



**Adelaide Hills**  
COUNCIL

## **AUDIT COMMITTEE**

### **NOTICE OF MEETING**

To: **Presiding Member** Cr Malcolm Herrmann

#### **Members**

David Moffatt  
Peter Brass  
Natalie Johnston  
Cr Leith Mudge

Notice is hereby given pursuant to the provisions under Section 87 of the *Local Government Act 1999* that the next meeting of the Audit Committee will be held on:

**Monday 17 October 2022**  
**6.30pm**  
**63 Mt Barker Road, Stirling**

A copy of the Agenda for this meeting is supplied under Section 87 of the Act.

Committee meetings are open to the public and members of the community are welcome to attend. Meetings will be conducted in accordance with the applicable COVID-19 social distancing guidelines and may result in Members participating electronically in accordance with the provisions of the Committee's Terms of Reference.

A Public notice of the Agenda for this meeting is supplied under Section 88 of the Act.

**David Waters**  
**Chief Executive Officer**  
**13 October 2022**



**Adelaide Hills**  
COUNCIL

**AUDIT COMMITTEE**

**AGENDA FOR MEETING**  
**Monday 17 October 2022**  
**6.30pm**  
**63 Mt Barker Road, Stirling**

**ORDER OF BUSINESS**

**1. COMMENCEMENT**

1.1. Acknowledgement of Country

*Council acknowledges that we meet on the traditional lands and waters of the Peramangk and Kaurna people. We pay our respects to Elders past, present and emerging as the Custodians of this ancient and beautiful land. Together we will care for this country for the generations to come.*

**2. APOLOGIES/LEAVE OF ABSENCE**

2.1. Apology

2.2. Leave of Absence

2.3. Absent

**3. MINUTES OF PREVIOUS MEETINGS**

3.1. Audit Committee Minutes – 15 August 2022

***Recommendation***

*That the minutes of the Audit Committee meeting held on 15 August 2022, as supplied, be confirmed as an accurate record of the proceedings of that meeting.*

**4. PRESIDING MEMBER'S OPENING REMARKS**

**5. DELEGATION OF AUTHORITY**

The Audit Committee operates in accordance with the relevant sections of the Local Government Act 1999, and its Terms of Reference.

**6. DECLARATION OF CONFLICT OF INTEREST BY MEMBERS OF THE COMMITTEE**

**7. PRESENTATIONS, ACTION REPORT & WORKPLAN**

7.1. Risk Presentation

Nil

7.2. Action Report and Work Plan Update

1. *That the report be received and noted.*
2. *That the status of the Action Report and Work Plan be noted.*

**8. OFFICER REPORTS**

8.1. 2021-22 General Purpose Financial Statements

1. *That the report be received and noted*
2. *That in accordance with Section 126(4)(a) of the Local Government (Financial Management) Regulations 1999, the Audit Committee advises Council that it has reviewed:*
  - a. *the General Purpose Financial Statements of the Council for the financial year ended 30 June 2022 as contained in Appendix 1, and*
  - b. *the External Auditor Galpins' Audit Clearance Report as contained in Appendix 2,**and is satisfied that the 2021-22 financial statements present fairly the state of affairs of the Council.*
3. *To recommend that the Adelaide Hills Council 2021-22 General Purpose Financial Statements, contained in Appendix 1, may be certified by the Chief Executive Officer and the Mayor.*
4. *To note the confirmation of Galpins Auditor Independence Statement provided at Appendix 3.*
5. *To recommend that the Certification of Auditor Independence statement contained in Appendix 4 may be certified by the Chief Executive Officer and the Presiding Member of the Audit Committee in accordance with the requirements of Regulation 22(3) of the Local Government (Financial Management) Regulations 2011.*

8.2. 2021-22 End of Year Financial Report

1. *That the report be received and noted*
2. *To recommend to Council that the Audited 2021-22 Financial Results compared to Budget contained within this report have been appropriately considered.*

- 8.3.      **Audit Committee Self-Assessment 2022**  
*The Audit Committee resolves that the report be received and noted.*
  
- 8.4.      **Quarterly Council Performance Report – Q1 2022-23**  
*The Audit Committee resolves the Quarterly Council Performance Report – Q1 2022-23 be received and noted.*
  
- 8.5.      **Audit Committee Presiding Member’s Report 2022**  
*The Audit Committee resolves that the report be received and noted.*

**9.        QUESTIONS WITHOUT NOTICE**

**10.      CONFIDENTIAL ITEMS**

Nil

**11.      NEXT MEETING**

The next Audit Committee meeting will be held at time to be advised at 63 Mount Barker Road, Stirling.

**12.      CLOSE MEETING**

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE  
MINUTES OF MEETING  
MONDAY 15 AUGUST 2022  
63 MT BARKER ROAD STIRLING**

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**In Attendance****Members:**

Cr Malcolm Herrmann	Presiding Member
Peter Brass	Independent Member
David Moffatt	Independent Member
Natalie Johnston	Independent Member
Cr Leith Mudge	Council Member

**In Attendance:**

Andrew Aitken	Chief Executive Officer
Terry Crackett	Director Corporate Services
David Waters	Director Community Capacity
Lachlan Miller	Executive Manager Governance & Performance
Megan Sutherland	Executive Manager Organisational Development
Mike Carey	Manager Financial Services
David Collins	Manager Strategic Assets
Kira-marie Laverty	Corporate Planning & Performance Coordinator
Steven Watson	Governance and Risk Coordinator Minute Taker

**Guests in Attendance:**

Nil	

**1. COMMENCEMENT**

The meeting commenced at 6.30pm.

**1.1. Acknowledgement of Country**

Council acknowledges that we meet on the traditional lands and waters of the Peramangk and Kaurna people. We pay our respects to Elders past, present and emerging as the Custodians of this ancient and beautiful land. Together we will care for this country for the generations to come.

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE  
MINUTES OF MEETING  
MONDAY 15 AUGUST 2022  
63 MT BARKER ROAD STIRLING**

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**2. APOLOGIES/LEAVE OF ABSENCE**

**2.1. Apology**

Nil

**2.2. Leave of Absence**

Nil

**2.3. Absent**

Nil

**3. MINUTES OF PREVIOUS MEETINGS**

**3.1. Audit Committee Meeting – 23 May 2022**

Moved Peter Brass  
S/- Natalie Johnston

**AC38/22**

**That the minutes of the Audit Committee meeting held on 23 May 2022 as supplied, be confirmed as an accurate record of the proceedings of that meeting.**

<b>Carried Unanimously</b>
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**4. PRESIDING MEMBER'S OPENING REMARKS**

Cr Malcolm Herrmann thanked the CEO for his service and contributions to the Audit Committee.

**5. DELEGATION OF AUTHORITY**

In accordance with the Audit Committee Terms of Reference, the Committee has no delegated decision-making powers. The Recommendations in Item(s) 8.1, 8.6, 8.9, 8.10 and 8.11 are to be submitted to Council for consideration.

**6. DECLARATION OF CONFLICT OF INTEREST BY MEMBERS OF AUDIT COMMITTEE**

Natalie Johnston advised the Committee she is employed by SA Water.

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE  
MINUTES OF MEETING  
MONDAY 15 AUGUST 2022  
63 MT BARKER ROAD STIRLING**

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**7. PRESENTATIONS, ACTION REPORT & WORKPLAN**

**7.1. Risk Presentation**

Nil

**7.2. Action Report and Work Plan Update**

Moved Cr Leith Mudge  
S/- Natalie Johnston

**AC39/22**

1. That the report be received and noted.
2. That the status of the Action Report and Work Plan be noted.

<b>Carried</b>
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**8. OFFICER REPORTS – DECISION ITEMS**

**8.1. Draft Asset Management Plan CWMS 2023 – 2032**

Moved Cr Malcolm Herrmann  
S/- Cr Leith Mudge

**AC40/22**

The Audit Committee resolves:

1. That the report be received and noted.
2. To recommend for Council's consideration, the draft *Asset Management Plan – Community Wastewater Management System 2023 – 2032* be released for public consultation.

<b>Carried Unanimously</b>
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**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE  
MINUTES OF MEETING  
MONDAY 15 AUGUST 2022  
63 MT BARKER ROAD STIRLING**

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**8.2. End of Financial Year Update**

Moved Peter Brass  
S/- David Moffatt

AC41/22

The Audit Committee resolves that the report be received and noted.

<b>Carried Unanimously</b>
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**8.3. Debtors Report**

Moved Peter Brass  
S/- Cr Leith Mudge

AC42/22

The Audit Committee resolves that the report be received and noted.

<b>Carried</b>
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**8.4. Placement of Council's Insurance Portfolio**

Moved Natalie Johnston  
S/- David Moffatt

AC43/22

The Audit Committee resolves that the report be received and noted.

<b>Carried Unanimously</b>
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**8.5. Risk Management Plan Update**

Moved Natalie Johnston  
S/- Peter Brass

AC44/22

That the Audit Committee resolves that the report be received and noted.

<b>Carried Unanimously</b>
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**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE  
MINUTES OF MEETING  
MONDAY 15 AUGUST 2022  
63 MT BARKER ROAD STIRLING**

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**8.6. Internal Audit Quarterly Update**

Moved Peter Brass  
S/- Natalie Johnston

AC45/22

The Audit Committee resolves:

1. That the report be received and noted
2. To receive and note the Recruitment and Retention Internal Audit Report as contained in Appendix 1.
3. To receive and note the Economic Development Plan Implementation Internal Audit Report as contained in Appendix 2.
4. To recommend to Council to adopt the revised Strategic Internal Audit Plan v1.11a as contained in Appendix 3.

<b>Carried Unanimously</b>
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**8.7. Audit Action Implementation Status**

Moved Cr Leith Mudge  
S/- David Moffatt

AC46/22

The Audit Committee resolves:

1. That the report be received and noted
2. To note the implementation status of Internal and External Audit actions.

<b>Carried Unanimously</b>
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**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE  
MINUTES OF MEETING  
MONDAY 15 AUGUST 2022  
63 MT BARKER ROAD STIRLING**

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**8.8. Quarterly Council Performance Report Q4 2021-22**

Moved Cr Leith Mudge  
S/- David Moffatt

AC47/22

The Audit Committee resolves that the Quarterly Council Performance Report – Q4 2021-22 be received and noted.

<b>Carried Unanimously</b>
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**8.9. Service Review Report – Civil Services**

Moved Peter Brass  
S/- Natalie Johnston

AC48/22

The Audit Committee resolves:

1. To receive and note this report
2. To receive and note the *Service Review 2021-22 – Civil Service Maintenance Function Report*, as contained in Appendix 1.
3. To receive and note the *Service Review 2021-22 – Civil Service Maintenance Function – draft Action Plan*, containing the Service Review recommendations, management responses and agreed actions, as contained in Appendix 2
4. To note that that the implementation status of the agreed actions will be reported to Council on a biannual basis, nominally March and August.

<b>Carried Unanimously</b>
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**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE  
MINUTES OF MEETING  
MONDAY 15 AUGUST 2022  
63 MT BARKER ROAD STIRLING**

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**8.10. Policy Review – Procurement Report**

Moved Malcolm Herrmann  
S/- Cr Leith Mudge

AC49/22

The Audit Committee resolves:

1. That the report be received and noted.
2. To recommend to Council the adoption of the *Draft Procurement Policy* as detailed in Appendix 1.

<b>Carried Unanimously</b>
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**8.11. Policy Review – Disposal of Assets**

Moved Peter Brass  
S/- David Moffatt

AC50/22

The Audit Committee resolves:

1. That the report be received and noted.
2. To recommend to Council the adoption of the *Draft Disposal of Assets Policy* as detailed in Appendix 1.

<b>Carried Unanimously</b>
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**9. CONFIDENTIAL ITEMS**

Nil

**10. NEXT MEETING**

The next ordinary meeting of the Audit Committee will be held on Monday 17 October 2022 from 6.30pm at 63 Mt Barker Road, Stirling.

**11. CLOSE MEETING**

The meeting closed at 8.52pm.

**ADELAIDE HILLS COUNCIL  
AUDIT COMMITTEE MEETING  
Monday 17 October 2022  
AGENDA BUSINESS ITEM**

**Item:** 7.2

**Responsible Officer:** Steven Watson  
Governance and Risk Coordinator  
Office of the Chief Executive

**Subject:** Action Report and Work Plan

**For:** Information

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**SUMMARY**

A formal Audit Committee Action Report is maintained to record the items requiring 'actioning' that result from each of the Audit Committee meetings.

The Audit Committee Work Plan assists the Committee members and staff in scheduling both discussion and reports to ensure appropriate coverage of the Committee functions over the 12 month period.

The Audit Committee 2022 Work Plan has NIL (0) suggested amendments for this meeting.

**RECOMMENDATION**

**The Audit Committee resolves:**

- 1. That the report be received and noted.**
  - 2. That the status of the *2022 Action Report and Work Plan* be noted.**
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**1. BACKGROUND**

Action Report

The Action List tracks the implementation of resolutions of the Audit Committee.

Work Plan

The functions of the Audit Committee are set out in part 7 (Role) of the Committee Terms of Reference.

Work Plan Amendment

A Work Plan has been developed to assist the Committee members and staff in scheduling discussion and reports to ensure appropriate coverage of the functions over the 12 month period. The Audit Committee adopted an updated Work Plan at its 15 November 2021 meeting.

## 2. ANALYSIS

### ➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

#### *Strategic Plan 2020-24 – A brighter future*

Goal 5	A Progressive Organisation
Objective O4	We actively represent our community
Priority O4.3	Attract and develop a diverse and capable elected body that represents, promotes and reflects the composition of the community
Priority O4.3	Advocate to, and exert influence with, our stakeholders on behalf of our community to promote the needs and ambitions of the region
Objective O5	We are accountable, informed, and make decisions in the best interests of the whole community
Priority O5.1	Enhance governance structures and systems to prudently adapt to changing circumstances and meet our legislative obligations
Priority O5.2	Make evidence-based decisions and prudently assess the risks and opportunities to our community before taking action.

The review by the Audit Committee of the Action Report and Work Plan is an important element of Council's commitment to open and transparent decision making which facilitates public accountability.

#### Action Report

There are five (5) completed items and two (2) outstanding items on the Audit Committee Action Report (**Appendix 1**) arising from previous Committee meetings. Commentary against the item is provided for the Committee's information.

#### Work Plan and Reporting Schedule

As per the 2022 Audit Committee Work Plan and Reporting Schedule (**Appendix 2**), the following items are detailed below are included in this meeting:

Item	Commentary	Month Scheduled
<b>Financial Reporting</b>		
Long Term Financial Plan (LTFP)		February
Annual Business Plan		April
Budget Review 1		November
Budget Review 2		February
Budget Review 3		May
End of Year Financial Report		November
End of financial year reporting timetable		May
End of financial year update		August
Final Annual Financial Statements (incl management representation letter)	Included in this meeting	October

<b>Internal Control and Risk Management</b>		
Placement of Council's insurance portfolio (for noting)		August
Internal Financial Controls update		May
Risk Management Plan update		February/May/ August/November
Results of LGRS Risk Management Review	N/A	February (Biennial)
LGRS Risk Evaluation - Action Plan Review		May/November
<b>Internal Audit</b>		
Internal Audit quarterly update		February/May/ August/November
Internal audit reports		As Required
Implementation of internal audit actions progress report		February/August
Internal Audit Plan review		May
External audit interim letter		April
Implementation of external audit actions progress report		February/August
External Audit Plan review		February
Meeting attendance by external auditors	Included in this meeting	February/October
Review of auditor independence and legislative compliance	Included in this meeting	October
Audit Committee Completion Report	Included in this meeting	October/November
<b>Public Interest Disclosure</b>		
Public Interest Disclosure Policy review (replaces Whistle-blowers)		April 2024
Public Interest Disclosure Arrangements and Compliance	Nil reports made to date	May 2024
<b>Other Business</b>		
Audit Committee self-assessment review		November
Presiding Member's Report		November
Work Plan and Reporting Schedule		November
Audit Committee Meeting Dates		November
Debtors Report		February/August
Annual Report		November
Action Report & Work Plan Update	Included in this meeting	All Meetings
Audit Committee Terms of Reference		August

Director’s Presentation		February/May/ August/November
Other Reports	As required	As Required

### 2022 Work Plan

There is no suggested changes to *2022 Audit Committee Work Plan (Appendix 2)*.

#### ➤ **Legal Implications**

Section 126 of the *Local Government Act 1999* sets out the functions of an audit committee. Management of Committee’s action items and work plan facilitates the achievement of these functions.

#### ➤ **Risk Management Implications**

The management of action items and the work plan will assist in mitigating the risk of:

*Poor governance practices occur which lead to a loss of stakeholder (i.e. customer and regulator) confidence and/or legislative breaches.*

Inherent Risk	Residual Risk	Target Risk
Extreme (5C)	Low (3E)	Low (3E)

Note that there are many other controls that assist in mitigating this risk.

#### ➤ **Financial and Resource Implications**

Council’s current budget contains provision for the costs associated with the notification and conduct of Audit Committee meetings

#### ➤ **Customer Service and Community/Cultural Implications**

The timing and location of Audit Committee meetings should be considerate of the desire for community members to attend.

With the current COVID-19 social distancing requirements, Audit Committee meetings are continuing to be held in the advertised venue with Committee Members participating by following COVID safe practices.

