b>			<b>23,227,097</b>

OTHER RESERVES	01-Jul-18	Transfers to Reserve	Transfers from Reserve	30-Jun-19
E M M Kay	30,719	-		30,719
Recycled Metals Charitable Reserve	52,131	33,484	-	85,615
<b>Total Other Reserves</b>	<b>82,850</b>	<b>33,484</b>		<b>116,334</b>
<b>Comparatives</b>	<b>30,769</b>	<b>-</b>	<b>-</b>	<b>82,850</b>

#### PURPOSES OF RESERVES

##### Asset Revaluation Reserve

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

##### E M M Kay Reserve

A reserve has been recognised for a bequest received from the estate of a deceased interred at the Park to maintain the site. The Board has resolved that the expenses incurred on an annual basis maintaining the site will be charged against the reserve. Interest accrued from the reserve will be absorbed in general operating revenue to offset the administration of the same. During Financial Year 2015/16 the interment right for E M M Kay was converted to perpetuity and costs offset against the reserve.

##### Recycled Metals Charitable Reserve

Funds received from the recycling of metal plaques have been directed to a reserve to be used for philanthropic and charitable purposes.

##### Contributed Equity Reserve

Equity contributed from City of Mitcham and City of Unley.

# CENTENNIAL PARK CEMETERY AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 10 - RECONCILIATION TO CASH FLOW STATEMENT

	Notes	2019 \$	2018 \$
<b>(a) Reconciliation of Cash</b>			
Total cash & equivalent assets	5	9,713,151	9,796,520
Balances per Cash Flow Statement		<b>9,713,151</b>	<b>9,796,520</b>
<b>(b) Reconciliation of Change in Net Assets to Cash from Operating Activities</b>			
Net Surplus (Deficit)		204,114	164,035
Non-cash items in Income Statement			
Depreciation, amortisation & impairment	3	1,594,475	1,490,169
Net increase (decrease) in unpaid employee benefits		(88,958)	101,148
Net (Gain) Loss on Disposals	4	231	(47,130)
		<b>1,709,862</b>	1,708,222
Add (Less): Changes in Net Current Assets			
Net (increase) decrease in receivables		27,393	(173,836)
Net (increase) decrease in inventories		39,246	(198,933)
Net (increase) decrease in other current assets		(48,760)	21,590
Net increase (decrease) in trade & other payables		223,424	154,167
Net increase (decrease) in other provisions		(254,587)	570,477
Net increase (decrease) in other liabilities		33,488	53,480
<b>Net Cash provided by (or used in) operations</b>		<b>1,730,065</b>	<b>2,135,167</b>
<b>(c) Financing Arrangements</b>			
Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdrafts		50,000	50,000
Corporate Credit Cards		30,000	30,000

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.



# CENTENNIAL PARK CEMETERY AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 11 - FINANCIAL INSTRUMENTS

#### Recognised Financial Instruments

<b>Bank, Deposits at Call, Short Term Deposits</b>	<p><b>Accounting Policy:</b> Carried at lower of cost and net realisable value; Interest is recognised when earned.</p> <p><b>Terms &amp; conditions:</b> Deposits are returning fixed interest rates at an average interest rate of 1.90% (2018: 2.34%). Short term deposits are held either in LGFA or NAB at call and term deposit accounts.</p> <p><b>Carrying amount:</b> approximates fair value due to the short term to maturity.</p>
<b>Receivables - Fees &amp; other charges</b>	<p><b>Accounting Policy:</b> Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p><b>Terms &amp; conditions:</b> Unsecured, and do not bear interest.</p> <p><b>Carrying amount:</b> Approximates fair value (after deduction of any allowance).</p>
<b>Liabilities - Creditors and Accruals</b>	<p><b>Accounting Policy:</b> Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Authority.</p> <p><b>Terms &amp; conditions:</b> Liabilities are normally settled on 30 day terms.</p> <p><b>Carrying amount:</b> Approximates fair value.</p>

2019	Floating Interest Rate	Due < 1 year	Due > 1 year ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>Financial Assets</b>	\$	\$	\$	\$	\$	\$
Cash Assets	1,113,151	8,600,000	-	-	9,713,151	9,713,151
Receivables	652,701	-	-	-	652,701	652,701
<b>Total</b>	<b>1,765,851</b>	<b>8,600,000</b>	<b>-</b>	<b>-</b>	<b>10,365,851</b>	<b>10,365,851</b>
<b>Financial Liabilities</b>						
Payables	-	-	-	-	1,920,705	1,920,705
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,920,705</b>	<b>1,920,705</b>
<b>EXCESS OF FINANCIAL ASSETS OVER LIABILITIES</b>	<b>1,765,851</b>	<b>8,600,000</b>	<b>-</b>	<b>-</b>	<b>8,445,146</b>	<b>8,445,146</b>

2018	Floating Interest Rate	Due < 1 year	Due > 1 year ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>Financial Assets</b>	\$	\$	\$	\$	\$	\$
Cash Assets	1,296,520	8,500,000	-	-	9,796,520	9,796,520
Receivables	680,094	-	-	-	680,094	680,094
<b>Total</b>	<b>1,976,614</b>	<b>8,500,000</b>	<b>-</b>	<b>-</b>	<b>10,476,614</b>	<b>10,476,614</b>
<b>Financial Liabilities</b>						
Payables	-	-	-	-	1,475,107	1,475,107
Current Borrowings	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,475,107</b>	<b>1,475,107</b>
<b>EXCESS OF FINANCIAL ASSETS OVER LIABILITIES</b>	<b>1,976,614</b>	<b>8,500,000</b>	<b>-</b>	<b>-</b>	<b>9,001,507</b>	<b>9,001,507</b>

# CENTENNIAL PARK CEMETERY AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 11 - FINANCIAL INSTRUMENTS

#### **Net Fair Value**

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

#### **Risk Exposures**

**Credit Risk** represents the loss that would be recognised if counterparties fail to perform as contracted.

The maximum credit risk on financial assets of the Authority is the carrying amount, net of any allowance for doubtful debts. There are Authority investments made with the SA Local Government Finance Authority and are guaranteed by the SA Government. Except as detailed in notes 5 & 6 in relation to individual classes of receivables, exposure is concentrated within the Authority's boundaries, and there is no material exposure to any individual debtor.

**Market Risk** is the risk that fair values of financial assets will fluctuate as a result of changes in market prices.

All of the Authority's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor currency risk apply.

**Liquidity Risk** is the risk that the Authority will encounter difficulty in meeting obligations with financial liabilities.

In accordance with the model Treasury Management Policy (LGA Information Paper 15), liabilities have a range of maturity dates.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates.

Most of the Authority's financial instruments - both assets and liabilities are at fixed rates. Any such variations in future cash flows will not be material in effect on either the Authority incomes or expenditures.

# CENTENNIAL PARK CEMETERY AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 12 - COMMITMENTS FOR EXPENDITURE

**Capital Commitments**

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

Buildings & Other Structures	6,900	498,720
Infrastructure	21,453	232,100
Plant & Equipment	699,226	58,866
	<b>727,579</b>	<b>789,686</b>
These expenditures are payable:		
Not later than one year	<b>727,579</b>	789,686
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
	<b>727,579</b>	<b>789,686</b>

# CENTENNIAL PARK CEMETERY AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 13 - FINANCIAL INDICATORS

	Amounts 2019	Indicator 2019	Prior Periods 2018	2017
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The following indicators have been calculated in accordance with the procedures set out in *Information Paper 9 - Local Government Financial Indicators* prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia.

#### Operating Surplus Ratio

<b>Operating Surplus</b>	<b>204,114</b>			
<b>Total Operating Revenue</b>	<b>10,972,790</b>	<b>1.86%</b>	<b>1.56%</b>	<b>2.59%</b>

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

#### Net Financial Liabilities Ratio

<b>Net Financial Liabilities</b>	<b>6,768,247</b>			
<b>Total Operating Revenue</b>	<b>10,972,790</b>	<b>61.68%</b>	<b>65.09%</b>	<b>51.91%</b>

*Net Financial Liabilities are defined as total liabilities less financial assets. These are expressed as a percentage of total operating revenue.*

#### Asset Renewal Funding Ratio

<b>Net Asset Renewals</b>	<b>1,453,878</b>			
<b>Depreciation and amortisation</b>	<b>1,594,475</b>	<b>91.18%</b>	<b>105.40%</b>	<b>51.84%</b>

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

# CENTENNIAL PARK CEMETERY AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 14 - UNIFORM PRESENTATION OF FINANCES

The following is a high level summary of both operating and capital investment activities of the Authority prepared on a uniform and consistent basis.

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

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

The Authority has provided this information for the purpose of consolidation by the two constituent Councils.

	2019 \$	2018 \$
Income	10,972,790	10,487,847
<i>less</i> Expenses	<u>(10,768,446)</u>	<u>(10,370,942)</u>
Operating Surplus / (Deficit)	<b>204,345</b>	<b>116,905</b>
<b><i>less</i> Net Outlays on Existing Assets</b>		
Capital Expenditure on Renewal and Replacement of Existing Assets	(1,530,949)	(2,555,834)
add Depreciation, Amortisation and Impairment	1,594,475	1,490,169
add Proceeds from Sale of Replaced Assets	<u>77,071</u>	<u>98,499</u>
	<b>140,597</b>	<b>(967,166)</b>
<b><i>less</i> Net Outlays on New and Upgraded Assets</b>		
Capital Expenditure on New and Upgraded Assets	(359,556)	(518,874)
	<u><b>(359,556)</b></u>	<u><b>(518,874)</b></u>
<b>Net Lending / (Borrowing) for Financial Year</b>	<u><b>(14,614)</b></u>	<u><b>(1,369,135)</b></u>

# CENTENNIAL PARK CEMETERY AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 15 - OPERATING LEASES

	2019	2018
	\$	\$
<b>Lease payment commitments of the Authority</b>		
<p>The Authority has entered into non-cancellable operating leases for various items of computer equipment.</p> <p>No lease imposes any additional restrictions on the Authority in relation to additional debt or further leasing.</p> <p>Leases in relation to computer and office equipment permit the Authority, at expiry of the lease, to elect to re-lease, return or acquire the equipment leased.</p> <p>No lease contains any escalation clause.</p> <p>Commitment under non-cancellable operating leases that have not been recognised in the financial statements are as follows:</p>		
Not later than one year	58,195	-
Later than one year and not later than 5 years	169,585	-
Later than 5 years	-	-
<b>Total</b>	<b><u>227,780</u></b>	<b><u>-</u></b>

# CENTENNIAL PARK CEMETERY AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 16 - SUPERANNUATION

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

#### **Accumulation only Members**

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2018/19; 9.50% in 2017/18). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

#### **Salarylink (Defined Benefit Fund) Members**

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2017/18) of "superannuation" salary.

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

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

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willie Towers Watson as at 30 June 2017. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to the Authority's contribution rates at some future time.

#### **Contributions to Other Superannuation Schemes**

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

# CENTENNIAL PARK CEMETERY AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 17 - CONTINGENCIES & ASSETS/LIABILITIES NOT RECOGNISED IN BALANCE SHEET

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

#### 1. CONTINGENT LIABILITY

The Authority has contingent liabilities with respect to the redemption of unused interment rights. The Burial and Cremation Act 2013 mandates the refund of unexercised interment rights at current prices less a provision for administration, maintenance and establishment costs; the calculation is determined in the regulations. The contingent liability as at the 30th June 2019 is \$11,973,510. An actual liability will only arise if a claim is made by existing interment right holders in the future. It is considered that the likelihood of future claims arising which could have a significant impact on Centennial Park is remote.