#### ➤ **Sustainability Implications**

There are no direct sustainability implications arising from this report.

➤ **Engagement/Consultation conducted in the development of the report**

*Council Committees:* Not Applicable

*Council Workshops:* Not Applicable

*Council Committees:* Not Applicable

*Advisory Groups:* Not Applicable

*External Agencies:* Not Applicable

*Community:* Not Applicable

**3. OPTIONS**

The Audit Committee has the following options:

- I. To note the status of the Action Report at **Appendix 1** (recommended).
- II. To alter or substitute elements of the Action Report (not recommended).

**4. APPENDICES**

1. Audit Committee Action Report
2. 2022 Audit Committee Work Plan (v1.0)



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# **Appendix 1**

## *Audit Committee Action Report*

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## Audit Committee Action Report and Work Plan October 2022

Meeting Date	Meeting	Res No.	Item Name	Previously Declared COI	Action Required (Council Resolution)	Responsible Director	Responsible Officer	Status	Date of Update	Due Date	Status (for Council reporting)
24/05/2021	Audit Committee	AC33/21	Cyber Security Report - Period of Confidentiality	None declared	That the report, related attachments and the minutes of the Audit Committee and the discussion and considerations of the subject matter be retained in confidence until the control deficiencies are mitigated but no longer than 30 June 2023.	Terry Crackett	James Sinden	In Progress	13/10/2022	30/06/2023	The Local Government Cyber Security Framework (LGCSF) that was grant funded by the LGA and LGITSA (Local Government Information Technology South Australia) has been formally release and available to Councils for implementation.  Work progresses with Councils Cyber Security Plan working with consultants implementing the ISMS (Information Security Management System) aligned with the LGCSF. An update was also provided to the Audit Committee in May 2022 of the implementation progression status.
15/08/2022	Audit Committee	AC40/22	Draft Asset Management Plan CWMS 2023-2032	Nil	That the report be received and noted. To recommend for Council's consideration, the draft <i>Asset Management Plan – Community Wastewater Management System 2023 – 2032</i> be released for public consultation.	Peter Bice	David Collins	Completed	12/10/2022	16/09/2022	Council has endorsed plan for consultation following caretaker.
15/08/2022	Audit Committee	AC45/22	Internal Audit Quarterly Update	Nil	That the report be received and noted To receive and note the Recruitment and Retention Internal Audit Report as contained in Appendix 1. To receive and note the Economic Development Plan Implementation Internal Audit Report as contained in Appendix 2. To recommend to Council to adopt the revised Strategic Internal Audit Plan v1.11a as contained in Appendix 3.	Andrew Aitken	Lachlan Miller	Completed	13/10/2022	27/09/2022	Presented to the 27 September 2022 Ordinary Council Meeting.
15/08/2022	Audit Committee	AC48/22	Service Review Report - Civil Services	Nil	1. To receive and note this report 2. To receive and note the <i>Service Review 2021-22 – Civil Service Maintenance Function Report</i> , as contained in Appendix 1. 3. To receive and note the <i>Service Review 2021-22 – Civil Service Maintenance Function – draft Action Plan</i> , containing the Service Review recommendations, management responses and agreed actions, as contained in Appendix 2 4. To note that that the implementation status of the agreed actions will be reported to Council on a biannual basis, nominally March and August.	Andrew Aitken	Lachlan Miller	In Progress	13/10/2022	30/10/2022	
15/08/2022	Audit Committee	AC49/22	Policy Review - Procurement Report	Nil	That the report be received and noted. To recommend to Council the adoption of the <i>Draft Procurement Policy</i> as detailed in Appendix 1.	Terry Crackett	Mike Carey	Completed	16/08/2022	16/09/2022	Procurement Policy presented and adopted by Council at its meeting on 23 August 2022
15/08/2022	Audit Committee	AC50/22	Policy Review - Disposal of Assets	Nil	That the report be received and noted. To recommend to Council the adoption of the <i>Draft Disposal of Assets Policy</i> as detailed in Appendix 1.	Terry Crackett	Mike Carey	Completed	16/08/2022	15/09/2022	Policy presented and endorsed by Council at its meeting on 23 August 2022

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## **Appendix 2**

*2022 Audit Committee Work Plan (v1.0)*

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**ADELAIDE HILLS COUNCIL  
AUDIT COMMITTEE MEETING  
Monday 17 October 2022  
AGENDA BUSINESS ITEM**

**Item:** 8.1

**Responsible Officer:** Mike Carey  
Manager, Financial Services  
Corporate Services

**Subject:** 2021-22 General Purpose Financial Statements

**For:** Decision

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**SUMMARY**

The 2021-22 General Purpose Financial Statements are attached (**Appendix 1**) for information and review. They have been prepared in accordance with the model statements prescribed in the *Local Government (Financial Management) Regulations 2011*.

In accordance with Section 126(4)(a) of the *Local Government Act 1999* the Audit Committee needs to review the 2020-21 General Purpose Financial Statements 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's external auditor, Galpins are in the final stages of completing the audit, and have provided their final Audit Completion Report on matters arising from the audit. This Audit Completion Report indicates that Galpins intend to issue unmodified opinions for both the Financial Statements and Internal Controls subject to the certification of financial statements and completion of sign off and associated representations related to the statements.

The 2021-22 General Purpose Financial Statements will be presented to Council on 25 October 2022 for endorsement prior to certification by the Mayor and Chief Executive Officer and the Audit Report signed by the external auditors, Galpins.

In considering this report an in-camera opportunity will also be provided for members of the Audit Committee to discuss the audit result with Galpins.

**RECOMMENDATION**

**The Audit Committee resolves:**

1. That the report be received and noted
2. That in accordance with Section 126(4)(a) of the *Local Government (Financial Management) Regulations 1999*, the Audit Committee advises Council that it has reviewed:

- a. the General Purpose Financial Statements of the Council for the financial year ended 30 June 2022 as contained in Appendix 1, and
- b. the External Auditor Galpins' Audit Clearance Report as contained in Appendix 2,

and is satisfied that the 2021-22 financial statements present fairly the state of affairs of the Council.

3. To recommend that the Adelaide Hills Council 2021-22 General Purpose Financial Statements, contained in Appendix 1, may be certified by the Chief Executive Officer and the Mayor.
4. To note the confirmation of Galpins Auditor Independence Statement provided at Appendix 3.
5. To recommend that the Certification of Auditor Independence statement contained in Appendix 4 may be certified by the Chief Executive Officer and the Presiding Member of the Audit Committee in accordance with the requirements of Regulation 22(3) of the *Local Government (Financial Management) Regulations 2011*.

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## 1. BACKGROUND

In November 2020, Council resolved to appoint Galpins Accountants, Advisers and Business Consultants (Galpins) for the provision of external audit services for a further period of two (2) years covering the 2020-21 and 2021-22 Annual Financial Statement and Internal Financial Control audits.

The Annual Financial Statements (or General Purpose Financial Report) in **Appendix 1** have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board and relevant South Australian local government legislation.

## 2. ANALYSIS

### ➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

*Strategic Plan 2020-24 – A brighter future*

Goal 5	A Progressive Organisation
Objective O3	Our organisation is financially sustainable for both current and future generations
Priority O3.1	Ensure the delivery of agreed strategic plan requirements whilst meeting endorsed long term targets for a sustainable operating surplus and level of debt
Objective O5	We are accountable, informed and make decisions in the best interests of the whole community
Priority O5.1	Enhance governance structure and systems to prudently adapt to changing circumstances and meet our legislative obligations
Priority O5.3	Demonstrate accountability through robust corporate planning and reporting that enhances performance, is relevant and easily accessible by the community

The Council is committed to open, participative and transparent decision-making and administrative processes. We diligently adhere to legislative requirements to ensure public accountability and exceed those requirements where possible.

Clause 3.5.3 of the Audit Committee Terms of Reference provide that the Committee shall meet with the external auditor at least once a year, without management being present (i.e. in-camera), to discuss the external auditor’s report and any issues arising from the audit.

Should the Committee wish to avail itself of this opportunity, the Administration will leave the meeting at the request of the Presiding Member and a confidentiality order is not required as the meeting remains open to the public.

➤ **Legal Implications**

*Local Government Act 1999*

Chapter 8 of the *Local Government Act* addresses Administrative and Financial Accountability under Part 3 Accounts, financial statements and audit.

More specifically:

- Section 126 (4)(a): [Audit Committee] to review the Financial Statements to ensure that they present fairly the state of affairs of the Council.
- Under Section 127, Council must prepare for each financial year financial statements and notes in accordance with standards prescribed by the regulations as soon as is reasonably practicable after the end of the relevant financial year

*Local Government (Financial Management) Regulations*

- Regulation 22 of the *Local Government (Financial Management) Regulations 2011* requires:
  - Subregulation 3 – that 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; and
  - Subregulation 5 – that the Council’s auditor must provide a statement in the prescribed form regarding their independence in accordance with auditing professional standards and legislative requirements.

➤ **Risk Management Implications**

Failure to complete the year end process in accordance with the endorsed timetable can result in increased financial, compliance and reputational risk.

Inherent Risk	Residual Risk	Target Risk
Medium (4D)	Low (2E)	Low (2E)

➤ **Financial and Resource Implications**

The End of Year Financial Statements are considered to be the most significant output from Council's financial management and reporting processes, and are required for inclusion in the Annual Report.

Funding and resources required to prepare the End of Year Financial Statements is provided for as part of the annual budget process.

➤ **Customer Service and Community/Cultural Implications**

Not applicable.

➤ **Sustainability Implications**

Not applicable.

➤ **Engagement/Consultation conducted in the development of the report**

Consultation on the development of this report was as follows:

*Council Committees:* A 2021-22 End of Year Update Report was presented to the Audit Committee on 15 August 2022 where the preliminary end of year results were presented.

*Council Workshops:* Not Applicable

*Advisory Groups:* Not Applicable

*External Agencies:* Galpins Accountants, Advisers and Business Consultants

*Community:* Not Applicable

➤ **Additional Analysis**

The following sections provide a summary in relation to key sections of the General Purpose Financial Statements.

**2.1 Statement of Comprehensive Income**

The Statement of Comprehensive Income shows an overall operating surplus of \$1.142m for 2021-22 compared with a surplus of \$2.357m for the previous year 2020-21.

<b>Statement of Comprehensive Income</b>	<b>2021-22 \$000s</b>	<b>2020-21 \$000s</b>	<b>Movement \$000s</b>
Council	1,075	1,606	(531)
Equity Result from Subsidiaries	67	751	(684)
<b>Operating Surplus/(Deficit)</b>	<b>1,142</b>	<b>2,357</b>	<b>(1,215)</b>



Overall, Council's operating revenue increased by \$276k (0.53%) to \$52.4m with expenditure increasing by \$1.491m (3.00%) to \$51.3m.

Key movements from 2021-22 include:

- A rates increase of \$1.4m, reflecting the general rates increase of 2.50% and rates growth of 1.0%. (refer Note 2a in the Financial Statements).
- Statutory charges of \$1.4m, which were \$59k less than the previous year, largely as a result of:
  - A reduction in development application fees of over \$43k compared to prior year which was impacted by the uplift in applications following the Cudlee Creek bushfire.
  - A reduction in septic tank fee revenue of \$26k due to a decrease in applications for the 2021-22 financial year.
- Operating Grants, Subsidies and Contributions decreased by \$552k from the previous year largely as a result of the following:
  - Natural disaster funding from the State Government of \$2.5m was received in 2020-21 as a one off payment with no funding received in 2021-22.
  - One off Sport & Recreation facilities grants of \$766k received in 2021-22 for the resurfacing of Gumeracha tennis courts (\$220k) and Heathfield change rooms (\$546k).
  - Supplementary local roads funding of \$344k received in 2021-22. No funding was received in 2020-21.
  - Early payment of over 75% of the 2022-23 Financial Assistance Grants in April 2022 totalling \$1.488m offset by the early payment in 2020-21 of two quarters of the 2021-22 Financial Assistance Grants of \$846k thus resulting in a change between years of \$643k. As highlighted in Note 1 of the financial statements, in recent years, the payment of untied financial assistance grants has varied significantly from the annual allocation and as a result has had a material impact on Council's operating surplus. As a result, reference is made to the impact of these grants in Note 1, Note 2 (g) Grants, Subsidies, Contributions as well as Note 15 covering Financial Indicators.
- Council's result from Equity Accounted Council Businesses was a net gain of \$67k in comparison to a net gain of \$751k for the previous year. This movement largely relates to the Adelaide Hills Regional Waste Management Authority (AHRWMA) which accounted in 2020-21 for the full amount of a successful resolution of a legal claim resulting in a higher share of the operating result for last year compared to this year.
- Employee Costs which increased in line with:
  - Council's Enterprise Development Agreement increases for the year of 2.25% for both salaries and wages in addition to the federally legislated increase of 0.5% in superannuation contributions.
  - Increases in FTEs from 2020-21 relating to Open Space tree management, Financial Accounting and Organisational Development functions as well as grant funded programs.
- Materials, Contracts & Other Expenses increased by \$414k from \$21.1m to \$21.5m in 2021-22:

- A return of \$348k to the LGA for contributions previously received for CWMS investigation works for Summerton/Uraidla and Inglewood/Houghton which will no longer be going ahead.
  - An increase of \$1m being a contribution towards the Heathfield High School court project located on school land.
  - An increase in the remediation of \$739k to an amount of \$1.540m. The amount provided for in 2020-21 was \$358k.
  - These were offset by 2020-21 one off costs of \$1.6m of Bushfire recovery contractor costs and \$563k relating the undergrounding of power lines for the Gumeracha main street.
- Depreciation increased by \$369k from the previous year across a number of categories with the most significant increases occurring in:
    - Stormwater assets which went through an extensive data cleansing process during 20/21 and 21/22. The dataset was then revalued at 1 July 2021 resulting in a substantial increase in replacement value and yearly depreciation.
    - Kerb & gutter assets were consolidated and useful lives adjusted accordingly resulting in an overall uplift in depreciation.
    - Additional right of use assets relating to leased property and ICT assets were recognised in 21-22; and
    - Plant and equipment assets were transitioned into the Confirm Enterprise Asset Management System as at 30 June 2021 and the resultant data cleansing has led to a reduction in yearly depreciation.
  - Finance costs decreased by \$309k as a result of the repayment of a \$5m interest only loan reducing the amount of interest paid during the financial year, offset by an increase in overdraft interest paid on short term borrowings.

## 2.2 Statement of Financial Position

Statement of Financial Position	2021-22 \$'000	2020-21 \$'000	Movement \$'000
Assets	454,149	439,819	14,330
Liabilities	30,255	24,172	6,083
Net Assets	<b>423,894</b>	<b>415,647</b>	<b>8,247</b>

The Statement of Financial Position shows the total assets and total liabilities held by Council.

As at 30 June 2022, the overall net assets (total assets less total liabilities) position was \$423.9m compared with \$415.6m for the previous year, representing an increase in equity of \$8.2m. The increase in equity is represented largely by an increase in asset valuation of \$2.8m together with the net surplus of \$5.4m.

As highlighted in Note 7 Infrastructure, Property, Plant & Equipment, the stormwater asset class was revalued using external unit rates at July 2021 resulting in an uplift in valuation of \$4.7m. Offsetting this uplift were financial adjustments relating to data cleansing of asset categories adjusted against the asset revaluation reserve including:

- the removal of CFS and other buildings from the buildings asset category as it was determined these were no longer controlled by Council (\$1m),
- adjustments for bridges (\$223k) and road assets (\$162k) and

- the removal of duplicate assets and incorrect quantities from the retaining wall asset category (\$568k).

It is also noted that there was no change to the Bridgewater Retirement Village where Council entered into a Contract for the divestment of the retirement village portfolio in August 2018. As the contract in relation to the Retirement Village at Bridgewater is still conditional it has remained under land and buildings in the Statement for Financial Position as at 30 June 2022, similarly to the previous year.

Excluding lease liabilities, borrowings at 30 June 2022 were \$14.2m which represents an increase of \$4.0m from the balance as at 30 June 2021 of \$10.2m.

### 2.3 Cash Flow Statement

Statement of Cash Flows	2021-22 \$'000	2020-21 \$'000	Movement \$'000
Net cash from Operating Activities	12,907	12,612	295
Net cash from Investing Activities	(13,859)	(10,165)	(3,694)
Cash Flows from Financing Activities	(476)	(5,528)	5,052
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(1,428)</b>	<b>(3,081)</b>	<b>1,653</b>
<b>Cash &amp; Cash Equivalents</b>	<b>(5,991)</b>	<b>(4,563)</b>	<b>(1,428)</b>

Council generated net cash of \$12.9m from its Operating Activities during the financial year compared to \$12.6m during 2020-21. The increase in net cash from operating activities largely relates to additional rates receipts and early payment of 2022-23 financial assistance grants offset by additional employee related costs.

Details of how the cash flow statement reconciles with the net surplus and changes in net assets are shown in Note 11 of the Financial Statements.

During the year, Council spent \$17.2m on the renewal or replacement of existing assets and the construction or purchase of new assets compared to \$13.1m in 2020-21.

The resultant Cash Flow Statement shows a decrease in the net cash position in the order of \$1.4m, largely reflected in the drawing down of Council's short-term borrowings from \$5.0m to \$9.2m by year end. This draw down was used to accommodate the increased expenditure on assets and holding off medium to long-term borrowing requirements until the early in 2022-23 to take into account cash flow timing.