Total unused interment rights account for approximately 6.89% of 47,439 burial interment rights currently issued.

Total unused interment rights account for approximately 7.94% of 39,369 memorial interment rights currently issued.

Once an interment or placement of a monument has occurred an interment right cannot be redeemed.

#### 2. BANK OVERDRAFT

The Authority has a bank overdraft facility of \$50,000



# CENTENNIAL PARK CEMETERY AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 18 - RELATED PARTY TRANSACTIONS

**Transactions with Key Management Personnel**

The Key Management Personnel of the Authority includes the Board, CEO and senior managers. In all, 17 persons were paid the following total compensation.

	2019	2018
	\$	\$
Salaries, allowances & other short term benefits	714,615	706,716

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

No key management personnel or parties related to them had any transactions during the year on terms more favourable than those available to the general public.

**Transactions with Council Entities**

The Authority's Constituent Councils are:

- The City of Mitcham
- The City of Unley

Councils have influence on the financial and strategic operational decisions of the Authority given their equal Board member representation.

No one Member Council individually has control over these decisions.

During the year Liability Guarantee payments were made to the two Constituent Councils to the total value of \$626,000 (2017/18 \$616,047).

# CENTENNIAL PARK CEMETERY AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 19 - FUTURE COMMITMENTS

An arrangement is available to the public whereby any service currently offered by the Authority is capable of being prepaid.

Some funds were paid to Funeral Plan Management Pty Ltd with income to the Authority being recorded only when the service has been provided. Funds under management by Funeral Plan Management Pty Ltd at 30 June 2019 total \$724,384 (2018 \$756,620). From 1<sup>st</sup> December 2014 pre-paid products were no longer paid to Funeral Plan Management Pty Ltd.

### Note 20 - SEGMENT REPORTING

The Authority operates in one business and geographical segment being burials, cremations and memorials within South Australia.



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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CENTENNIAL PARK CEMETERY AUTHORITY**

### **Opinion**

We have audited the financial report of the Centennial Park Cemetery Authority (the Authority), which comprises the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income, the Statements of Changes in Equity, the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and other explanatory information and the Certification of Financial Statements.

In our opinion, the financial report presents fairly, in all material respects, the financial position of Centennial Park Cemetery Authority as at 30 June 2019, and its financial performance and its cash flows for the year then ended in accordance with the *Local Government Act 1999*, *Local Government (Financial Management) Regulations 2011* and the Australian Accounting Standards (including Australian Accounting Interpretations).

### **Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described as in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Authority in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### **Other Information other than the Financial Report and Auditor's Report Thereon**

The Authority is responsible for the other information. The other information comprises the information included in the Authority's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly 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 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, 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.

### **Responsibility for the Financial Report**

The Authority is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*. The Authority's responsibility includes establishing and maintaining internal control relevant to preparation and fair presentation of the financial report so that it is free from material misstatement, whether due to fraud or error.

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

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

**Auditor's 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 the 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 financial report.

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

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

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

**DEAN NEWBERY & PARTNERS  
CHARTERED ACCOUNTANTS**



**SAMANTHA CRETEN  
PARTNER**

Signed on the 9<sup>th</sup> day of September 2019,  
at 214 Melbourne Street, North Adelaide

# CENTENNIAL PARK CEMETERY AUTHORITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Centennial Park Cemetery Authority for the year ended 30 June 2019, the Authority's Auditor, Dean Newbery & Partners, has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

  
\_\_\_\_\_  
Janet Miller  
CHIEF EXECUTIVE OFFICER  
\_\_\_\_\_  
Amanda Heyworth  
CHAIR OF THE AUDIT & RISK  
MANAGEMENT COMMITTEE

Dated this 2<sup>nd</sup> day of August 2019



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**Auditor’s Independence Declaration under Section 22 of the Local Government  
(Financial Management) Regulations 2011 to the Centennial Park Cemetery  
Authority**