### 2.4 Financial Key Performance Indicators

These Financial Indicators have been calculated in accordance with Information Paper 9 – Local Government Financial Indicators and included as 'Note 15 Financial Indicators' within the Financial Statements.

#### Change in financial sustainability targets for the 2021-22 financial year

It is noted that as part of the development of the 2021-22 LTFP adopted in April 2021 Council agreed to amend Council's financial sustainability targets to narrow the range of each of the sustainability targets as follows:

- Operating Surplus Ratio, target range 1% to 5%
- Net Financial Liabilities Ratio, target range 25% to 75%
- Asset Renewal Funding Ratio, target range 95% to 105%

These financial sustainability targets will be used for the 2021-22 and subsequent years to assess Council’s financial performance.

<b>Financial Indicators</b>	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>
Operating Surplus	<b>2.2%</b>	<b>4.5%</b>	<b>(5.5%)</b>
Adjusted Operating Surplus Ratio *	<b>1.0%</b>	<b>5.3%</b>	<b>(4.9%)</b>
Net Financial Liabilities Ratio	<b>46%</b>	<b>39%</b>	<b>43%</b>
Adjusted Net Financial Liabilities Ratio *	<b>49%</b>	<b>39%</b>	<b>42%</b>
Asset Sustainability Ratio	<b>114%</b>	<b>85%</b>	<b>106%</b>

\*The Adjusted Ratios removes the distortion of Federal Government funding advances across financial years.

#### 2.4.1 Operating Surplus Ratio

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

As mentioned above, there are a number of one off items that have had a financial impact on the ratio for 2021-22 resulting in the ratio decreasing from the 2020-21 financial year but still in line with Council’s 2021-22 target range of 1% - 5%.

#### 2.4.2 Adjusted Operating Surplus Ratio

This ratio for 2021-22 removes the distortion of \$790k of 2022-23 Local Roads Grants and \$698k of Federal Government Financial Assistance Grants paid in advance in 2021-22 offset by \$846k of grants received in advance during 2020-21. The combined impact decreases the Operating Surplus by \$642k and the resultant ratio by 1.2%.

#### 2.4.3 Net Financial Liabilities Ratio

This ratio expresses the net financial liabilities as a percentage of total operating revenue with Council’s target range for 2021-22 being between 25% to 75%.

The Uniform Presentation of Finances as shown in Note 16 of the Financial Statements shows a net borrowing position of \$2.9m for 2021-22 in comparison to a net lending position of \$1.6m for the previous year. This net borrowing position has increased Council’s Net Financial Liabilities from 39% to 46% driven by Council’s larger net outlays on existing assets together with new and upgraded asset expenditure for 2021-22 offsetting the resultant reduced operating surplus.

As per the previous year, this ratio is well within Council’s target range and in alignment with the LTFP.

#### 2.4.4 Adjusted Net Liabilities Ratio

Similar to the adjusted Operating Surplus Ratio, this ratio removes the distortion of Federal Government advance grant payments movements. For 2021-22 the ratio only changed minimally from the unadjusted ratio.

#### 2.4.5 The Asset Renewal Funding Ratio

This is a ratio that represents the amount of expenditure incurred in replacing Council’s assets compared to the level of planned renewal expenditure as detailed in Council’s infrastructure and asset management plans at the time of preparing Council’s 2021-22 Budget. Council’s 2021-22 target range is between 95% and 105%.

At the end of the financial year, this ratio in part reflects actual delivery of the capital works program and is also impacted by 2020-21 carry forwards completed in 2021-22 whereas the asset management plan required expenditure denominator remains unchanged for the year. The ratio for 2021-22 of 114% largely offsets the previous year's ratio of 85% reflecting the impact of carry forwards and delivery across the two years.

## **2.5 2021-22 Audit Clearance Report**

The role of the external auditor is to provide an audit opinion to Council with respect to the General Purpose Financial Statements. In addition, Council's Auditor Galpins is required to provide an opinion on the compliance of the Adelaide Hills Council with the requirements of Section 125 of the *Local Government Act 1999* in relation to the Internal Controls established by the Council.

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's responsibility is to express a conclusion 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 for the period 1 July 2021 to 30 June 2022 to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities have been conducted properly and in accordance with law in all material respects.

The Auditors procedures included assessing the controls of Council based on the criteria in the *Better Practice Model—Internal Financial Controls*.

The Auditors are in the final stages of completing the audit, and have provided their final Audit Completion Report on matters arising from the audit. This Audit Completion Report (see **Appendix 2**) indicates that Galpins intend to issue unmodified opinions (subject to the satisfactory completion of the items described in section 1 – Status of our Audit Work of this document) for both the Financial Statements and Internal Controls.

Tim Muhlhausler of Galpins will be attending the Audit Committee meeting and presenting the Audit Clearance Report.

## **2.6 Statement by Auditor of Audit Independence**

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 signed Audit Independence Declaration, as prescribed in the Regulations (see **Appendix 3**). This Statement to Council will be included in Council's financial statements as part of the finalisation of the audit.

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 (see **Appendix 4**).

### **3. OPTIONS**

The Committee has the following options:

- I. To review and recommend the General Purpose Financial Statements to Council as prepared (Recommended).
- II. To note the confirmation of Galpins Auditor Independence Statement and recommend and recommend the Certification of Auditor Independence statement (Recommended).
- II. To make additional comments or suggestions for finance staff to include prior to completing the General Purpose Financial Statements.

### **4. APPENDICES**

- (1) 2021-22 Draft General Purpose Financial Statements
- (2) Audit Completion Report
- (3) Auditor Independence Statement
- (4) Draft Certification of Auditor Independence

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# **Appendix 1**

*2021-22 Draft General Purpose Financial Statements*

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# Adelaide Hills Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2022

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# General Purpose Financial Statements

for the year ended 30 June 2022

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## General Purpose Financial Statements

for the year ended 30 June 2022

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### 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 2022 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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David Waters  
**Acting Chief Executive Officer**

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Jan-Claire Wisdom  
**Mayor**

Date

## Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
<b>Income</b>			
Rates	2a	41,504	40,110
Statutory Charges	2b	1,430	1,489
User Charges	2c	884	705
Grants, Subsidies and Contributions	2g	7,667	8,219
Investment Income	2d	59	22
Reimbursements	2e	197	235
Other income	2f	583	637
Net Gain - Equity Accounted Council Businesses	19(a)	133	764
<b>Total Income</b>		<b>52,457</b>	<b>52,181</b>
<b>Expenses</b>			
Employee costs	3a	19,608	18,644
Materials, Contracts and Other Expenses	3b	21,515	21,101
Depreciation, Amortisation and Impairment	3c	9,820	9,451
Finance Costs	3d	306	615
Net loss - Equity Accounted Council Businesses	19(a)	66	13
<b>Total Expenses</b>		<b>51,315</b>	<b>49,824</b>
<b>Operating Surplus / (Deficit)</b>		<b>1,142</b>	<b>2,357</b>
Physical Resources Received Free of Charge	2h	4,072	1,884
Asset Disposal & Fair Value Adjustments	4	(1,693)	(2,045)
Amounts Received Specifically for New or Upgraded Assets	2g	1,905	1,108
<b>Net Surplus / (Deficit)</b>		<b>5,426</b>	<b>3,304</b>
<b>Other Comprehensive Income</b>			
Changes in Revaluation Surplus - I,PP&E	9a	2,814	7,811
Share of Other Comprehensive Income - Equity Accounted Council Businesses	19	1	31
Other Equity Adjustments - Equity Accounted Council Businesses	19(a)i	6	69
<b>Total Other Comprehensive Income</b>		<b>2,821</b>	<b>7,911</b>
<b>Total Comprehensive Income</b>		<b>8,247</b>	<b>11,215</b>

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

## Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash & Cash Equivalent Assets	5a	3,215	637
Trade & Other Receivables	5b	3,025	3,225
Inventories	5c	32	23
<u>Subtotal</u>		<u>6,272</u>	<u>3,885</u>
<b>Total current assets</b>		<u>6,272</u>	<u>3,885</u>
<b>Non-current assets</b>			
Equity Accounted Investments in Council Businesses	6	2,416	2,342
Infrastructure, Property, Plant & Equipment	7a(i)	445,461	433,592
<b>Total non-current assets</b>		<u>447,877</u>	<u>435,934</u>
<b>TOTAL ASSETS</b>		<u>454,149</u>	<u>439,819</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & Other Payables	8a	9,651	7,734
Borrowings	8b	9,581	5,523
Provisions	8c	4,072	3,963
<u>Subtotal</u>		<u>23,304</u>	<u>17,220</u>
<b>Total Current Liabilities</b>		<u>23,304</u>	<u>17,220</u>
<b>Non-Current Liabilities</b>			
Borrowings	8b	5,200	5,425
Provisions	8c	1,751	1,527
<b>Total Non-Current Liabilities</b>		<u>6,951</u>	<u>6,952</u>
<b>TOTAL LIABILITIES</b>		<u>30,255</u>	<u>24,172</u>
<u>Net Assets</u>		<u>423,894</u>	<u>415,647</u>
<b>EQUITY</b>			
Accumulated surplus		147,964	142,182
Asset revaluation reserves	9a	275,831	273,017
Other reserves	9b	99	448
<b>Total Council Equity</b>		<u>423,894</u>	<u>415,647</u>
<u>Total Equity</u>		<u>423,894</u>	<u>415,647</u>

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

## Statement of Changes in Equity

for the year ended 30 June 2022

\$ '000	Notes	Accumulated surplus	Asset revaluation reserve	Other reserves	Total equity
<b>2022</b>					
Balance at the end of previous reporting period		142,182	273,017	448	415,647
Net Surplus / (Deficit) for Year		5,426	–	–	5,426
<b>Other Comprehensive Income</b>					
- Gain (Loss) on Revaluation of I,PP&E	9a	–	2,814	–	2,814
Share of OCI - Equity Accounted Council Businesses		1	–	–	1
Other Equity Adjustments - Equity Accounted Council Businesses	19(a)i	6	–	–	6
<b>Other comprehensive income</b>		<b>7</b>	<b>2,814</b>	<b>–</b>	<b>2,821</b>
<b>Total comprehensive income</b>		<b>5,433</b>	<b>2,814</b>	<b>–</b>	<b>8,247</b>
Transfers between Reserves		349	–	(349)	–
<b>Balance at the end of period</b>		<b>147,964</b>	<b>275,831</b>	<b>99</b>	<b>423,894</b>
<b>2021</b>					
Balance at the end of previous reporting period		138,645	265,206	581	404,432
Net Surplus / (Deficit) for Year		3,304	–	–	3,304
<b>Other Comprehensive Income</b>					
- Gain (Loss) on Revaluation of I,PP&E	9a	–	7,811	–	7,811
Share of OCI - Equity Accounted Council Businesses		31	–	–	31
Other Equity Adjustments - Equity Accounted Council Businesses	19(a)i	69	–	–	69
<b>Other comprehensive income</b>		<b>100</b>	<b>7,811</b>	<b>–</b>	<b>7,911</b>
<b>Total comprehensive income</b>		<b>3,404</b>	<b>7,811</b>	<b>–</b>	<b>11,215</b>
Transfers between Reserves		133	–	(133)	–
<b>Balance at the end of period</b>		<b>142,182</b>	<b>273,017</b>	<b>448</b>	<b>415,647</b>

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

## Statement of Cash Flows

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
<b>Cash flows from operating activities</b>			
<u>Receipts</u>			
Rates Receipts		41,289	39,969
Statutory Charges		1,430	1,489
User Charges		884	705
Grants, Subsidies and Contributions (operating purpose)		8,225	7,857
Investment Receipts		59	4
Reimbursements		197	235
Other Receipts		292	988
<u>Payments</u>			
Finance Payments		(306)	(615)
Payments to Employees		(19,191)	(18,410)
Payments for Materials, Contracts & Other Expenses		(19,972)	(19,610)
<b>Net cash provided by (or used in) Operating Activities</b>	11b	<u>12,907</u>	<u>12,612</u>
<b>Cash flows from investing activities</b>			
<u>Receipts</u>			
Amounts Received Specifically for New/Upgraded Assets		2,552	2,409
Sale of Replaced Assets		756	604
Sale of Surplus Assets		9	17
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(12,337)	(7,823)
Expenditure on New/Upgraded Assets		(4,839)	(5,372)
<b>Net cash provided (or used in) investing activities</b>		<u>(13,859)</u>	<u>(10,165)</u>
<b>Cash flows from financing activities</b>			
<u>Payments</u>			
Repayments of Borrowings		–	(5,000)
Repayment of Lease Liabilities		(400)	(336)
Repayment of Aged Care Facility Deposits		(76)	(192)
<b>Net Cash provided by (or used in) Financing Activities</b>		<u>(476)</u>	<u>(5,528)</u>
<b>Net Increase (Decrease) in Cash Held</b>		<u>(1,428)</u>	<u>(3,081)</u>
plus: Cash & Cash Equivalents at beginning of period		(4,563)	(1,482)
<b>Cash and cash equivalents held at end of period</b>	11a	<u>(5,991)</u>	<u>(4,563)</u>

Additional Information:

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

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2022

Contents of the Notes accompanying the General Purpose Financial Statements

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## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### Note 1. Summary of Significant Accounting Policies

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

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

#### (1) Basis of Preparation

##### 1.1 Compliance with Australian Accounting Standards

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

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011* dated 30 April 2022.

##### 1.2 Critical Accounting Estimates

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of these Notes.

##### 1.3 Rounding

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

##### 1.4 Estimates and assumptions

COVID-19 is not expected to have a material financial impact on Council operations. It is expected that there may be some minor financial impacts flowing into the 2022-23 financial year but these have been largely taken into account during the development of the budget process for 2022-23. The budget for 2022-23 assumes that no further restrictions will be put in place by the Government. However, Council has determined that there is no material uncertainty that casts doubt on Council's ability to continue as a going concern.

#### (2) The Local Government Reporting Entity

Adelaide Hills Council is incorporated under the South Australian Local Government Act 1999 and has its principal place of business at 63 Mount Barker Road, Stirling. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

Other entities in which Council has an interest but does not control are reported in Note 19.

#### (3) Income Recognition

##### Income 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.

The Council recognises revenue under *AASB 1058 Income of Not-for-Profit Entities* (AASB 1058) or *AASB 15 Revenue from Contracts with Customers* (AASB 15) when appropriate.

In cases where there is an 'enforceable' contract with a customer with 'sufficiently specific' performance obligations, the transaction is accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied (i.e. when it transfers control of a product or service to a customer). Revenue is measured based on the consideration to which the Council expects to be entitled in a contract with a customer.

In other cases, AASB 1058 applies when a not-for-profit (NFP) entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. The excess of the asset recognised (at fair value) over any 'related amounts' is recognised as income immediately, except in the case



## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

where a financial asset has been received to enable the council to acquire or construct a recognisable non-financial asset that is to be controlled by the council. In this case, the council recognises the excess as a liability that is recognised over time in profit and loss when (or as) the entity satisfies its obligations under the transfer.

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
2019-20	\$1,640,046	\$1,564,152	+\$75,894
2020-21	\$1,516,052	\$1,581,658	-\$65,606
2021-22	\$2,304,241	\$1,661,744	+\$642,497

Because these grants are untied, the Australian Accounting Standards require that payments be recognised upon receipt. Accordingly, the operating results of these periods have been distorted compared to those that would have been reported had the grants been paid in the year to which they were allocated.

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

**Construction Contracts**

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

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

**(4) Cash, Cash Equivalents and other Financial Instruments**

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

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

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

All financial instruments are recognised at fair value at the date of recognition, except for trade receivables from a contract with a customer, which are measured at the transaction price. A detailed statement of the accounting policies applied to financial instruments forms part of Note 13.

**(5) Inventories**

Inventories held in respect of stores have been valued by using the weighted average cost on a continual basis, after adjustment for loss of service potential. Inventories held in respect of business undertakings have been valued at the lower of cost and net realisable value.

**5.1 Real Estate Assets Developments**

Real Estate Assets developments have been classified as Inventory in accordance with AASB 102 and are valued at the lower of cost or net realisable value. Cost includes the costs of acquisition, development, borrowing and other costs incurred on financing of that acquisition and up to the time of sale. Any amount by which cost exceeds the net realisable value has been recognised as an expense.

Revenues arising from the sale of property are recognised in the operating statement when settlement is completed.

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

#### 5.2 Other Real Estate Held for Resale

Properties not acquired for development, but which Council has decided to sell as surplus to requirements, are recognised at the carrying value at the time of that decision.

Certain properties, auctioned for non-payment of rates in accordance with the Local Government Act but which failed to meet the reserve set by Council and are available for sale by private treaty, are recorded at the lower of the unpaid rates and charges at the time of auction or the reserve set by Council. Holding costs in relation to these properties are recognised as an expense when incurred.

#### (6) Infrastructure, Property, Plant & Equipment

##### 6.1 Initial Recognition

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

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use". Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

##### 6.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life.

Examples of capitalisation thresholds applied during the year are given below. No capitalisation threshold is applied to the acquisition of land or interests in land.