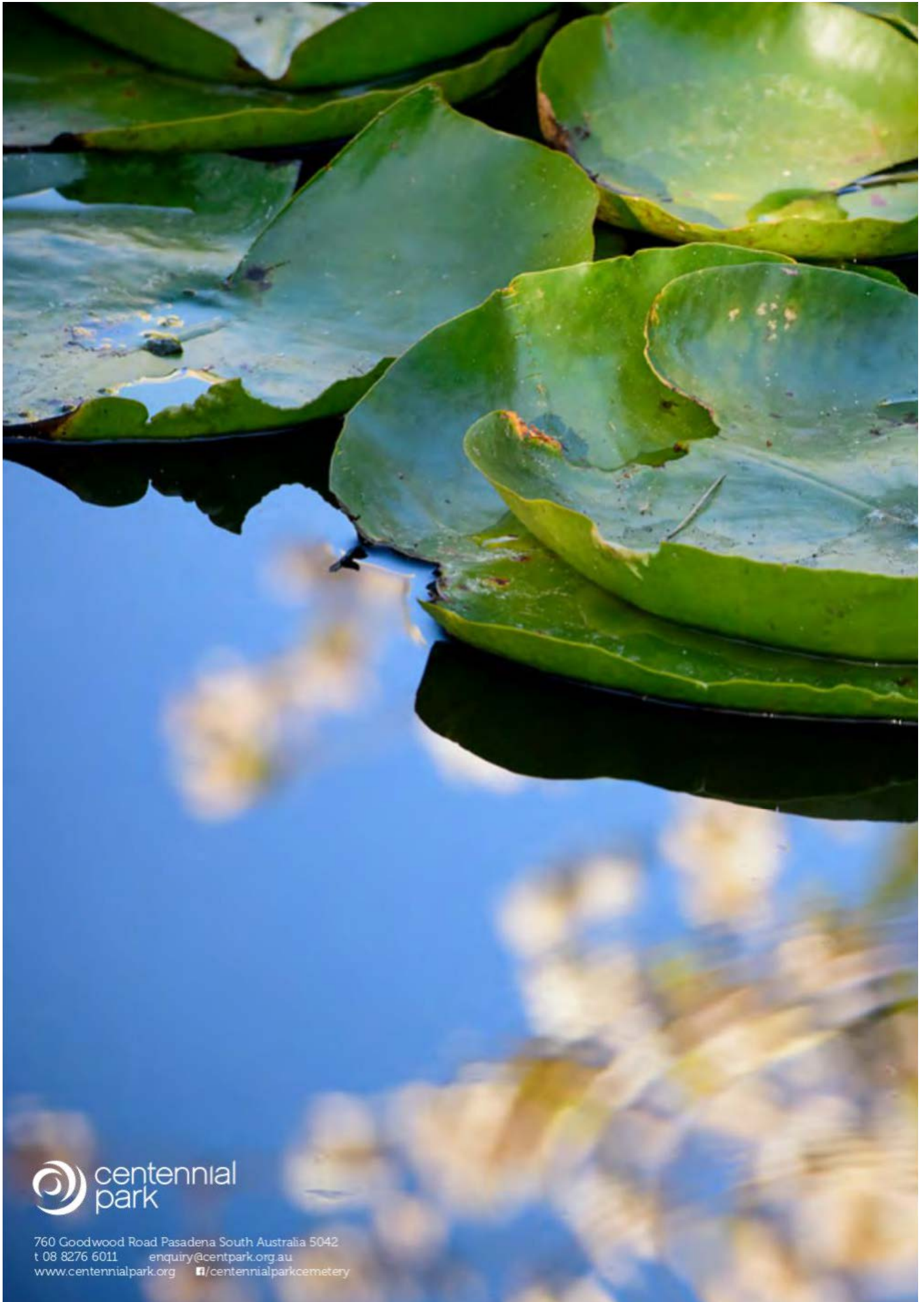
I confirm that, for the audit of the financial statements of the Centennial Park Cemetery Authority for the year ended 30 June 2019, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011* made under that Act.

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

**SAMANTHA CRETEN  
PARTNER**

Signed on the 9<sup>th</sup> day of September 2019,  
at 214 Melbourne Street, North Adelaide, South Australia 5006





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# **Brown Hill and Keswick Creeks Stormwater Board**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 June 2019**

## **Brown Hill and Keswick Creeks Stormwater Board**

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**Brown Hill and Keswick Creeks Stormwater Board**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2019 \$	Restated 2018 \$
<b>INCOME</b>			
Contributions	2	618,195	160,000
Investment Income	2	15,826	-
<b>Total Income</b>		<u><b>634,021</b></u>	<u><b>160,000</b></u>
<b>EXPENSES</b>			
Employee costs	3	234,663	125,670
Materials, contracts & other expenses	3	181,510	38,278
Depreciation	3	2,180	-
Finance costs	3	192	-
<b>Total Expenses</b>		<u><b>418,545</b></u>	<u><b>163,948</b></u>
<b>OPERATING SURPLUS / (DEFICIT)</b>		215,476	(3,948)
<b>OTHER COMPREHENSIVE INCOME</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<u><u><b>215,476</b></u></u>	<u><u><b>(3,948)</b></u></u>

*The accompanying Notes form part of these financial statements*

**Brown Hill and Keswick Creeks Stormwater Board**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2019**

	Notes	2019 \$	Restated 2018 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	4	3,966,683	-
Trade and Other Receivables	4	2,024,173	-
<b>Total Current Assets</b>		<u>5,990,856</u>	<u>-</u>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	5	3,209,193	249,189
<b>Total Non-current Assets</b>		<u>3,209,193</u>	<u>249,189</u>
<b>Total Assets</b>		<u><b>9,200,049</b></u>	<u><b>249,189</b></u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	6	3,052,742	6,267
Employee Benefits	6	6,500	-
<b>Total Current Liabilities</b>		<u>3,059,242</u>	<u>6,267</u>
<b>Total Liabilities</b>		<u><b>3,059,242</b></u>	<u><b>6,267</b></u>
<b>NET ASSETS</b>		<u><b>6,140,807</b></u>	<u><b>242,922</b></u>
<b>EQUITY</b>			
Contributed Equity	8	5,929,279	246,870
Accumulated surplus	7	211,528	(3,948)
<b>TOTAL EQUITY</b>		<u><b>6,140,807</b></u>	<u><b>242,922</b></u>

*The accompanying Notes form part of these financial statements*

**Brown Hill and Keswick Creeks Stormwater Board**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	Capital Contributions of Councils	Accumulated Surplus	TOTAL
			\$	\$
<b>2018</b>				
Balance at the beginning of the year	7	-	-	-
Deficit for the year <restated>		-	(3,948)	(3,948)
Capital Contributions of Councils <restated>	9	246,870	-	246,870
Balance at the end of year <restated>		<u>246,870</u>	<u>(3,948)</u>	<u>242,922</u>
<b>2019</b>				
Balance beginning of the year <restated>	7	246,870	(3,948)	242,922
Surplus for the year		-	215,476	215,476
Capital Contributions of Councils	9	5,682,409	-	5,682,409
Balance at the end of year		<u>5,929,279</u>	<u>211,528</u>	<u>6,140,807</u>

*The accompanying Notes form part of these financial statements*

**Brown Hill and Keswick Creeks Stormwater Board**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2019 \$	Restated 2018 \$
<b>Cash from operating activities</b>			
Operating receipts from constituent councils		1,246,839	160,000
Receipts from interest		15,634	-
Payments to employees		(228,163)	-
Payments to suppliers		(171,597)	(157,681)
		(330,942)	-
<b>Net cash provided from operating activities</b>	8	<u><u>531,771</u></u>	<u><u>2,319</u></u>
<b>Cash from investing activities</b>			
Expenditure on new / upgraded assets		(223,324)	(249,189)
<b>Net cash provided from / (used in) investing activities</b>		<u><u>(223,324)</u></u>	<u><u>(249,189)</u></u>
<b>Cash from financing activities</b>			
Contributions from constituent councils		<u>3,658,236</u>	<u>246,870</u>
<b>Net cash provided from investing activities</b>		<u><u>3,658,236</u></u>	<u><u>246,870</u></u>
<b>Net increase in cash held</b>		3,966,683	-
Cash at beginning of financial year		-	-
<b>Cash at end of financial year</b>		<u><u>3,966,683</u></u>	<u><u>-</u></u>

*The accompanying Notes form part of these financial statements*

**Brown Hill and Keswick Creeks Stormwater Board**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**Note 1 - Statement of Significant Accounting Policies**

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

The Brown Hill and Keswick Creeks Stormwater Board (the Board) is a Local Government Regional Subsidiary established under Section 43 of and Schedule 2 to the Local Government Act 1999. The Regional Subsidiary is under the control of City of Adelaide, City of Burnside, City of Unley, City of Mitcham and City of West Torrens.

The Board was established by a Gazettal dated 27 February 2018. The Board has been established to implement the construction and maintenance of infrastructure and other measures for the purposes of a stormwater management plan prepared by the constituent councils and approved by the Stormwater Management Authority.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected noncurrent assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

The AASB has issued a number of new and amended Accounting Standards that have mandatory application dates, some of which are relevant to the Board. The amended pronouncements adopted and amended pronouncements that have been decided not to be early adopted are set out below:

*Adoption of amended standards*

*AASB 9 Financial Instruments*

AASB 9 Financial Instruments establishes principles to account for and report financial assets and financial liabilities and introduces a new approach to accounting for hedges together with a new approach to accounting for impairment of financial assets. The standard has a mandatory application date for financial years commencing on or after 1 January 2018. This is not expected to materially impact the financial statements.

*Accounting Standards issued but not effective*

*AASB 16 Leases* (applicable to annual reporting periods beginning on or after 1 January 2019)  
AASB 16 Leases removes the current distinction between operating and finance leases and requires recognition of a right-to-use asset and a financial liability to pay rentals, resulting in the recognition of tenancy leases on the balance sheet. The only exemptions from these requirements are short-term and low-value leases. The income statement will also be affected, as operating expenses are reclassified as interest expense and depreciation expense, affecting EBITDA performance metrics. The new standard requires more extensive qualitative and quantitative disclosures. The standard has a mandatory application date for financial years commencing on or after 1 January 2019. This is not expected to materially impact the financial statements.

**Brown Hill and Keswick Creeks Stormwater Board**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

AASB 15 *Revenue from contracts with customers* (applicable to annual reporting periods beginning on or after 1 January 2019)

AASB 15 Revenue from contracts with customers applied to all contracts with customers, except for contracts covered by other standards. The standard stipulates how and when revenue is recorded, requiring the Board to provide users of financial statements with more information and reporting disclosures. The core principle is the recognition of revenue for the transfer of goods or services, at a value that reflects the consideration to which the Board expects to be entitled, in return for meeting performance obligations. This is not expected to materially impact the financial statements.

AASB 1058 *Income of Not-for-profit Entities* (applicable to annual reporting periods beginning on or after 1 January 2019)

The standard applies to transactions of not-for-profit (NFP) entities where the consideration to acquire an asset is significantly less than fair value principally to enable the entity to further its objectives. It also requires government agencies to recognise income for volunteer services received if the fair value of those services can be measured reliably and the services would have been purchased if they had not been donated. This is consistent with current practice under AASB 1004 Contributions, however AASB 1058 supersedes the existing requirements in AASB 1004. This is not expected to materially impact the financial statements.

The financial statements were authorised for issue on by the members of the Board.

**(a) Comparatives**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Following clarification in the current financial year of the entity's policy on capital contributions by constituent councils amounts previously recognised in the Statement of Comprehensive Income have been reclassified to contributed equity.

**(b) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less.

**(c) Income taxes**

The activities of the Board are exempt from taxation under the Income Tax Assessment Act 1997.

**(d) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.



**Brown Hill and Keswick Creeks Stormwater Board**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**(e) Impairment**

At the end of each reporting period, the Board assesses whether there is any indication that an asset may be impaired. The assessment will consider both external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of that asset, being the higher of the asset's fair value less costs to sell and its value-in-use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is immediately recognised in profit or loss.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset where it is not possible to estimate the recoverable amount of an individual asset, the Board estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss on a revalued asset is identified, this is recognised against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of asset.

**(g) Revenue**

Operating revenue from constituent Councils is recognised as income as and when the Board becomes entitled to receive the funds. This is outlined within the Boards Annual Business Plan which is agreed with all constituent Councils.

Capital Contributions received from Constituent Councils are recognised as Contributions by Owners directly to equity.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST).

**(h) Trade and other payables**

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Board during the reporting period that remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

**Brown Hill and Keswick Creeks Stormwater Board**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**(i) Trade and other receivables**

These include amounts due from ATO and accrued interest on deposits in financial institutions. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

**(j) Critical Accounting Estimates and Judgments**

**Key estimates**

**Impairment - general**

The Board assesses impairment at the end of each reporting period by evaluation of conditions and events specific to the Board that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

**(k) Property Plant and Equipment**

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

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use". Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred.

The cost of non-current assets constructed by the Board includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

**Materiality**

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Board for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life.

Examples of capitalisation thresholds applied during the year are given below.

**Infrastructure – Stormwater \$10,000**

**Subsequent Recognition**

All material asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. Significant uncertainties exist in the estimation of fair value of a number of asset classes including land, buildings and associated structures and infrastructure. All assets are currently held at cost.