Furniture & Fittings and Plant & Equipment for Retirement Villages	\$1,000
Office Furniture & Fittings	\$3,000
Other Plant & Equipment	\$3,000
Building Fixture and Fittings	\$5,000
Building Structures	\$5,000
Paving & Footpaths, Kerb & Gutter	\$5,000
Road construction & reconstruction	\$5,000
Stormwater, Gravity mains and Culverts	\$5,000
All Other Assets	\$5,000
Artworks	\$5,000

##### 6.3 Subsequent Recognition

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

##### 6.4 Depreciation of Non-Current Assets

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

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

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

## 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.

*Plant, Furniture & Equipment*

Office Furniture and Equipment	5 to 10 years
Vehicles and Heavy Plant	8 to 16 years
Other Plant & Equipment	5 to 10 years

*Building & Other Structures*

Buildings – masonry	50 to 100 years
Buildings – other construction	20 to 40 years
Benches, seats, etc	10 to 20 years
Park Structures – masonry	50 to 100 years
Park Structures – other construction	20 to 40 years
Playground equipment	5 to 15 years

*Infrastructure*

Bores	20 to 40 years
Bridges	80 to 100 years
Culverts	50 to 75 years
CWMS Pipes	70 to 80 years
Dams and Lagoons	80 to 100 years
Flood Detention Systems	80 to 100 years
Irrigation Pipes and Systems	25 to 75 years
Paving & Footpaths, Kerb & Gutter	40 to 100 years
Pumps & Telemetry	15 to 25 years
Road Pavement	65 to 180 years
Sealed Roads – Surface	15 to 25 years
Stormwater and Gravity Mains	80 to 100 years
Unsealed Roads	10 to 20 years

*Other Assets*

Artworks	indefinite
Right-of-Use Assets	2 to 5 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 Council were deprived thereof, are not subject to impairment testing.

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

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

**6.6 Borrowing Costs**

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with AASB 123 "Borrowing Costs". The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are disclosed in Note 3, and the amount (if any) of interest revenue offset against borrowing costs in Note 2.

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

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#### **(7) Payables**

##### **7.1 Goods & Services**

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

##### **7.2 Payments Received in Advance & Deposits**

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

#### **(8) Borrowings**

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

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

#### **(9) Employee Benefits**

##### **9.1 Salaries, Wages & Compensated Absences**

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

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

##### **9.2 Superannuation**

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 18.

#### **(10) Provisions for Reinstatement, Restoration and Rehabilitation**

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation and rehabilitation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs and are carried at the net present value of estimated future costs.

Although estimated future costs are based on a closure plan, such plans are based on current environmental requirements which may change. Council's policy to maximise recycling is extending the operational life of these facilities, and significant uncertainty exists in the estimation of the future closure date.

#### **(11) Leases**

##### **Accounting policy applicable from 01 July 2019**

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

##### **11.1 Council as a lessee**

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

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

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#### i) Right-of-Use-Assets

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

Computers & IT Equipment	3 to 5 years
Building Occupancy	Up to 3 years

The right-of-use assets are also subject to impairment. Refer to the accounting policies above - Impairment of non-financial assets.

#### ii) Lease Liabilities

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

#### iii) Short-term leases and leases of low-value assets

The Council applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date). It also applies the low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

### (12) Equity Accounted Council Businesses

Council participates in cooperative arrangements with other Councils for the provision of services and facilities. Council's interests in cooperative arrangements, which are only recognised if material, are accounted for in accordance with AASB 128 and set out in detail in Note 19.

### (13) 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 net basis.

### (14) New accounting standards and UIG interpretations

In the current year, Council adopted where relevant, 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.

### (15) 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.

### (16) Disclaimer

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

## Notes to and forming part of the Financial Statements for the year ended 30 June 2022

### Note 2. Income

\$ '000	2022	2021
<b>(a) Rates</b>		
<b>General Rates</b>		
General Rates	39,123	37,495
Less: Mandatory Rebates	(300)	(288)
Less: Discretionary Rebates, Remissions & Write Offs	(274)	(118)
<b>Total General Rates</b>	<b>38,549</b>	<b>37,089</b>
<b>Other Rates (Including Service Charges)</b>		
Community Wastewater Management Systems	1,676	1,777
Landscape Levy	970	958
Separate & Special Rates	5	5
Stirling Business Association Separate Rate	97	95
<b>Total Other Rates (Including Service Charges)</b>	<b>2,748</b>	<b>2,835</b>
<b>Other Charges</b>		
Penalties for Late Payment	204	186
Legal & Other Costs Recovered	3	–
<b>Total Other Charges</b>	<b>207</b>	<b>186</b>
<b>Total Rates</b>	<b>41,504</b>	<b>40,110</b>
<b>(b) Statutory Charges</b>		
Animal Registration Fees & Fines	465	454
Development Act Fees	731	774
Health & Septic Tank Inspection Fees	101	127
Other Licences, Fees & Fines	31	27
Parking Fines / Expiation Fees	36	30
Searches	66	77
<b>Total Statutory Charges</b>	<b>1,430</b>	<b>1,489</b>
<b>(c) User Charges</b>		
Cemetery Fees	418	322
Community Centres	97	94
Lobethal Woollen Mill Precinct	142	137
Retirement Villages	32	34
Sundry	195	118
<b>Total User Charges</b>	<b>884</b>	<b>705</b>
<b>(d) Investment Income</b>		
Interest on Investments		
- Local Government Finance Authority	1	1
- Banks & Other	4	7
Unwinding of Premiums & Discounts	54	14
<b>Total Investment Income</b>	<b>59</b>	<b>22</b>

## Notes to and forming part of the Financial Statements for the year ended 30 June 2022

### Note 2. Income (continued)

\$ '000	2022	2021
<b>(e) Reimbursements</b>		
Lobethal Woollen Mill Precinct	172	192
Other Properties	13	19
Private Works	11	7
Other	1	17
<b><u>Total Reimbursements</u></b>	<b><u>197</u></b>	<b><u>235</u></b>
<b>(f) Other income</b>		
Insurance & Other Recoupments - Infrastructure, IPP&E	309	224
Insurance & Other Recoupments - Bushfire Events	–	175
Sundry	274	238
<b><u>Total Other income</u></b>	<b><u>583</u></b>	<b><u>637</u></b>
<b>(g) Grants, Subsidies, Contributions</b>		
Amounts Received Specifically for New or Upgraded Assets	1,905	1,108
<b>Total Amounts Received Specifically for New or Upgraded Assets</b>	<b><u>1,905</u></b>	<b><u>1,108</u></b>
<b>Annual</b>		
Community Home Support Program Grants	953	957
Community Wastewater Management Systems Contributions	37	113
Library and Communications	273	289
Roads to Recovery	699	699
Sundry	288	316
Supplementary Local Roads Funding	344	–
Untied - Financial Assistance Grant	2,304	1,516
<b>Ad hoc / One Off</b>		
Community Recovery Grants	36	177
Community Resilience Grants	186	83
Local Roads & Community Infrastructure Program	1,410	1,489
Natural Disaster Recovery Funding	–	2,532
Open Space Biodiversity Grants	371	48
Sport & Recreation Community Facilities Grants	766	–
<b><u>Total Other Grants, Subsidies and Contributions</u></b>	<b><u>7,667</u></b>	<b><u>8,219</u></b>
<b><u>Total Grants, Subsidies, Contributions</u></b>	<b><u>9,572</u></b>	<b><u>9,327</u></b>

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

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2022

Note 2. Income (continued)

\$ '000	2022	2021
<b>(i) Sources of grants</b>		
Commonwealth Government	6,405	5,003
State Government	2,544	4,175
Other	623	149
<b>Total</b>	<b>9,572</b>	<b>9,327</b>
<b>(ii) Individually Significant Items</b>		
Grant Commission (FAG) Grant received in advance recognised as Income	1,488	846
 <b>(h) Physical Resources Received Free of Charge</b>		
Land & Improvements	4,072	1,884
<b>Total Physical Resources Received Free of Charge</b>	<b>4,072</b>	<b>1,884</b>



## Notes to and forming part of the Financial Statements for the year ended 30 June 2022

### Note 3. Expenses

\$ '000	Notes	2022	2021
<b>(a) Employee costs</b>			
Salaries and Wages		15,071	15,261
Employee Leave Expense		2,907	2,348
Superannuation - Defined Contribution Plan Contributions	18	1,589	1,361
Superannuation - Defined Benefit Plan Contributions	18	216	224
Personal Income Protection Insurance		302	260
Workers' Compensation Insurance		475	423
Other Employee Related Costs		729	285
Less: Capitalised and Distributed Costs		(1,681)	(1,518)
<b>Total Operating Employee Costs</b>		<b>19,608</b>	<b>18,644</b>
Total Number of Employees (full time equivalent at end of reporting period)		199	197
<b>(b) Materials, Contracts and Other Expenses</b>			
<b>(i) Materials, Contracts and Expenses</b>			
Bank Fees		89	88
Contractors		4,351	4,190
Contractors - Bushfire Recovery		-	1,609
Contractors - Cleaning		329	356
Contractors - Tree Management		975	864
Contributions & Donations		785	742
Contract Labour		587	601
Energy		451	510
Grant Related Expenditure		452	120
Gumeracha PLEC Contribution		-	563
Heathfield High School Contribution		1,123	75
Insurance		712	630
Landfill Remediation		739	321
Legal Expenses		183	186
Levies - Other		232	309
Levies Paid to Government - Landscape Levy		968	959
Licencing - ICT		775	618
Pandemic Response		21	151
Parts, Accessories & Consumables		2,064	1,974
Professional Services		66	86
Return of LGA CWMS Contribution		348	-
Stirling Business Association		95	95
Sundry		409	398
Telephone (incl data)		293	269
Water		221	198
Waste		4,461	4,450
Work-in-Progress Write-off		230	278
Less: Capitalised and Distributed Costs		(87)	(86)
<b>Subtotal - Material, Contracts &amp; Expenses</b>		<b>20,872</b>	<b>20,554</b>

## Notes to and forming part of the Financial Statements for the year ended 30 June 2022

### Note 3. Expenses (continued)

\$ '000	2022	2021
<b>(ii) Prescribed Expenses</b>		
Auditor's Remuneration		
- Auditing the Financial Reports	24	22
- Other Auditors	23	35
Elected Members' Expenses	456	428
Election Expenses	13	13
Lease Expense - Low Value Assets / Short Term Leases	127	49
<b>Subtotal - Prescribed Expenses</b>	<b>643</b>	<b>547</b>
<b>Total Materials, Contracts and Other Expenses</b>	<b>21,515</b>	<b>21,101</b>

### (c) Depreciation, Amortisation and Impairment

#### Depreciation and Amortisation

Buildings	1,082	1,113
Infrastructure		
- Bridges	293	282
- Cemeteries	33	30
- Community Wastewater Management Systems	411	397
- Footpaths	338	322
- Guardrails	99	86
- Kerb & Gutter	528	402
- Playgrounds	100	87
- Retaining Walls	169	163
- Roads	4,334	4,201
- Sport & Recreation	324	330
- Stormwater	591	461
- Street Furniture	86	94
- Traffic Controls	36	26
Right-of-use Assets	402	341
Plant & Equipment	928	1,052
Furniture & Fittings	66	64
<b>Total Depreciation, Amortisation and Impairment</b>	<b>9,820</b>	<b>9,451</b>

### (d) Finance Costs

Interest on Overdraft and Short-Term Drawdown	60	30
Interest on Loans	230	568
Charges on Finance Leases	16	17
<b>Total Finance Costs</b>	<b>306</b>	<b>615</b>

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2022

Note 4. Asset Disposal & Fair Value Adjustments

\$ '000	2022	2021
<b>Infrastructure, Property, Plant &amp; Equipment</b>		
<b>(i) Assets Renewed or Directly Replaced</b>		
Proceeds from Disposal	756	604
Less: Carrying Amount of Assets Sold or Disposed of	(2,367)	(2,415)
<b>Gain (Loss) on Disposal</b>	<b>(1,611)</b>	<b>(1,811)</b>
<b>(ii) Assets Surplus to Requirements</b>		
Proceeds from Disposal	9	17
Less: Carrying Amount of Assets Sold or Disposed of	–	(57)
Less: Other Amounts Relating to the Sale of Surplus Assets	(91)	(1)
<b>Gain (Loss) on Disposal</b>	<b>(82)</b>	<b>(41)</b>
<b>Fair Value Adjustments</b>		
Revaluation Decrements Expensed	–	(193)
<b>Total Fair Value Adjustments</b>	<b>–</b>	<b>(193)</b>
<b>Net Gain (Loss) on Disposal or Revaluation of Assets</b>	<b>(1,693)</b>	<b>(2,045)</b>

## Notes to and forming part of the Financial Statements for the year ended 30 June 2022

### Note 5. Current Assets

\$ '000	2022	2021
<b>(a) Cash &amp; Cash Equivalent Assets</b>		
Cash on Hand at Bank	2,845	269
Short Term Deposits	370	368
<b><u>Total Cash &amp; Cash Equivalent Assets</u></b>	<b><u>3,215</u></b>	<b><u>637</u></b>

### (b) Trade & Other Receivables

Rates - General & Other	1,714	1,535
Council Rates Postponement Scheme	165	129
Accrued Revenues	262	51
Debtors - General	269	56
Other Levels of Government	-	836
GST Recoupment	463	336
Prepayments	152	282
<b><u>Total Trade &amp; Other Receivables</u></b>	<b><u>3,025</u></b>	<b><u>3,225</u></b>

### (c) Inventories

Stores & Materials	32	23
<b><u>Total Inventories</u></b>	<b><u>32</u></b>	<b><u>23</u></b>

### Note 6. Non-Current Assets

\$ '000	Notes	2022	2021
<b>Equity Accounted Investments in Council Businesses</b>			
Gawler River Floodplain Management Authority (GRFMA)	19i	1,054	993
Eastern Waste Management Authority (EWMA)	19i	121	241
Adelaide Hills Regional Waste Management Authority (AHRWMA)	19i	1,241	1,108
<b><u>Total Equity Accounted Investments in Council Businesses</u></b>		<b><u>2,416</u></b>	<b><u>2,342</u></b>



## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

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

##### 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

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

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

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

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

##### Other Information

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

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

##### Highest and best use

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

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

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#### 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

Council being of the opinion that it is not possible to attribute value sufficiently reliably to qualify for recognition, land under roads has not been recognised in these reports.

Land - Level 3: Crown Land which is subject to restriction for its use or sale has been valued by Council officers based on the Valuer General's site values as at 1 January 2018 less allowances for the restriction on sale (requiring Ministerial consent) which are unobservable inputs that have a significant effect on valuation.

#### Buildings & Other Structures

- Basis of valuation: Fair Value
- Date of valuation: 1 July 2017
- Valuer: APV Valuers & Asset Management

Council discloses Buildings as a separate class of Infrastructure Assets for the purposes of AASB 13 Fair Value Measurement, and the level of fair value hierarchy to be Level 3, as no relevant observable inputs (Markets) are available.

- There were no assets valued where it was considered that the highest and best use was other than its current use.
- Since the detailed valuation undertaken at 1 July 2017, valuations have been updated annually by Council Officers at depreciated current replacement cost based on Australia Bureau of Statistics Time Series data, Tables 17 (Construction Industries) movements specific to Adelaide for the period since valuation to July 2021.

#### Infrastructure

Council discloses Infrastructure Assets for the purpose of AASB 13 Fair Value Measurement as level 3 as no relevant observable inputs (markets) are available.

- There were no assets valued where it was considered that the highest and best use was other than its current use.

#### Bridges

- Basis of valuation: Valuation was undertaken using modern equivalent asset principles as per the International Infrastructure Management Manual (IIMM 6th edition, 2020) and included a condition audit
- Date of valuation: June 2021
- Valuer: ARRB Group

#### Community Wastewater Management Systems (CWMS)

- Basis of valuation: Fair Value
- Date of valuation: 1 July 2017 noting that effective date of valuation as per APV Valuers is 30 June 2017
- Valuer: APV Valuers & Asset Management
- Since the detailed valuation undertaken at 1 July 2017, valuations have been updated annually by Council Officers at depreciated current replacement cost based on Australia Bureau of Statistics Time Series data, Table 17 (Construction Industries) movements specific to Adelaide for the period since valuation to July 2021.

#### Footpaths & Retaining Walls

- Valuations were derived as at June 2019 referencing individual rates in Rawlinsons and Council Contracts to determine an overall rate for Council assets including footpaths and retaining walls by Steve Walker, Principal, Asset Engineering.
- Footpath rates were established by using rates from Council's schedule of rates contract to establish rates for brick paved, asphaltic concrete and concrete.
- Retaining Wall rates were established by using rates from Rawlinsons for retaining walls on a square metre basis for differing heights and referenced against Council's actual constructions in previous years
- Since the detailed valuation undertaken at June 2019, valuations have been updated by Council Officers at depreciated current replacement cost based on Australia Bureau of Statistics Time Series data, Table 17 (Construction Industries) movements specific to Adelaide for the period since valuation to July 2021.

## Notes to and forming part of the Financial Statements for the year ended 30 June 2022

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

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#### **Kerb & Gutter and Guardrails (safety barriers)**

- Valuations were derived as at June 2020 referencing individual rates in Rawlinsons and Council Contracts to determine an overall rate for Council assets for kerb & gutter and safety barriers including guard rails by Steve Walker, Principal, Asset Engineering.
- Rates from Councils 2018 schedule of rates contract have been used to establish rates for barrier kerb, semi mountable, pinned semi mountable kerb with stone inlay. A BPI rate of 1.06 has been used to adjust rates from 2018 to 2020.
- Since the detailed valuation using unit rates undertaken at June 2020, valuations have been updated by Council Officers at depreciated current replacement cost based on Australia Bureau of Statistics Time Series data, Table 17 (Construction Industries) movements specific to Adelaide for the period since valuation to July 2021.

#### **Roads**

- Valuations were derived as at June 2019 referencing individual rates in Rawlinsons and Council Contracts to determine an overall rate for Council assets including road seal and road pavement by Steve Walker, Principal, Asset Engineering.
- Road Seals rates were established by using Council's recent contract rates for resealing which includes profiling, raising top stones, supply and laying of asphaltic concrete and supply and laying of spray seal
- Road Pavement rates were established by using rates from Rawlinsons applicable to the reconstruction of road pavements and compared against Council's actual costs
- During 2019-20 Council undertook a review of its sealed road components following an external review by Jeff Roorda, TechnologyOne, regarding components for road pavements. The assessment resulted in road pavement being componentised into a pavement base-course (layer immediately under the seal component) and a sub-base (bottom layer of road pavement). The base course layer retained the same useful life and the sub-base useful life was increased based on industry knowledge and standards. Given this useful life change, the sub-base was subsequently revalued from the asset construction date and hence the written down value of the assets adjusted downwards. As part of this process, the overall unit rate was also reallocated between the base-course and sub-base components.
- Since the detailed valuation using unit rates undertaken at June 2019, valuations have been updated by Council Officers at depreciated current replacement cost based on Australia Bureau of Statistics Time Series data, Table 17 (Construction Industries) movements specific to Adelaide for the period since valuation to July 2021.

#### **Stormwater**

- During 2021-22 extensive validation of stormwater asset data was undertaken to cross reference historic datasets and details contained within the asset register.
- Valuations were then derived at July 2021 based on this validated dataset. The valuation referenced individual unit rates in Rawlinson and Council contracts to determine an overall unit rate for Council stormwater assets including pits, pipes and culverts by Steve Walker, Principal, Asset Engineering Pty Ltd.
- Unit rates were derived for various pit types as per each unit rate.
- Unit rates per metre were determined for the various full range of standard pipes and culvert sizes.

#### **Cemeteries, Playgrounds, Sport and Recreation Facilities (S&R), Street Furniture, Stormwater and Traffic Controls**

- Valuations were performed by Council Officers at depreciated current replacement cost as at 30 June 2021 based on Australia Bureau of Statistics Time Series data, Tables 17 (Construction Industries) specific to Adelaide for July 2021.

#### **Plant & Equipment**

- Basis of valuation: Historic Cost

#### **Furniture & Fittings**

- Basis of valuation: Historic Cost



## Notes to and forming part of the Financial Statements for the year ended 30 June 2022

### Note 8. Liabilities

\$ '000	2022 Current	2022 Non Current	2021 Current	2021 Non Current
<b>(a) Trade and Other Payables</b>				
Goods & Services	4,172	–	3,894	–
Payments Received in Advance	2,989	–	2,360	–
Accrued Expenses - Employee Entitlements	925	–	652	–
Accrued Expenses - Other	1,044	–	231	–
Aged Care Facility Deposits	514	–	590	–
Deposits, Retentions & Bonds	7	–	7	–
<b><u>Total Trade and Other Payables</u></b>	<b><u>9,651</u></b>	<b><u>–</u></b>	<b><u>7,734</u></b>	<b><u>–</u></b>

\$ '000	Notes	2022 Current	2022 Non Current	2021 Current	2021 Non Current
<b>(b) Borrowings</b>					
Bank Overdraft		9,206	–	5,200	–
Loans		–	5,000	–	5,000
Lease Liabilities	17b	375	200	323	425
<b><u>Total Borrowings</u></b>		<b><u>9,581</u></b>	<b><u>5,200</u></b>	<b><u>5,523</u></b>	<b><u>5,425</u></b>

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

### (c) Provisions

Employee Entitlements (including oncosts)	3,669	235	3,633	127
Future Reinstatement / Restoration, etc	403	1,516	330	1,400
<b><u>Total Provisions</u></b>	<b><u>4,072</u></b>	<b><u>1,751</u></b>	<b><u>3,963</u></b>	<b><u>1,527</u></b>

## Notes to and forming part of the Financial Statements for the year ended 30 June 2022

### Note 9. Reserves

\$ '000	as at 30/06/21		Transfers	Impairments	as at 30/06/22	
	Opening Balance	Increments (Decrements)			Closing Balance	
<b>(a) Asset Revaluation Reserve</b>						
Land - Community	60,767	47	–	–	60,814	
Buildings	31,801	(1,021)	–	–	30,780	
Infrastructure						
- Bridges	4,278	(223)	–	–	4,055	
- Cemeteries	2,208	(6)	–	–	2,202	
- Community Wastewater Management Systems	6,003	45	–	–	6,048	
- Footpaths	–	–	–	–	–	
- Guardrails	1,720	54	–	–	1,774	
- Kerb & Gutter	21,743	–	–	–	21,743	
- Playgrounds	124	–	–	–	124	
- Retaining Walls	5,519	(568)	–	–	4,951	
- Roads	114,820	(162)	–	–	114,658	
- Sport & Recreation	2,248	(43)	–	–	2,205	
- Stormwater	19,961	4,691	–	–	24,652	
- Street Furniture	1,040	–	–	–	1,040	
- Traffic Controls	557	–	–	–	557	
JV's / Associates - Other Comprehensive Income	228	–	–	–	228	
<b>Total Asset Revaluation Reserve</b>	<b>273,017</b>	<b>2,814</b>	<b>–</b>	<b>–</b>	<b>275,831</b>	
Comparatives	265,206	7,811	–	–	273,017	

\$ '000	as at 30/06/21		Tfrs to Reserve	Tfrs from Reserve	Other Movements	as at 30/06/22	
	Opening Balance					Closing Balance	
<b>(b) Other Reserves</b>							
Community Wastewater Management Systems	338	–	–	(338)	–	–	
Torrens Valley Community Centre	101	–	–	(8)	–	93	
Scott Creek Progress Association	6	–	–	(5)	–	1	
Significant Trees Reserve	3	2	–	–	–	5	
<b>Total Other Reserves</b>	<b>448</b>	<b>2</b>	<b>–</b>	<b>(351)</b>	<b>–</b>	<b>99</b>	
Comparatives	581	46	–	(179)	–	448	

### Purposes of Reserves

#### Asset Revaluation Reserves

The asset revaluation reserve is used to record increments and decrements arising from changes in fair value of non current assets (less any subsequent impairment losses, where applicable).

## Notes to and forming part of the Financial Statements for the year ended 30 June 2022

### Note 10. Assets Subject to Restrictions

\$ '000	2022	2021
<p>The uses of the following assets are restricted, wholly or partially, by legislation or other externally imposed requirements. The assets are required to be utilised for the purposes for which control was transferred to Council, or for which the revenues were originally obtained.</p>		
<b>Cash &amp; Financial Assets</b>		
Community Wastewater Management Systems Investigations	348	347
<b>Total Cash &amp; Financial Assets</b>	<b>348</b>	<b>347</b>
<b>Total Assets Subject to Externally Imposed Restrictions</b>	<b>348</b>	<b>347</b>

### Note 11. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2022	2021
<b>(a) Reconciliation of Cash</b>			
<p>Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:</p>			
Total Cash & Equivalent Assets	5	3,215	637
Less: Short-Term Borrowings	8	(9,206)	(5,200)
<b>Balances per Statement of Cash Flows</b>		<b>(5,991)</b>	<b>(4,563)</b>

## Notes to and forming part of the Financial Statements for the year ended 30 June 2022

### Note 11. Reconciliation to Statement of Cash Flows (continued)

\$ '000	Notes	2022	2021
<b>(b) Reconciliation of Change in Net Assets to Cash from Operating Activities</b>			
<b>Net Surplus/(Deficit)</b>		5,426	3,304
<b>Non-Cash Items in Income Statements</b>			
Depreciation, Amortisation & Impairment		9,820	9,451
Fair Value Adjustments		–	193
Equity Movements in Equity Accounted Investments (Increase)/Decrease		(67)	(751)
Premiums & Discounts Recognised & Unwound		(54)	(14)
Non-Cash Asset Acquisitions		(4,072)	(1,884)
Grants for capital acquisitions treated as Investing Activity		(1,905)	(1,108)
Net (Gain) Loss on Disposals		1,693	1,852
Other		(375)	293
		<u>10,466</u>	<u>11,336</u>
<b>Add (Less): Changes in Net Current Assets</b>			
Net (Increase)/Decrease in Receivables		200	(464)
Net (Increase)/Decrease in Inventories		(9)	(5)
Net Increase/(Decrease) in Trade & Other Payables		1,917	1,371
Net Increase/(Decrease) in Unpaid Employee Benefits		144	293
Net Increase/(Decrease) in Other Provisions		189	81
<b>Net Cash provided by (or used in) operations</b>		<u>12,907</u>	<u>12,612</u>
<b>(c) Non-Cash Financing and Investing Activities</b>			
<b>Acquisition of assets by means of:</b>			
Physical Resources Received Free of Charge	2h	4,072	1,884
<b>Amounts recognised in Income Statement</b>		<u>4,072</u>	<u>1,884</u>
<b>Total Non-Cash Financing and Investing Activities</b>		<u>4,072</u>	<u>1,884</u>
<b>(d) Financing Arrangements</b>			
<b>Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank Overdrafts		200	200
Corporate Credit Cards		180	180
Asset Finance - Leasing		750	750
LGFA Cash Advance Debenture Facility		14,800	14,800
Westpac Bank Bill Business Loan		10,000	–

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

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2022

Note 12(a). Functions

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

\$ '000	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>Functions/Activities</b>										
Council	–	–	–	–	–	–	–	–	454,149	439,819
Community Capacity	1,970	4,783	7,424	9,324	(5,454)	(4,541)	1,698	4,317	–	–
Corporate Services	42,853	40,954	10,411	8,902	32,442	32,052	1,872	822	–	–
Infrastructure & Operations	6,198	4,943	29,476	27,881	(23,278)	(22,938)	4,059	3,043	–	–
Development & Regulatory Services	1,436	1,501	4,004	3,717	(2,568)	(2,216)	38	37	–	–
<b>Total Functions/Activities</b>	<b>52,457</b>	<b>52,181</b>	<b>51,315</b>	<b>49,824</b>	<b>1,142</b>	<b>2,357</b>	<b>7,667</b>	<b>8,219</b>	<b>454,149</b>	<b>439,819</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.

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### Note 12(b). Components of Functions

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The activities relating to Council functions are as follows:

#### **COMMUNITY CAPACITY**

Communications, Engagement & Events, Community Capacity Director's Office, Community Development, Community Programs, Community Resilience, Cultural Development, Customer Experience, Customer Service, Economic Development, FABRIK Arts and Heritage Hub, Library Services, Positive Ageing (Home and Social Support), Positive Ageing Project (Collaborative), The Summit Community Centre, Torrens Valley Community Centre, Volunteering and Youth Development.

#### **CORPORATE SERVICES**

Cemeteries, Corporate Services Director's Office, Financial Services, Governance & CEO Office, Information Services, Lobethal Woollen Mill Precinct, Organisational Development & Work Health & Safety, Property Management, Retirement Villages and Sport & Recreation.

#### **INFRASTRUCTURE & OPERATIONS**

Civil Services, Community Wastewater Management System (CWMS), Emergency Management, Infrastructure & Operations Director's Office, Open Space Biodiversity, Open Space Operations, Sustainability, Strategic Assets and Waste.

#### **DEVELOPMENT & REGULATORY SERVICES**

Animal Management, Development Assessment & Compliance, Development & Regulatory Services Director's Office, Fire Prevention, Parking and By-Laws, Policy Planning and Public Health.

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### Note 13. Financial Instruments

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#### Recognised Financial Instruments

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

**Accounting Policy:**

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

**Terms & Conditions:**

Deposits are returning fixed interest rates between 1.05% and 1.35% (2021: 0.30% and 0.60%).

**Carrying Amount:**

Approximates fair value due to the short term to maturity.

##### Receivables - Rates & Associated Charges

**Accounting Policy:**

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

**Terms & Conditions:**

Secured over the subject land, arrears attract interest of 5.05% (2021: 5.2%). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

**Carrying Amount:**

Approximates fair value (after deduction of any allowance).

##### Receivables - Fees & Other Charges

**Accounting Policy:**

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

**Terms & Conditions:**

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

**Carrying Amount:**

Approximates fair value (after deduction of any allowance).

##### Receivables - Other Levels of Government

**Accounting Policy:**

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

**Terms & Conditions:**

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

**Carrying Amount:**

Approximates fair value.

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

## Note 13. Financial Instruments (continued)

**Receivables - Retirement Home Contributions****Accounting Policy:**

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

**Terms & Conditions:**

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

**Carrying Amount:**

Approximates fair value (after deduction of any allowance).

**Liabilities - Creditors and Accruals****Accounting Policy:**

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

**Terms & Conditions:**

Liabilities are normally settled on 30 day terms.

**Carrying Amount:**

Approximates fair value.

**Liabilities - Retirement Home Contributions****Accounting Policy:**

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

**Terms & Conditions:**

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

**Carrying Amount:**

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

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

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

**Terms & Conditions:**

Secured over future revenues, borrowings are repayable (describe basis); interest is charged at fixed (or variable - describe) rate **4.6%** (2021: **4.6%**).

**Carrying Amount:**

Approximates fair value.

**Liabilities - Leases****Accounting Policy:**

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



## Notes to and forming part of the Financial Statements for the year ended 30 June 2022

### Note 13. Financial Instruments (continued)

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>Financial Assets and Liabilities</b>					
<b>2022</b>					
<b>Financial Assets</b>					
Cash & Cash Equivalents	3,216	–	–	3,216	3,215
Receivables	2,874	–	–	2,874	2,873
<b>Total Financial Assets</b>	<b>6,090</b>	<b>–</b>	<b>–</b>	<b>6,090</b>	<b>6,088</b>
<b>Financial Liabilities</b>					
Payables	5,735	–	–	5,735	5,737
Current Borrowings	9,206	–	–	9,206	9,206
Non-Current Borrowings	230	5,460	–	5,690	5,000
<b>Total Financial Liabilities</b>	<b>15,171</b>	<b>5,460</b>	<b>–</b>	<b>20,631</b>	<b>19,943</b>
<b>2021</b>					
<b>Financial Assets</b>					
Cash & Cash Equivalents	635	–	–	635	637
Receivables	3,354	–	–	3,354	2,943
<b>Total Financial Assets</b>	<b>3,989</b>	<b>–</b>	<b>–</b>	<b>3,989</b>	<b>3,580</b>
<b>Financial Liabilities</b>					
Payables	4,726	–	–	4,726	4,722
Current Borrowings	5,537	–	–	5,537	5,200
Non-Current Borrowings	230	6,123	–	6,353	5,000
<b>Total Financial Liabilities</b>	<b>10,493</b>	<b>6,123</b>	<b>–</b>	<b>16,616</b>	<b>14,922</b>

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

\$ '000	2022		2021	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Overdraft	1.10%	9,206	1.68%	5,200
Fixed Interest Rates	4.60%	5,575	4.60%	5,425
		<b>14,781</b>		<b>10,625</b>

#### 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.

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### Note 13. Financial Instruments (continued)

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#### Risk Exposures

**Credit Risk** represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any impairment. All Council investments are made with the SA Local Government Finance Authority and NAB. 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.