**Brown Hill and Keswick Creeks Stormwater Board**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**Depreciation of Non-Current Assets**

All infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives on a straight-line basis which, in the opinion of Board, best reflects the consumption of the service potential embodied in those assets. Office equipment consists of IT equipment and is depreciated at 50%.

Depreciation methods, useful lives and residual values of classes of assets are reviewed annually. Depreciation periods for infrastructure assets have been estimated based on the best information available to Board, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

**(l) Employee Benefits**

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

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

No accrual is made for sick leave. The Board does not make payment for untaken sick leave.

**Superannuation**

All superannuation schemes to which the Board makes contributions on behalf of employees are of the accumulation type, where the superannuation benefits accruing to the employee are represented by their share of the net assets of the scheme, and no further liability attaches to the Board.

**Brown Hill and Keswick Creeks Stormwater Board**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**Note 2 - INCOME**

	2019	2018
	\$	\$
<b>CONTRIBUTIONS</b>		
<b><u>Operating Contributions</u></b>		
City Of Mitcham	123,639	32,000
City Of Burnside	123,639	32,000
City Of West Torrens	123,639	32,000
The Corporation of the City of Adelaide	123,639	32,000
Corporation of the City of Unley	123,639	32,000
<b>Subtotal Operating Contributions</b>	<b><u>618,195</u></b>	<b><u>160,000</u></b>
<b>INVESTMENT INCOME</b>		
Interest on investments		
Banks	15,826	-
	<b><u>15,826</u></b>	<b><u>-</u></b>
<b>Total Income</b>	<b><u>634,021</u></b>	<b><u>-</u></b>

In accordance with the Charter of the Brownhill and Keswick Creeks Stormwater Board Schedule 1, operating contributions are received equally from each of the constituent councils at an agreed rate. The total value of operating contributions to be received is agreed in the annual business plan prepared by the Board.

**Note 3 - EXPENSES**

	2019	2018
	\$	\$
<b>EMPLOYEE COSTS</b>		
Salaries and Wages - Board	60,000	125,670
Salaries and Wages - Employee	155,595	-
Reimbursements - Board	5,207	-
Superannuation	12,619	-
Workers' Compensation Insurance	1,242	-
	<b><u>234,663</u></b>	<b><u>125,670</u></b>
<b>Total Number of Employees</b>	<b>1</b>	<b>0</b>
<i>(Full time equivalent at end of reporting period)</i>		

**Brown Hill and Keswick Creeks Stormwater Board**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**Note 3 - EXPENSES (cont)**

	2019	2018
	\$	\$
<b>MATERIALS, CONTRACTS &amp; OTHER EXPENSES</b>		
<b>Prescribed Expenses</b>		
Auditor's Remuneration		
- Auditing the financial reports	3,870	-
<b>Subtotal - Prescribed Expenses</b>	<u>3,870</u>	<u>-</u>
<b>Other Materials, Contracts &amp; Expenses</b>		
Administration	30,360	829
Entertainment & Catering	4,298	90
Contractor & Consultant Services	28,720	17,609
Human Resources	12,800	-
Insurance - Mutual Liability Scheme	52,784	10,500
IT Expenses	7,047	-
Legal Expenses	10,853	3,818
Professional Services	30,532	-
Sundry	246	5,432
<b>Subtotal - Other Materials, Contracts &amp; Expenses</b>	<u>177,640</u>	<u>38,278</u>
	<u><b>181,510</b></u>	<u><b>38,278</b></u>
<b>DEPRECIATION</b>		
Office Equipment	2,180	-
<b>Total Depreciation</b>	<u>2,180</u>	<u>-</u>
<b>FINANCE COSTS</b>		
Bank Fees	174	-
Interest Charges	18	-
	<u>192</u>	<u>-</u>
<b>Total Expenses</b>	<u><u>418,545</u></u>	<u><u>163,948</u></u>

**Note 4 - CURRENT ASSETS**

	2019	2018
	\$	\$
<b>CASH &amp; CASH EQUIVALENT</b>		
Cash at Bank	3,966,683	-
	<u>3,966,683</u>	<u>-</u>
<b>TRADE &amp; OTHER RECEIVABLES</b>		
Contributions Recivable	1,938,650	-
GST Refundable	85,523	-
	<u>2,024,173</u>	<u>-</u>

**Brown Hill and Keswick Creeks Stormwater Board**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**Note 5 - NON-CURRENT ASSETS**

	2019 \$	2018 \$
<b>Work In Progress</b>		
South Parklands Stormwater - design (Victoria Park)	183,335	80,060
Hawthorn Reserve Creek upgrade	2,884,985	169,129
Upper Brown Hill Creek - Area 1 Creek Works	101,195	-
Upper Brown Hill Creek - Area 1 Land Acquisition	30,065	-
Discretionary Projects	7,300	-
<b>Total Work In Progress</b>	<b>3,206,880</b>	<b>249,189</b>
<b>Office Equipment</b>		
Office Equipment	4,493	-
Less: Accumulated Depreciation on Office Equipment	(2,180)	-
<b>Total Office Equipment</b>	<b>2,313</b>	<b>-</b>
<b>Total Property Plant and Equipment</b>	<b>3,209,193</b>	<b>249,189</b>

<b>Property Plant and Equipment Reconciliation</b>		
	<b>Work In Progress</b>	<b>Office Equipme nt</b>
	\$	\$
Opening Balance	249,189	-
Additions	2,957,691	4,493
Disposals	-	-
Depreciation	-	(2,180)
<b>Closing Balance</b>	<b>3,206,880</b>	<b>2,313</b>

**Note 6 - CURRENT LIABILITIES**

	2019 \$	2018 \$
<b>TRADE &amp; OTHER PAYABLES</b>		
Trade Payables	3,045,090	6,267
Credit Card	257	-
PAYG Payable	5,665	-
Superannuation Payable	1,730	-
<b>Subtotal Trade &amp; Other Payables</b>	<b>3,052,742</b>	<b>6,267</b>

**Brown Hill and Keswick Creeks Stormwater Board**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**Note 6 - CURRENT LIABILITIES (Cont)**

	2019 \$	2018 \$
<b>EMPLOYEE BENEFITS</b>		
Annual Leave Provision	6,500	-
<b>Subtotal Employee Benefits</b>	<u>6,500</u>	<u>-</u>

**Note 7 - ACCUMULATED SURPLUS**

	2019 \$	2018 \$
Opening Balance	(3,948)	-
Surplus for the year	215,476	(3,948)
<b>Balance at year end</b>	<u>211,528</u>	<u>(3,948)</u>

**Note 8 - CAPITAL CONTRIBUTIONS OF COUNCILS**

	2019 \$	2018 \$
<b>CAPITAL CONTRIBUTIONS OF COUNCILS</b>		
City Of Mitcham	592,928	24,687
City Of Burnside	711,513	29,624
City Of West Torrens	2,905,346	120,966
The Corporation of the City of Adelaide	474,343	19,750
Corporation of the City of Unley	1,245,149	51,843
<b>Subtotal Contributions by owner</b>	<u>5,929,279</u>	<u>246,870</u>

**Capital Contributions Movement Table**

	Opening Balance	Received 2019	Closing Balance
City Of Mitcham	24,687	568,241	592,928
City Of Burnside	29,624	681,889	711,513
City Of West Torrens	120,966	2,784,380	2,905,346
The Corporation of the City of Adelaide	19,750	454,593	474,343
Corporation of the City of Unley	51,843	1,193,306	1,245,149
	<u>246,870</u>	<u>5,682,409</u>	<u>5,929,279</u>

Capital contributions of Councils are capital payments received from Constituent Councils for investing in Infrastructure. The rates of contribution are agreed in the Charter of the Board.

**Brown Hill and Keswick Creeks Stormwater Board**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**Note 9 - Reconciliation of cash flow**

	<b>2019</b>	<b>2018</b>
	\$	\$
Net surplus for the year	215,476	(3,948)
<i>Changes in assets and liabilities</i>		
Decrease/(Increase) in Trade and Other Receivables	-	-
Increase in Depreciation	2,180	-
Increase/(Decrease) in Trade and Other payables	307,615	6,267
Increase/(Decrease) in Employee Benefits	6,500	-
<b>Net cash provided from operating activities</b>	<b><u>531,771</u></b>	<b><u>2,319</u></b>



## Brown Hill and Keswick Creeks Stormwater Board

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### Note 10 - Financial Instruments

Details of the significant accounting policies and methods adopted including the criteria for the recognition, the basis of measurement and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 1 Summary of Significant Account Policies.

#### Categorisation of Financial instruments

	Note	2019		2018	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial liabilities</b>		\$	\$	\$	\$
Trade and other Payables	6	3,045,347	3,045,090	6,267	6,267
<b>Total Financial liabilities</b>		<b>3,045,347</b>	<b>3,045,090</b>	<b>6,267</b>	<b>6,267</b>
<b>Financial Assets</b>					
Cash and cash equivalents		3,966,683	3,966,683	-	-
<b>Total Financial Assets</b>		<b>3,966,683</b>	<b>3,966,683</b>	<b>-</b>	<b>-</b>

Receivable and payable amounts disclosed exclude amounts relating to statutory receivables and payables.

The fair values disclosed in the table above have been based on cash and cash equivalents, trade and other receivables and trade and other payables short term instruments in a nature whose carrying value is equal to fair value.

#### i. Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligation that could lead to a financial loss to the Board.

Credit risk is managed through maintaining procedures to regularly monitor the financial stability of customers and counterparties and by investing surplus funds in financial institutions that maintain a high credit rating.

There is no collateral held by the Board securing trade and other receivables.

#### ii. Liquidity Risk

Liquidity risk arises from the possibility that the Board might accounting difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Board manages this risk by preparing and monitoring budgets, only investing surplus cash with major financial institutions and proactively monitoring the recovery of unpaid debts.

No assets have been pledged as security for any liabilities.

**Brown Hill and Keswick Creeks Stormwater Board**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

iii. **Market Risk**

Exposure to interest rate risk arises on financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows.

The following table illustrates sensitives to the Board's exposure to changes in interest rates.

	2019		2018	
	Weighted Average	Carrying Value	% Weighted Average Interest rate	Carrying Value
<b>Financial liabilities</b>	\$	\$	\$	\$
Trade and other Payables	0%	3,045,347	0%	6,267
<b>Financial Assets</b>				
Cash at bank	0%	3,966,683	0%	-

**Note 11 - Contingent Liabilities and Contingent Assets**

At 30 June 2019, the Board is unaware of any liability, contingent or otherwise, which has not already been recorded elsewhere in this financial report.

**Note 12 - Commitments for Expenditure**

**Capital Commitments**

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

	2019 \$	2018 \$
Infrastructure	169,000	-
<b>Total Capital Commitments</b>	<b>169,000</b>	<b>-</b>

These expenditures are payable:

Not later than one year	169,000	-
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
	<b>169,000</b>	<b>-</b>

**Brown Hill and Keswick Creeks Stormwater Board**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**Note 13 - Events after the end of the reporting period**

Since the reporting date, there have been no events that would materially impact on the contents of this report.

**Note 14 - Economic Dependence**

Brown Hill and Keswick Creeks Stormwater Board is dependent on its constituent councils and other funding bodies for the majority of its revenue used to achieve its objectives. At the date of this report, the Board believe that the Member Councils and other bodies will continue to support the Board.

**Note 15 - Related Party Transactions**

The total remuneration paid to key management personnel of Brown Hill and Keswick Creeks Stormwater Board Incorporated during the year was as follows:

Key management personnel include the former Project Director employed by the City of Unley, the current Project Director employed by the Board and the members of the Board appointed under section 112 of the Local Government Act 1999.