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2022

### Note 14. Capital Expenditure and Investment Property Commitments

\$ '000	2022	2021
<b>Capital Commitments</b>		
<b>Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:</b>		
Infrastructure	317	985
Plant & Equipment	798	532
	<b>1,115</b>	<b>1,517</b>
<b>These expenditures are payable:</b>		
Not later than one year	1,115	1,517
	<b>1,115</b>	<b>1,517</b>

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

## Note 15. Financial Indicators

\$ '000	Amounts 2022	Indicator 2022	Indicators 2021      2020	
Financial Indicators overview				
<i>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.</i>				
<b>1. Operating Surplus Ratio</b>				
Operating Surplus	1,142	2.2%	4.5%	(5.5)%
Total Operating Income	52,457			
<i>This ratio expresses the operating surplus as a percentage of total operating revenue.</i>				
<b>2. Net Financial Liabilities Ratio</b>				
Net Financial Liabilities	24,015	46%	39%	43%
Total Operating Income	52,457			
<i>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.</i>				
<b>Adjusted Operating Surplus Ratio</b>				
Operating Surplus	500	1.0%	5.3%	(4.9)%
Total Operating Income	51,815			
<b>Adjustments to Ratios</b>				
<i>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.</i>				
<b>Adjusted Net Financial Liabilities Ratio</b>				
Net Financial Liabilities	25,503	49%	39%	42%
Total Operating Income	51,815			
<b>3. Asset Renewal Funding Ratio</b>				
Asset Renewals	12,337	114%	85%	106%
Infrastructure & Asset Management Plan required expenditure	10,775			
<i>Asset renewals expenditure is defined as capital expenditure on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.</i>				

## Notes to and forming part of the Financial Statements for the year ended 30 June 2022

### Note 16. Uniform Presentation of Finances

\$ '000	2022	2021
<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	52,457	52,181
less Expenses	(51,315)	(49,824)
<b>Operating Surplus / (Deficit)</b>	<b>1,142</b>	<b>2,357</b>
<b>Net Outlays on Existing Assets</b>		
Capital Expenditure on Renewal and Replacement of Existing Assets	(12,337)	(7,823)
add back Depreciation, Amortisation and Impairment	9,820	9,451
add back Proceeds from Sale of Replaced Assets	756	604
	<b>(1,761)</b>	<b>2,232</b>
<b>Net Outlays on New and Upgraded Assets</b>		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	(4,839)	(5,372)
add back Amounts Received Specifically for New and Upgraded Assets	2,552	2,409
add back Proceeds from Sale of Surplus Assets (including investment property, real estate developments & non-current assets held for resale)	9	17
	<b>(2,278)</b>	<b>(2,946)</b>
<b>Net Lending / (Borrowing) for Financial Year</b>	<b>(2,897)</b>	<b>1,643</b>

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

## Note 17. Leases

## (i) Council as a lessee

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

## (a) Right of use assets

\$ '000	ICT Equipment Leases	Property Leases	Total
<b>2022</b>			
Opening balance	595	145	740
Transfer from leased assets (former finance leases)	–	–	–
Additions to right-of-use assets	–	235	235
Adjustments to right-of-use assets due to re-measurement of lease liability	–	(8)	(8)
Depreciation charge	(270)	(132)	(402)
Other	–	–	–
<b>Balance at 30 June</b>	<b>325</b>	<b>240</b>	<b>565</b>
<b>2021</b>			
Opening balance	685	43	728
Transfer from leased assets (former finance leases)	–	–	–
Additions to right-of-use assets	186	167	353
Adjustments to right-of-use assets due to re-measurement of lease liability	–	–	–
Depreciation charge	(276)	(65)	(341)
Other	–	–	–
<b>Balance at 30 June</b>	<b>595</b>	<b>145</b>	<b>740</b>

## (b) Lease liabilities

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

\$ '000	2022	2021
Balance at 1 July	748	732
Additions	227	352
Accretion of interest	16	17
Payments	(416)	(353)
<b>Balance at 30 June</b>	<b>575</b>	<b>748</b>
<b>Classified as:</b>		
Current	375	323
Non Current	200	425

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

Council had total cash outflows for leases of \$480k.

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### Note 17. Leases (continued)

<b>\$ '000</b>	<b>2022</b>	<b>2021</b>
The following are the amounts recognised in profit or loss:		
Depreciation expense of Right-of-Use Assets	402	341
Interest expense on lease liabilities	16	17
Expense relating to short term leases	127	49
<b>Total amount recognised in profit or loss</b>	<b>545</b>	<b>407</b>

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### Note 18. Superannuation

---

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

#### **Accumulation only Members**

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (10.00% in 2021-22; 9.50% in 2020-21). 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 2020-21) 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 119.34(a), 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 Willis Towers Watson as at 30 June 2021. 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.



## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

## Note 19. Interests in Other Entities

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

\$ '000	Council's Share of Net Income		Council's Share of Net Assets	
	2022	2021	2022	2021
<b>Council's Share of Net Income</b>				
Joint Ventures	67	751	2,416	2,342
<b>Total Council's Share of Net Income</b>	<b>67</b>	<b>751</b>	<b>2,416</b>	<b>2,342</b>

**((a)i) Joint Ventures, Associates and Joint Operations****(a) Carrying Amounts**

\$ '000	Principal Activity	2022	2021
Eastern Waste Management Authority	Waste Management	121	241
Gawler River Floodplain Management Authority	Floodplain Management	1,054	993
Adelaide Hills Regional Waste Management Authority	Waste Management	1,241	1,108
<b>Total Carrying Amounts - Joint Ventures &amp; Associates</b>		<b>2,416</b>	<b>2,342</b>

**Eastern Waste Management Authority**

Eastern Waste is a regional subsidiary pursuant to S.43 of the Local Government Act 1999. Council has an interest in the assets and liabilities of Eastern Waste. The other member Councils are Burnside, Campbelltown, Mitcham, Norwood, Payneham & St. Peters, Prospect and Walkerville.

**Gawler River Floodplain Management Authority**

Gawler River Floodplain Management Authority is a regional subsidiary pursuant to S.43 of the Local Government Act 1999. Council has an interest in the assets and liabilities of Gawler River Floodplain Management Authority. Other members are Barossa, Gawler, Light, Adelaide Plains and Playford Councils.

**Adelaide Hills Regional Waste Management Authority**

Adelaide Hills Regional Waste Management Authority is a regional subsidiary pursuant to S.43 of the Local Government Act 1999. Council has an interest in the assets and liabilities of Adelaide Hills Regional Waste Management Authority. Other members are Alexandrina, Mt. Barker and Murray Bridge Councils.

**(b) Relevant Interests**

	Interest in Operating Result		Ownership Share of Equity		Proportion of Voting Power	
	2022	2021	2022	2021	2022	2021
Eastern Waste Management Authority	14.29%	14.29%	14.29%	14.29%	14.29%	14.29%
Gawler River Floodplain Management Authority	4.87%	4.54%	4.54%	4.54%	16.67%	16.67%
Adelaide Hills Regional Waste Management Authority	34.63%	35.78%	37.10%	37.40%	25.00%	25.00%

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2022

Note 19. Interests in Other Entities (continued)

(c) Movement in Investment in Joint Venture or Associate

\$ '000	Eastern Waste Management Authority		Gawler River Floodplain Management Authority		Adelaide Hills Regional Waste Management Authority	
	2022	2021	2022	2021	2022	2021
Opening Balance	241	138	993	937	1,108	416
Share in Operating Result	(54)	89	(12)	(13)	133	675
Share in Other						
Comprehensive Income	1	14	–	–	–	17
Adjustments to Equity	(67)	–	73	69	1	–
<b>Council's Equity Share in the Joint Venture or Associate</b>	<b>121</b>	<b>241</b>	<b>1,054</b>	<b>993</b>	<b>1,242</b>	<b>1,108</b>

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### Note 20. 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 Statement of Financial Position, but knowledge is considered relevant to the users of the financial report in making and evaluating decisions about the allocation of scarce resources.

#### 1. Land under roads

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

#### 2. Potential insurance losses

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

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

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

#### 3. Legal expenses

Council was the planning consent authority for development applications lodged prior to 19 March 2021 under the *Development Act 1993*. From 19 March 2021, the Council Assessment Panel (CAP) and the Council Assessment Manager are the relevant authorities under the *Planning Development & Infrastructure Act 2016* for most types of planning consents. The Building Fire Safety Committee is the relevant authority which issues building fire safety notices and the administration have delegations to issue enforcement notices. Pursuant to the legislation, applicants and certain persons designated under the legislation may lodge an appeal in the Environment, Resource and Development Court against a planning decision, an enforcement notice or, building fire safety notice.

At 30 June 2022, Council was managing one on-going enforcement appeal. All costs have been recognised, however, anticipated legal costs associated with Council's involvement in this appeal will continue into 2022-23. In relation to enforcement matters, Council seeks to have costs reimbursed from the offending party where the unlawful development is proven through the appeal process.

The CAP appeal and building fire safety appeal from 30 June 2021 were resolved in October 2021.

## Notes to and forming part of the Financial Statements for the year ended 30 June 2022

### Note 21. Events after the Balance Sheet Date

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Events that occur after the reporting date of 30 June 2022, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

COVID-19 has been classified as a global pandemic by the World Health Organisation and has developed rapidly in the last couple of years. Measures taken by the Federal and State governments have affected South Australia's economic activity and Council's operations.

At this stage, Council expects that the financial impacts on Council's operations to flow into the 2022-23 financial year will not be material. We refer to Note 1.4 which provides details of the financial impacts caused by COVID-19 during the 2021-22 financial year.

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

#### **Retirement Villages**

In August 2018, Council resolved to sell its Retirement Village portfolio to Clayton Church Homes (CCH). As a result of contract negotiations and due diligence it was discovered that a portion of the Bridgewater Village is the subject of an unregistered charitable trust and is Community Land. As such, it was necessary to excise the Bridgewater village from the transaction at that time. However, Council has provided CCH with a first right of refusal to purchase the Bridgewater Village if the Trust is able to be varied and the community land classification revoked.

As a result, there is a number of contractual conditions precedent still to be fulfilled prior to the sale of Bridgewater Village being unconditional. Given the highly restrictive definition of a non-current assets held for resale these assets have remained within the land and buildings categories under Infrastructure, Property Plant & Equipment in the Statement for Financial Position.

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

## Note 22. Related Party Transactions

## Key Management Personnel

## Transactions with Key Management Personnel

The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the Local Government Act 1999. In all, 21 persons were paid the following total compensation.

\$ '000	2022	2021
<b>The compensation paid to Key Management Personnel comprises:</b>		
Short-Term Employee Benefits	1,744	1,595
Long-Term Benefits	132	118
<b>Total</b>	<b>1,876</b>	<b>1,713</b>

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

## Receipts from Key Management Personnel comprise:

Other than amounts paid as ratepayers or residents (e.g. rates), Council received the following amounts in total:

Planning and Building Application Fees	6	2
<b>Total</b>	<b>6</b>	<b>2</b>

## Elected Members are members of the management committees of the following organisations:

- Adelaide Hills (War Memorial) Swimming Centre Inc
- Adelaide Hills Climate Action Group
- Adelaide Hills Reconciliation Working Group
- Adelaide Hills Regional Waste Management Authority (AHRWMA)
- AHC Biodiversity Advisory Group
- AHC Sustainability Advisory Group
- Aldgate Primary School
- Australian Labour Party (SA) - Heysen sub-branch & Mayo Federal Electoral Council
- Gumeracha & Districts Town Hall
- Heathfield High School
- Lenswood Centennial Hall Committee
- Piccadilly CFS
- Piccadilly Valley Community Recreation centre
- Southern & Hills Local Government Association (SHLGA)
- Stirling RSL
- The Hut Community Centre Inc.
- Torrens Valley Celebration Committee
- Woodside Hall Committee
- Woodside Recreation Grounds Committee Inc.

Council made payments totalling \$1,992,245 to the above organisations for the period ending 30 June 2022.

The most material payments were made to:

- Adelaide Hills Regional Waste Management Authority (\$1.628m) for the collection and disposal of waste and associated services.
- The Hut Community Centre (\$195k) for the provision of Community Home Support Programs, operating funding, volunteers and event expenditure.

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2022

Note 22. Related Party Transactions (continued)

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**Employees are members of the following Boards/Management Committees**

- Southern & Hills Local Government Association (SHLGA)

Council made payments totalling \$50,192 to the above organisation for the period ending 30 June 2022.

In accordance with the Local Government Act 1999 all Elected Members and employees will declare a conflict of interest, and remove themselves from all meetings where matters affecting their Club/Association/Organisation is discussed or voted upon.

## General Purpose Financial Statements

for the year ended 30 June 2022

### Independent Auditor's Report - Financial Statements

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General Purpose Financial Statements  
for the year ended 30 June 2022

Independent Auditor's Report - Internal Controls

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## General Purpose Financial Statements

for the year ended 30 June 2022

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### Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Adelaide Hills Council for the year ended 30 June 2022, 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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David Waters  
Acting Chief Executive Officer

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Malcolm Herrmann  
Presiding Member Audit Committee

Date:

## General Purpose Financial Statements

for the year ended 30 June 2022

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### Statement by Auditor

I confirm that, for the audit of the financial statements of Adelaide Hills Council for the year ended 30 June 2022, 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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Auditor's Name

Audit Firm Name

Date: dd MMMM yyyy

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# **Appendix 2**

*Audit Completion Report*

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# Galpins

Accountants, Auditors & Business Consultants

## 2021/22 Audit Completion Report

Adelaide Hills Council



### Mount Gambier

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## EXECUTIVE SUMMARY

### To the members of the audit committee of Adelaide Hills Council

We are pleased to present our Audit Completion Report for the financial year ended 30 June 2022. 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 Appendix 1 of this report.
Controls Opinion	Unmodified	Refer to 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
Key Audit Matters	Section 2
Internal Controls Opinion and Recommendations	Section 3
Immaterial Uncorrected Misstatements	Section 4
Final Management Letter	Section 5
Proposed Independent Auditor’s Report on the Financial Report	Appendix 1
Proposed Independent Auditor’s Report on the Internal Controls	Appendix 2

We have also signed the statement by auditor regarding our independence, and confirmed that for the audit of the year ended 30 June 2022 we have maintained our independence in accordance with the requirements of APES 110 – *Code of Ethics for Professional Accountants (including Independence Standards)*, Part 4A, published by the Accounting Professional and Ethical Standards Board, in accordance with the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.

Yours faithfully



**Tim Muhlhausler** CA Registered Company Auditor  
Date: 12 October 2022

## 1. Status of Our Audit Work

Below is 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 audited financial statements from the Council's subsidiaries	Management	Completed
Signed certification of auditor independence	Management	<b>Note 1</b>
Final financial report after considerations from the audit committee	Management	<b>Note 1</b>
Signed certification of financial statements	Management	<b>Note 1</b>
Signed management representation letter	Management	<b>Note 1</b>
Final Independent Auditor's Report on the Internal Controls	Audit	<b>Note 2</b>
Final Independent Auditor's Report on the Financial Report	Audit	<b>Note 2</b>

Note 1 To be provided after the audit committee meeting.

Note 2 To be provided by audit on receipt of both the:

- final financial report containing the signed certification of financial statements and the signed certification of auditor independence, and
- signed management representation letter.

## 2. 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.

### 2.1 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 valuer's 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>



## 2.2 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 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>

## 2.3 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 on physical resources that are controlled by Council. Control is the most difficult of the characteristics of an asset to be defined as the concept goes beyond the legal ownership;</li> <li>▪ Inclusions and exclusions of costs at initial recognition of an asset 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>

## 2.4 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 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>

## 2.5 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>- 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, inherently higher risk of 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>- if there is a poor use of accrual basis of accounting it may be indicative of poor 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>

## 2.6 Intended Opinion on the Financial Report

We have completed our final risk of material misstatements assessment and concluded that the audit procedures performed were sufficient to reduce the audit risk to an acceptable level. We have evaluated the results of our audit testing and determined that no further adjustments to the financial statements are required.

In our opinion, subject to the satisfactory completion of the items described in section 1 of this report, ***the financial report prepared by Council presents fairly***, in all material respects, the Council's financial position as at the end of the current financial year and its financial performance for the year ended on that date (refer to our proposed Independent Auditor's Report on the Financial Report included in Appendix 1 of this report).



### 3. 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					2022 Findings			
		2022	2021	2020	2019	2018	H	M	L	BP
Purch & Procurement/Contracting	10	10	9	8	7	4	-	-	-	-
Fixed Assets	16	13	13	13	13	11	-	3	-	-
General Ledger	11	8	10	9	8	8	-	2	1	-
Accounts Payable	13	13	13	13	11	10	-	-	-	-
Rates / Rates Rebates	10	10	10	10	10	7	-	-	-	-
Payroll	19	19	19	19	18	16	-	-	-	-
Receipting	5	5	5	5	4	3	-	-	-	-
Credit Cards	5	5	5	5	5	5	-	-	-	-
Banking	5	5	5	5	5	5	-	-	-	-
Debtors	6	6	6	6	6	6	-	-	-	-
<b>Total</b>	<b>100</b>	<b>94</b>	<b>95</b>	<b>93</b>	<b>87</b>	<b>75</b>	<b>-</b>	<b>5</b>	<b>1</b>	<b>-</b>

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 audit visit we found that the majority of key internal controls reviewed were in place and were operating effectively (94 out of 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 Appendix 3 – Risk Ratings.

An interim audit management letter was issued and presented to the audit committee 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.

Council has an action plan in place to address most of the findings related to the controls that were not operating effectively as indicated in Management responses to our interim management letter issued on 19 May 2022.

In our opinion, subject to the satisfactory completion of the items described in section 1 of this report, **the Council 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.

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## 4. Immaterial Uncorrected Misstatements

There are no immaterial uncorrected misstatements to be reported.