The key management personnel were paid the following total compensation:

Salaries and wages	\$ 221,714.00
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Other related parties includes close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel individually or collectively with their close family members. There were no transactions with other related parties.

**Note 16 - Board details**

The registered office of the Board and principal place of business is:

Brown Hill and Keswick Creeks Stormwater Board  
PO Box 124 Unley SA 5061

**Brown Hill and Keswick Creeks Stormwater Board**

**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**CERTIFICATION OF AUDITOR INDEPENDENCE**

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Brown Hill and Keswick Creeks Stormwater Board for the year ended 30 June 2019, the Board's Auditor, ....., has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

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**Name:** Judith Choate  
**Position:** Chairperson  
**Date:**

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**Name:**  
**Position:**  
**Date:**

**Brown Hill and Keswick Creeks Stormwater Board**

**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**STATEMENT BY AUDITOR**

I confirm that, for the audit of the financial statements of Brown Hill and Keswick Creeks Stormwater Board for the year ended 30 June 2019, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

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**Name of Auditor** Luke Williams  
**Name of Audit Firm** Galpins Accountants, Auditors & Business Consultants  
**Date:**

**Brown Hill and Keswick Creeks Stormwater Board**

**CERTIFICATION OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

In the opinion of the committee, the Financial Statements comprising of the Statement of Financial Performance, Statement of Financial Position, Statement of Changes in Members' Funds, Statement of Cash Flows and Notes to the Financial Statements:

1. Presents a true and fair view of the financial position of Brown Hill and Keswick Creeks Stormwater Board as at 30 June 2019 and its performance for the year ended on that date in accordance with Accounting Standards and other mandatory professional reporting requirements.
2. At the date of this statement, there are reasonable grounds to believe that Brown Hill and Keswick Creeks Stormwater Board will be able to pay its debts as and when they fall due.

The Board is responsible for the reliability, accuracy and completeness of the accounting records and the disclosure of all material and relevant information.

This statement is made in accordance with a resolution of the Board and is signed for and on behalf of the Board by:

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**Name:** Judith Choate  
**Position:** Chairperson  
**Date:**

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**Name:**  
**Position:**  
**Date:**

## INFORMATION REPORT

**REPORT TITLE:** PROCUREMENT SAVINGS IDENTIFIED  
**ITEM NUMBER:** 2.4  
**DATE OF MEETING:** 11 NOVEMBER 2019  
**AUTHOR:** MICK WETHERALL  
**JOB TITLE:** ACTING MANAGER FINANCE & PROCUREMENT  
**ATTACHMENTS:** NIL

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### 1. **EXECUTIVE SUMMARY**

This report provides information to the Audit Committee of new tenders and contracts which have achieved savings/cost avoidances of more than \$20k and overruns of more than \$50k in the first quarter of the 2019/2020 financial year. Information is also provided on any procurement dispensations for the same period.

### 2. **RECOMMENDATION**

That:

1. The report be received.
- 

### 3. **RELEVANT CORE STRATEGIES/POLICIES**

4. Civic Leadership  
4.2 Council provides best value services to the community.

### 4. **BACKGROUND**

The Audit Committee requested that information on tenders and contract cost savings/cost avoidances in excess of \$20,000 and cost overruns in excess of \$50,000, resulting from procurement activities, be reported to the Committee on a quarterly basis.

## 5. **DISCUSSION**

### **Procurement Savings/Cost Avoidances and Overruns for Quarter 4, 2018/2019**

Since the last report the following major contracts have been completed:

#### **Thames Street Drainage Upgrade**

The budget estimate for this project was \$170,000. The tender was awarded for a competitive price of \$106,000, with a saving of some \$64,000. The highest tender received for the project was \$281,000 highlighting the excellent savings achieved.

#### **King William Road Seating**

This was for the manufacture and supply of twelve bench seats and twelve single seats for the King William Road upgrade. The budget was \$90,000 and a contract was secured for \$76,000 with additional services added for a further \$8,000. The highest tender received was for \$106,000 with cost avoidance being \$30,000.

#### **Recruitment of Four Finance Officers**

The budget for the procurement process was \$48,000. The contract was secured for \$20,000 together with a number of value adds, representing a saving of \$28,000. The highest quote was \$53,000, providing a possible cost avoidance of \$33,000.

#### **Ride on Reel Mowers (x2)**

The budget estimate for the replacement of these pieces of equipment was \$130,000. The winning price was negotiated down to \$110,000, with a saving of \$20,000. Cost avoidance of \$46,000 based upon the highest tendered price of \$176,000.

#### **Re-construction of Roundabouts in Cambridge Terrace at Wattle and Fisher Streets**

The budget for these works was estimated at \$168,000. The actual construction costs were \$281,000. The shortfall of \$113,000 has subsequently been made up with available grant funding.

### **Dispensation from Procurement Policy**

In circumstances where the Council enters into purchasing contracts, other than those resulting from a competitive process, the Council will record the reasons for entering into those contracts. Where the amount is over \$100K the purchase must be reported to the Council's Audit Committee.

There were no dispensations in excess of \$100K granted during this quarter. The following items were inadvertently omitted from the previous reporting period and are listed below:



<b>Project</b>	<b>Responsible Officer</b>	<b>Supplier</b>	<b>Approved by</b>	<b>Value \$</b>	<b>Reason for Dispensation</b>
LED Street Light Upgrade	Manager Strategic Assets	Gerard Lighting	CEO	580,000	The only supplier of lighting products approved by SAPN.
Kenilworth Road & Leah Street - Kerbing Works	Asset Project Engineer	Fulton Hogan	CEO	270,000	Timing constraint with intersection buildouts. Fulton Hogan already undertaking bitumen works. Compatibility and integration of kerb buildouts and road construction is sought.