## 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. Opportunity for improvements in the process of reviewing grants to be recorded as 'Payments Received in Advance'</b>		<b>Low</b>																		
<b>Finding</b>	<p>Generally, receipts of grants are not immediately recognised as revenue where:</p> <ul style="list-style-type: none"> <li>- there is an 'enforceable' contract with customer with 'sufficient specific performance obligations' (income is recognised when the performance obligations are satisfied under AASB 15 – <i>Revenue from Contract with Customers</i>); or</li> <li>- a financial asset has been received to enable Council to acquire or construct a recognisable non-financial asset (income is recognised over time when the Council satisfies its obligations under AASB 1058 – <i>Income of Not for Profit Entities</i>).</li> </ul> <p>Audit performed a review of a list of grants classified as 'Payments Received in Advance' and identified the following grants where further analyses are required to determine whether these grants <b>contain sufficiently specific performance obligations</b> as required by AASB 15, or whether these grants contain sufficient information to conclude that these grants are for <b>the acquisition of a non-financial asset to identified specifications</b> as required by AASB 1058.</p> <table border="1"> <thead> <tr> <th>Grants</th> <th>amount</th> </tr> </thead> <tbody> <tr> <td>Adult Digital Literacy Grant - PLS 21/23</td> <td>\$15,870</td> </tr> <tr> <td>FABRIK-Resilience and Social Connection Through Creative Activities in the AH</td> <td>\$9,040</td> </tr> <tr> <td>FABRIK-Artist Employment Grant</td> <td>\$30,000</td> </tr> <tr> <td>Community Recovery unspent grant</td> <td>\$6,200</td> </tr> <tr> <td>Community Resilience unspent grant</td> <td>\$26,000</td> </tr> <tr> <td>Revitalising Private Conservation Grant – Woorabinda</td> <td>\$10,000</td> </tr> <tr> <td>Hills Connected Communities unspent grant</td> <td>\$23,600</td> </tr> <tr> <td>Deferred Unspent Home Support 21/22 Grant</td> <td>\$38,000</td> </tr> </tbody> </table>		Grants	amount	Adult Digital Literacy Grant - PLS 21/23	\$15,870	FABRIK-Resilience and Social Connection Through Creative Activities in the AH	\$9,040	FABRIK-Artist Employment Grant	\$30,000	Community Recovery unspent grant	\$6,200	Community Resilience unspent grant	\$26,000	Revitalising Private Conservation Grant – Woorabinda	\$10,000	Hills Connected Communities unspent grant	\$23,600	Deferred Unspent Home Support 21/22 Grant	\$38,000
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Revitalising Private Conservation Grant – Woorabinda	\$10,000																			
Hills Connected Communities unspent grant	\$23,600																			
Deferred Unspent Home Support 21/22 Grant	\$38,000																			
<b>Risk</b>	Risk of misstatements in the financial report.																			
<b>Recommendation</b>	Ensure that all grants recorded as 'Payments Received in Advance' are assessed in order to determine whether the grant agreements contain either sufficiently specific performance obligations as required by AASB 15, or enough evidence that the grants are for the acquisition of a non-financial asset to identified specifications as required by AASB 1058.																			

2. Employees with excessive annual leave balances		Risk
		Low
Finding	Audit identified 12 (11 in 2021) employees with annual leave balances in excess of 300 hours (being approximately 2 years entitlement).	
Risk	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.	
Recommendation	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 3 – Risk Ratings.



## 6. Contact Details



**Tim Muhlhausler** CA, B Comm, Grad Dip. (ICAA),  
Registered Company Auditor, MIAA (Aust), Registered SMSF Auditor  
**Partner**

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**Juliano Freitas** CA, B Acc, Registered Company Auditor  
**Audit Manager**

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## Appendix 1 – Proposed Independent Auditor’s Report on the Financial Report

### To the members of Adelaide Hills Council

#### Opinion

We have audited the accompanying financial report of Adelaide Hills Council (the Council), which comprises the statement of financial position as at 30 June 2022, 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 Adelaide Hills Council.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Council as at 30 June 2022, 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### 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 not 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 Adelaide Hills Council

### Independent Assurance Report on the Internal Controls of Adelaide Hills Council

#### Opinion

We have audited the compliance of Adelaide Hills Council (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 2021 to 30 June 2022 have been conducted properly and in accordance with the law.

In our opinion, Adelaide Hills Council 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 2021 to 30 June 2022.

#### 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 2021 to 30 June 2022. 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 have been conducted properly and in accordance with the law, based on our procedures. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 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 2021 to 30 June 2022. 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 – Risk Ratings

The audit findings identified during our interim audit documented in our interim management letter and in section 3 of this report were rated as follows:

Category	Description
<b>Potential Material Weaknesses</b>	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.
<b>Moderate Weaknesses</b>	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.
<b>Low Risk Weaknesses</b>	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.
<b>Better Practice Weaknesses</b>	The issue described has been included in this report as an opportunity for better practice.

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# **Appendix 3**

## *Auditor Independence Statement*

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## ADELAIDE HILLS COUNCIL

### GENERAL PURPOSE FINANCIAL STATEMENTS

For the year ended 30 June 2022

#### Statement by Auditor

I confirm that, for the audit of the financial statements of Adelaide Hills Council for the year ended 30 June 2022, I have maintained my independence in accordance with the requirements of APES 110 – *Code of Ethics for Professional Accountants (including Independence Standards)*, Part 4A, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

#### GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

A handwritten signature in blue ink, appearing to read 'Tim Muhlhausler'.

**Tim Muhlhausler** CA, Registered Company Auditor  
Partner

Date: 12 October 2022

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Galpins Trading Pty Ltd  
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# **Appendix 4**

*Draft Certification of Auditor Independence*

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## General Purpose Financial Statements

for the year ended 30 June 2022

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### Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Adelaide Hills Council for the year ended 30 June 2022, 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*.

---

David Waters  
Acting Chief Executive Officer

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Malcolm Herrmann  
Presiding Member Audit Committee

Date:

**ADELAIDE HILLS COUNCIL  
AUDIT COMMITTEE MEETING  
Monday 17 October 2022  
AGENDA BUSINESS ITEM**

**Item:** 8.2

**Responsible Officer:** Mike Carey  
Manager, Financial Services  
Corporate Services

**Subject:** 2021-22 End of Year Financial Report

**For:** Decision

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**SUMMARY**

Council is required, pursuant to Regulation 10 of the *Local Government (Financial Management) Regulations 2011* to consider a report showing the audited financial results of the Council for the Statement of Comprehensive Income, Statement of Financial Position and Financial Indicators compared with the estimated financial results set out in the budget presented in a manner consistent with the Model Financial Statements.

This report meets those legislative requirements in relation to Council's financial performance to budget for the 2021-22 financial year.

**RECOMMENDATION**

**The Audit Committee resolves:**

1. That the report be received and noted
  2. To recommend to Council that the Audited 2021-22 Financial Results compared to Budget contained within this report have been appropriately considered.
- 

**1. BACKGROUND**

This report provides details of Council's financial performance to budget for the year ended 30 June 2022.

The Statement of Comprehensive Income, Statement of Financial Position and Financial Indicators and associated commentary for 2021-22, are shown as **Appendix 1** to this Report. As the Statement of Comprehensive Income largely focuses on Council's Operating Income and Expenditure, discussion on these items is included in **Appendices 2 & 3** of this report.

In addition, in accordance with Council's *Treasury Policy* and Section 140 of the *Local Government Act 1999*, a council must review the performance of its investments at least annually. Given the timing of this report covering financial performance, it is considered that it is appropriate to also consider annual investment performance at this time.

A 2021-22 End of Financial Year Update Report was presented to the Audit Committee on 15 August 2022 and resulted in a Preliminary End of Year Financial Results and Carry Forwards report being subsequently presented to Council on 23 August 2022.

Council's General Purpose Financial Statements are scheduled to be presented to the Audit Committee on 17 October 2022 and subsequently considered by Council at its meeting on 25 October 2022.

## 2. ANALYSIS

### ➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

Goal 5 A Progressive Organisation

Objective O3 Our organisation is financially sustainable for both current and future generations

Priority O3.1 Ensure the delivery of agreed strategic plan requirements whilst meeting endorsed long term targets for a sustainable operating surplus and level of debt

Objective O5 We are accountable, informed, and make decisions in the best interests of the whole community

Priority O5.1 Enhance governance structures and systems to prudently adapt to changing circumstances and meet our legislative obligations

Priority O5.3 Demonstrate accountability through robust corporate planning and reporting that enhances performance, is relevant and easily accessible by the community

The Council is committed to open, participative and transparent decision making and administrative processes. We diligently adhere to legislative requirements to ensure public accountability and exceed those requirements where possible.

Legislation requires Council to review and monitor Council's Annual Budget with reference to actual results and its overall financial position to ensure Council continues to be financially sustainable.

### ➤ Legal Implications

Sections 124-130 of the *Local Government Act 1999* covering Accounts, financial statements and audit.

Section 140 of the *Local Government Act 1999* - Review of Investments requires Council to at least once in each year, review the performance of its investments.

Regulation 10 of the *Local Government (Financial Management) Regulations 2011* requires that a Council must by no later than 31 December in each year, prepare and consider a report showing the audited financial results of each item shown in the statement of comprehensive income and balance sheet of the budgeted financial statements of the council for the previous financial year compared with the estimated financial results set out in the budget presented in a manner consistent with the Model Financial Statements.

➤ **Risk Management Implications**

Monitoring and reporting on Council’s financial results will assist in mitigating the risk of:

*Inaccurate budgets, unforecasted deficits and inadequate resourcing for current and future activities.*

Inherent Risk	Residual Risk	Target Risk
Medium (4D)	Low (2E)	Low (2E)

Monitoring and reporting on Council’s financial results ensures that financial resources are deployed in areas that align with Council’s Strategic Management Plans, are affordable and support Council’s Long Term Financial Plan.

➤ **Financial and Resource Implications**

In terms of the financial result, after adjusting for the one off funding and expenditure elements including the Financial Assistance and LCRIP grants and provisioning for closed landfills, the result reflect an underlying financially sustainable surplus and strong alignment to the current LTFP. Council will continue to review and monitor future financial results and its financial position in conjunction with LTFP to ensure additional pressures are managed in a sustainable way.

➤ **Customer Service and Community/Cultural Implications**

There is a high expectation that Council has appropriate financial governance processes in place including the review of actual results to budget for a corresponding period.

➤ **Sustainability Implications**

Not applicable.

➤ **Engagement/Consultation conducted in the development of the report**

Consultation on the development of this report was as follows:

*Council Committees:* A 2021-22 End of Year Update Report was presented to the Audit Committee on 15 August 2022 where the preliminary end of year results were presented.

*Council Workshops:* Not Applicable

*Advisory Groups:* Not Applicable

*External Agencies:* Auditors, Galpins Accountants, Advisers and Business Consultants

*Community:* Not Applicable

➤ **Additional Analysis**

**Summary of Financial Performance**

<b>\$000's</b>	<b>2021-22 Actuals</b>	<b>2021-22 Budget</b>	<b>YTD Variance Fav/(Unfav)</b>
Operating income	52,457	51,739	718
Operating expenditure	51,315	50,133	(1,182)
<b>Operating Surplus/(Deficit) before Capital</b>	<b>1,142</b>	<b>1,606</b>	<b>(464)</b>
Capital Income	2,552	3,492	(940)
Capital Expenditure	17,176	21,836	4,660
<b>Net expenditure - Capital projects</b>	<b>(14,624)</b>	<b>(18,343)</b>	<b>3,719</b>
Depreciation	9,820	10,122	302
Net Lending / (Borrowing) for Financial Year	<b>(3,662)</b>	<b>(6,614)</b>	<b>2,952</b>

In terms of Council's operating result, Council's Operating Surplus before Capital is \$1.142m which is \$464k unfavourable to budget. As previously advised, there are a number of one off items that are significant in terms of that result with income favourable by \$718k and expenditure unfavourable by \$1.182k. Major variances include:

**Income**

- a favourable grant income variance of \$308k largely relating to the early receipt of Financial Assistance Grants totalling \$687k offset by \$240k of Local Roads & Community Infrastructure Program (LRCIP) now to be received in 2022-23.
- favourable variances in Statutory Fees with Development Act fees (\$103k) and Animal Management Registration fees (\$35k)
- Other income was favourable to budget mainly in relation to unbudgeted insurance recoveries of \$62k as well as the other favourable sundry income spread across a number of functional areas.

**Expenditure**

- The additional provisioning of remediation and post closure costs of \$739k relating to closed landfills within the Council area
- An unbudgeted return of \$348k to the LGA for contributions previously received for CWMS investigation works for Summerton/Uraidla and Inglewood/Houghton no longer going ahead.
- Capital work-in-progress (WIP) now treated as operating cost of \$230k that largely relating to trail projects previous held in WIP.

Further discussion and more detail on the variances to budget is included in **Appendices 1-3** of the report.

### **Overall Capital Result**

<b>\$000's</b>	<b>2021-22 Actuals \$'000s</b>	<b>2021-22 Budget \$'000s</b>	<b>Variance Fav/(Unfav) \$'000s</b>	<b>Carry Forwards \$'000s</b>	<b>Variance Adjusted for Carry Forwards \$'000s</b>
Capital Income	2,552	3,492	(940)	602	(338)
Capital Expenditure	17,176	21,836	4,660	(4,450)	210
<b>Net expenditure - Capital projects</b>	<b>14,624</b>	<b>18,343</b>	<b>3,719</b>	<b>(3,848)</b>	<b>(128)</b>

Council's final results show a capital spend of \$17.176m against an adjusted budget of \$17.386m, resulting in an overall favourable capital expenditure result to budget.

### **Statement of Financial Position**

<b>\$000s</b>	<b>2021-22 Actuals</b>	<b>2021-22 Budget</b>	<b>Movement</b>
Assets	<b>454,149</b>	456,297	<b>(2,148)</b>
Liabilities – Borrowings excluding leases	<b>(14,206)</b>	<b>(18,277)</b>	<b>4,071</b>
Other Liabilities	<b>(16,049)</b>	<b>(13,010)</b>	<b>(3,039)</b>
<b>Net Assets (Liabilities)</b>	<b>423,894</b>	<b>425,010</b>	<b>(1,116)</b>

The Statement of Financial Position shows the total assets and total liabilities held by Council. As at 30 June 2022, the overall net assets (total assets less total liabilities) held by Council was \$423.9m compared with \$425.0m budgeted, representing a difference of \$1.1m.

The increase in equity for 2021-22 is represented by a Net Surplus of \$5.4m together with an increase in asset valuation of \$2.1m compared to a budgeted Net Surplus of \$4.1m and a revaluation increase of \$5.2m. The Net Surplus accounts for over \$4m of physical resources received free of charge from land divisions across the Council area.

Excluding lease liabilities, borrowings at 30 June 2022 were \$14.2m, represented by a fixed term interest only loan of \$5m and a short-term drawdown facility drawn down to \$9.2m at year end. This compares with Council's budgeted borrowings at 30 June 2022 of \$18.3m which was based on borrowings at the end of the previous year of \$10.2m and the budgeted net borrowings for the 2021-22 financial year of \$8.1m.

### Cash Flow Position

\$000s	2021-22 Actuals	2021-22 Budget	Movement
Net Flows from Operating	12,907	11,511	1,396
Net Flows from Investing Activities	(13,859)	(17,891)	4,032
New Flows from Financing Activities	(476)	7,700	(8,176)
<b>Net Change in Cash Position</b>	<b>(1,428)</b>	<b>1,319</b>	<b>(2,748)</b>
<b>Cash &amp; Investments</b>	<b>3,215</b>	<b>637</b>	<b>2,578</b>
<b>CAD Drawdown</b>	<b>(9,206)</b>	<b>(5,177)</b>	<b>(4,029)</b>
<b>Net Cash Position</b>	<b>(5,991)</b>	<b>(4,540)</b>	<b>(1,451)</b>
<b>Fixed Term Borrowings</b>	<b>(5,000)</b>	<b>(13,100)</b>	<b>8,100</b>
<b>Net Borrowings</b>	<b>(10,991)</b>	<b>(17,640)</b>	<b>6,649</b>

Council generated \$12.6m from its Operating Activities during the financial year compared to a budget of \$11.5m. The variance of \$1.4m relates in part to the favourable grant income variance relating to the early receipt of Financial Assistance Grants of \$642k as well as an increase in accruals and income received in advance compared to that budgeted.

### Annual Investment Performance

In accordance with Council's *Treasury Policy* and Section 140 of the *Local Government Act 1999*, a council must review the performance of its investments at least annually.

Given that Council is utilising its short term drawdown facility throughout the period, Council's investments are kept at a minimum during the year. As such the focus of Treasury Management has been on minimising interest expense and maintaining appropriate working capital rather than investment return.

As a result, interest earnings largely relate to:

- cash balances being transferred to an overnight investment account from Council's general bank account with NAB, and
- where grants and other funds are placed directly with the Local Government Finance Authority (LGFA).

Both the NAB and LGFA investments are in accordance with Council's *Treasury Policy*.

Year	RBA cash rate for June	LGFA Weighted Average Return	NAB Weighted Average Return	Overall Weighted Average Return	Actuals Investment Earnings	Annual Budget
2017-18	1.50%	1.50%	2.00%	1.75%	\$30k	\$34k
2018-19	1.25%	1.48%	1.98%	1.73%	\$41k	\$38k
2019-20	0.25%	0.67%	1.17%	0.92%	\$42k	\$42k
2020-21	0.10%	0.35%	0.65%	0.50%	\$8k	\$9k
2021-22	0.85%	0.37%	0.67%	0.52%	\$5k	\$5k



As shown in the above table, revenue from investments of \$5k was in line with the budget for the 2021-22 financial year.

The audited financial statements included an additional amount of \$54k under Investment Income in relation to unwinding of premiums and discounts in relation to Council's remediation and post closure costs in accordance with Accounting Standards.

### **Borrowings**

The fixed and variable interest rate borrowings as at 30 June 2022 totalled \$5m and \$9.2m respectively resulting in the fixed and variable rate portions of total borrowings at 35% and 65% respectively.

The fixed rate borrowing consists of a \$5m interest only loan borrowed for ten years (maturing June 2024).

As noted in the Cash Flow position, borrowings were less for the year resulting in finance costs being less than anticipated and showing a favourable variance of \$19k to budget for the financial year. In addition, Council utilised a short-term drawdown facility with low interest rates whereas the budget assumed that some fixed term borrowings would be taken out near year end with higher interest costs.

As Council has significant variability in cash flow given the timing and amount of quarterly rate payments, Council considers the balance of long term fixed term vs shorter term variable borrowings in the first quarter of the following financial year once the annual capital expenditure has been determined for the previous year.

## **3. OPTIONS**

The Committee has the following options:

- I. To receive and note this report and recommend to Council that the Audited 2021-22 Financial Results compared to Budget have been appropriately considered (Recommended).
- II. To make additional comments or suggestions to Administration to consider prior to presenting the Audited 2021-22 Financial Results compared to Budget to Council.

## **4. APPENDICES**

- (1) Audited 2021-22 Financial Results Compared to Budget
- (2) Operating Income
- (3) Operating Expenditure

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# **Appendix 1**

*Audited 2021-22 Financial Results Compared to Budget*

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## Adelaide Hills Council

### Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	2021-22 Actuals	2021-22 Budget	Variance	Note
<b>Income</b>				
Rates Revenues	41,504	41,495	9	
Statutory Charges	1,430	1,305	125	
User Charges	884	814	70	
Grants, Subsidies and Contributions	7,667	7,359	308	
Investment Income	59	5	54	
Reimbursements	197	210	(13)	
Other Income	583	452	131	
Net Gain - Equity Accounted Council Businesses	133	100	33	
<b>Total Income</b>	<b>52,457</b>	<b>51,739</b>	<b>718</b>	<b>A</b>
<b>Expenses</b>				
Employee Costs	19,608	19,458	(150)	
Materials, Contracts & Other Expenses	21,515	20,228	(1,287)	
Depreciation, Amortisation & Impairment	9,820	10,122	302	
Finance Costs	306	325	19	
Net loss - Equity Accounted Council Businesses	66	-	(66)	
<b>Total Expenses</b>	<b>51,315</b>	<b>50,133</b>	<b>(1,182)</b>	<b>B</b>
<b>Operating Surplus / (Deficit)</b>	<b>1,142</b>	<b>1,606</b>	<b>(464)</b>	
Physical Resources Received Free of Charge	4,072	-	4,072	C
Asset Disposal & Fair Value Adjustments	(1,693)	(35)	(1,658)	D
Amounts Received Specifically for New or Upgraded Assets	1,905	2,576	(671)	E
<b>Net Surplus / (Deficit) <sup>1</sup></b>	<b>5,426</b>	<b>4,148</b>	<b>1,279</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	2,814	5,215	(2,401)	F
Share of Other Comprehensive Income - Equity Accounted Council Businesses	1	-	1	G
Other Equity Adjustments - Equity Accounted Council Businesses	6	-	6	G
<b>Total Other Comprehensive Income</b>	<b>2,821</b>	<b>5,215</b>	<b>(2,394)</b>	
<b>Total Comprehensive Income</b>	<b>8,247</b>	<b>9,363</b>	<b>(1,115)</b>	

Note	Comments - Statement of Comprehensive Income
<b>A</b>	Refer to Attachment 2 - Operating Income
<b>B</b>	Refer to Attachment 3 - Operating Expenditure
<b>C</b>	Council received contributed infrastructure assets in relation to land divisions across the Council area. The largest ones being Hamilton Hill and The Crest at Woodside but also included smaller divisions such as Smith Street, Oakbank and Binley Lane, Stirling. These contributions are not usually budgeted for.
<b>D</b>	Council does not budget for the write-down of asset values relating to the capitalisation of replacement assets and subsequent disposal of the renewed asset. The amount budgeted for related to the sale of light fleet and heavy plant
<b>E</b>	Variance largely relates to the carry forward of \$602k of 2021-22 budgeted Capital Grants to 2022-23 in line with Accounting Standards
<b>F</b>	For 2021-22, the increase in revaluation was largely driven by Stormwater offset by adjustments to a number of categories including Buildings and Retaining Walls. For budget purposes a nominal amount of \$5.2m for revaluations is provided for.
<b>G</b>	These relate to end of year adjustments. Council does not budget for these amounts

## Adelaide Hills Council

### Statement of Financial Position

as at 30 June 2022

\$ '000	2021-22 Actuals	2021-22 Budget	Variance	Note
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	3,215	637	2,578	A
Trade & Other Receivables	3,025	3,225	(200)	A
Inventories	32	23	9	
<b>Total Current Assets</b>	<b>6,272</b>	<b>3,885</b>	<b>2,387</b>	
<b>Non-Current Assets</b>				
Equity Accounted Investments in Council Businesses	2,416	2,442	(26)	
Infrastructure, Property, Plant & Equipment	445,461	449,970	(4,509)	B
<b>Total Non-Current Assets</b>	<b>447,877</b>	<b>452,412</b>	<b>(4,535)</b>	
<b>TOTAL ASSETS</b>	<b>454,149</b>	<b>456,297</b>	<b>(2,148)</b>	
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade & Other Payables	9,651	7,086	(2,565)	A
Borrowings	9,581	6,600	(2,981)	A
Provisions	4,072	3,649	(423)	C
<b>Total Current Liabilities</b>	<b>23,304</b>	<b>17,335</b>	<b>(5,969)</b>	
<b>Non-Current Liabilities</b>				
Borrowings	5,200	12,425	7,225	A
Provisions	1,751	1,527	(224)	C
<b>Total Non-Current Liabilities</b>	<b>6,951</b>	<b>13,952</b>	<b>7,001</b>	
<b>TOTAL LIABILITIES</b>	<b>30,255</b>	<b>31,287</b>	<b>1,032</b>	
<b>Net Assets</b>	<b>423,894</b>	<b>425,010</b>	<b>(1,116)</b>	
<b>EQUITY</b>				
Accumulated Surplus	147,964	146,330	1,634	
Asset Revaluation Reserves	275,831	278,232	(2,401)	B
Other Reserves	99	448	(349)	
<b>Total Council Equity</b>	<b>423,894</b>	<b>425,010</b>	<b>(1,116)</b>	

Note	Comment - Statement of Financial Position
A	Overall, Council's net working capital result was favourable to budget for the year by \$4m largely as a result of delays in capital expenditure delivery, impacting on borrowings, trade payables and Council's cash position compared to budget.
B	The overall asset balance is less than budget as a result of annual revaluation of Infrastructure Assets being less than budget by \$2.4m and a number of projects not being completed by year end and requiring a carry forward to the 2022-23 financial year.
C	Provisions have increased by \$600k more than budget. Of this Employee Entitlements increased by just under \$140k more than budget with \$500k more than budget for the provisioning of remediation and post closure costs relating to closed landfills within the Council area. Movement in provisions are not budgeted for.

## Adelaide Hills Council

### Financial Indicators

as at 30 June 2022

\$ '000	2021-22 Amounts	2021-22 Actuals	2021-22 Budget	Variance	Note
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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

<u>Operating Surplus</u>	1,142	2.2%	3.1%	(0.9%)	A
Total Operating Revenue	<u>52,457</u>				

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

#### 1a. Adjusted Operating Surplus Ratio

<u>Operating Surplus</u>	500	1.0%	3.1%	(2.1%)	A
Total Operating Revenue	<u>51,815</u>				

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. The Adjusted Operating Surplus Ratio adjusts for the resulting distortion in the disclosed operating result for each year.

#### 2. Net Financial Liabilities Ratio

<u>Net Financial Liabilities</u>	24,015	45.8%	53.0%	7.2%	B
Total Operating Revenue	<u>52,457</u>				

*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.*

#### 3. Asset Renewal Funding Ratio

<u>Asset Renewals</u>	12,337	114%	111%	3%	C
Infrastructure & Asset Management Plan required expenditure	<u>10,775</u>				

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

Note	Comment - Financial Indicators
A	The significant unbudgeted amounts for both revenue and expenditure, including the FAG Grant early payment, additional provisioning of remediation and post closure costs and CWMS contribution payment have had a financial impact on the ratio for 2021-22.
B	Given that for 2021-22 Council has had less net capital expenditure than budgeted in the order of \$4m, this has resulted in less borrowing required and a reduced net financial liabilities ratio to that budgeted. The transfer of both capital expenditure and income carry forwards to 2022-23 will result in the net financial liabilities ratio increasing in the subsequent year.
C	Council's Asset Renewal Funding Ratio result is similar to the 2021-22 budget.

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# **Appendix 2**

*Operating Income*

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### Operating Income compared to Budget - Favourable to Budget

\$ '000	2021-22 Actuals	2021-22 Budget	Variance Fav/(Unfav)
<b>Income</b>			
Rates Revenues	41,504	41,495	9
Statutory Charges	1,430	1,305	125
User Charges	884	814	70
Grants, Subsidies and Contributions	7,667	7,359	308
Investment Income	59	5	54
Reimbursements	197	210	(13)
Other Income	583	452	131
Net Gain - Equity Accounted Council Businesses	133	100	33
<b>Total Income</b>	<b>52,457</b>	<b>51,739</b>	<b>718</b>

Income is favourable by \$718k (1.4%) compared to budget.

Rate Income in line with budget.

For Statutory Income, favourable variances occurred in Development Act fees (\$103k) and Animal Management Registration fees (\$35k), offset by Other Statutory Fees (\$11k) relating to revenue from property searches and lower than expected parking expiation fees.

For User Charges there was an uplift in cemetery fees due to both a revision of fees and charges for 2021-22 and an increase in demand for memorial permits and interment rights (\$100k) offset by reduction in community centre income (\$20k) which was driven by Covid requirements.

For Grants, Subsidies & Contributions the favourable variance of \$308k primarily relates to the early receipt of Financial Assistance Grants totalling \$687k offset by \$240k of Local Roads & Community Infrastructure Program (LRCIP) now to be received in 2022-23 together with a number of other deferred grants including the Community Homes Support and Community Resilience Grant Programs totalling in the order of \$140k.

Investment income was above budget due to the change in interest rates associated with the unwinding of premiums & discounts for Councils landfill remediation and monitoring provision required to be shown under Investment income in accordance with accounting standards .

Reimbursements were unfavourable to budget largely as a result of lower than expected electricity and water charges for AHBTC properties and therefore the resultant reimbursement charges received from tenants.

Other income was favourable to budget mainly in relation to unbudgeted insurance recoveries of \$62k as well as the other favourable sundry income spread across a number of activities.

The Equity Accounted Council Businesses showed a net gain of \$133k compared to a budget of \$100k. This relates solely to the Adelaide Hills Regional Waste Management Authority of which council holds a 37.10% share and is offset by net losses on the other equity accounted council businesses (East Waste and Gawler River Floodplain Management Authority).

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# **Appendix 3**

*Operating Expenditure*

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### Operating Expenditure compared to Budget - Unfavourable to Budget

	2021-22 Actuals	2021-22 Budget	Variance Fav/(Unfav)
<b>Expenses</b>			
Employee Costs	19,608	19,458	(150)
Materials, Contracts & Other Expenses	21,515	20,228	(1,287)
Depreciation, Amortisation & Impairment	9,820	10,122	302
Finance Costs	306	325	19
Net loss - Equity Accounted Council Businesses	66	-	(66)
<b>Total Expenses</b>	<b>51,315</b>	<b>50,133</b>	<b>(1,182)</b>

An unfavourable expenditure variance of \$1.182m has occurred for the year.

For employee costs, the unfavourable variance of \$150k is largely as a result of \$315k of staff costs budgeted to be recovered under capital for unsealed roads, IT projects and property project management costs subsequently expensed under operating as well as higher than budgeted parental leave payments of \$84k. This was offset by a number of favourable variances realised as a result of vacancies across the organisation.

The unfavourable variance from budget within Materials, Contracts & Other Expenses was largely as a result of:

- Unbudgeted additional provisioning of remediation and post closure costs of \$739k relating to closed landfills within the Council area
- return of \$348k to the LGA for contributions previously received for CWMS investigation works for Summerton/Uraidla and Inglewood/Houghton no longer going ahead.
- capital work-in-progress (WIP) allocated to operating of \$230k that largely relating to salary and other costs associated with trail projects
- under recovery of \$95k of heavy plant costs relating to unsealed capital works compared to budget
- arboriculture and tree management costs over budget by \$80k as a result of significant storm events during the year
- fuel costs unfavourable to budget of \$80k across both heavy plant and light fleet due to the significant increase in diesel and bowser prices in the last three months of the year
- heavy plant repair and maintenance costs unfavourable to budget by \$69k largely as a result of one off events to a number of critical plant items during the year

These were offset by:

- Not expending grant related expenditure of \$145k subsequently carried forward to the 2022-23 financial year
- delays in progressing operating initiative expenditure budgeted at \$144k which was also subsequently carried forward to 2022-23.

In relation to depreciation, the budget had allowed for increased depreciation for stormwater and roads and while the data cleansing for those categories identified some depreciation increases compared to previous years they were not as large as expected. In addition, work undertaken by Property Services identified buildings held in the asset register that were not controlled by Council with a resultant decrease in depreciation compared to budget. There was also a favourable to budget result for plant and equipment as a result of data cleansing as part of the transfer of this asset category to Confirm at the end of 2020-21 financial year.

Borrowings were less for the year resulting in finance costs being less than anticipated and showing a favourable variance to budget for the financial year. In addition, Council utilised a short-term drawdown facility with low interest rates whereas the budget assumed that some fixed term borrowings would be taken out near year end with higher interest costs.

Council's budget assumes a combined net gain of \$100k for the Equity Accounted Council Businesses. For 2021-22 a net loss of \$54k was recognised for the equity accounted council business Eastern Waste Management Authority and a net loss of \$12k for Gawler River Floodplain Management Authority.

**ADELAIDE HILLS COUNCIL  
AUDIT COMMITTEE MEETING  
Monday 17 October 2022  
AGENDA BUSINESS ITEM**

**Item:** 8.3

**Responsible Officer:** Steven Watson  
Governance & Risk Coordinator  
Office of the Chief Executive

**Subject:** Audit Committee Self-Assessment 2022

**For:** Information

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**SUMMARY**

To provide the Audit Committee with the results of the Self- Assessment 2022 review.

**RECOMMENDATION**

**The Audit Committee resolves that the report be received and noted.**

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**1. BACKGROUND**

In adopting its Work Plan for 2022 the Audit Committee identified the prudence of periodically conducting an assessment of the Committee's performance with a view to identifying improvements in governance practices and performance. A summary report in relation to the responses received has been provided at **Appendix 1**.

The Audit Committee Self-Assessment Report 2022 identified the following items:

- \* Q6 – Meeting Arrangements
- \* Q12 – Independent Presiding Member appointment.
- \* Q16 – Timeliness of actions against the Internal Audit.
- \* Q19 – Consideration of meeting commencement time and length.
- \* Q19 – Consideration of Independent Presiding Member.
- \* Q19 – Consolidated list of findings from internal and external audits.
- \* Q19 – Continuation of 6.30pm meeting commencement time.

## 2. ANALYSIS

### ➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

*Strategic Plan 2020-24 – A brighter future*

Goal 5 A Progressive Organisation

Objective O4 We actively represent our community

Priority O4.3 Attract and develop a diverse and capable elected body that represents, promotes and reflects the composition of the community.

Priority O4.3 Advocate to, and exert influence with, our stakeholders on behalf of our community to promote the needs and ambitions of the region.

Objective O5 We are accountable, informed, and make decisions in the best interests of the whole community.

Priority O5.1 Enhance governance structures and systems to prudently adapt to changing circumstances and meet our legislative obligations.

### ➤ Legal Implications

Section 126 of the *Local Government Act 1999* sets out the functions of an audit committee. Management of Committee’s action items and work plan facilitates the achievement of these functions.

### ➤ Risk Management Implications

Facilitating and well-functioning committee with a clear terms of reference will assist in mitigating the risk of

*Poor governance practices occur which lead to a loss of stakeholder (i.e. customer and regulator) confidence and/or legislative breaches.*

Inherent Risk	Residual Risk	Target Risk
Extreme (5C)	Low (3E)	Low (3E)

Note that there are many other controls that assist in mitigating this risk.

### ➤ Financial and Resource Implications

Council’s current budget contains provision for the costs associated with the notification and conduct of Audit Committee meetings

### ➤ Customer Service and Community/Cultural Implications

The community could reasonably expect that the Committee evaluates its effectiveness in discharging its functions as set out in the Terms of Reference on the regular basis.

### ➤ Sustainability Implications

Not Applicable

➤ **Engagement/Consultation conducted in the development of the report**

Consultation on the development of this report was as follows:

*Council Committees:* Audit Committee Members

*Council Workshops:* Not Applicable

*Advisory Groups:* Not Applicable

*External Agencies:* Not Applicable

*Community:* Not Applicable

➤ **Additional Analysis**

Five (5) of the five (5) members of the Audit Committee provided responses to the self-assessment. A consolidation of responses received has been provided as **Appendix 1** for review by the Committee.

As can be seen within the self-assessment **Appendix 1**, the scoring was generally very positive across all areas, and a number of comments were made by members of the Committee that are shown on the report.

The Administration will consider the feedback and determine a range of actions to address concerns raised as relevant. Where significant changes are required these will be further explored with the Committee (and Council if necessary) prior to implementation.

A number of the suggestions have been noted and are being actioned, including:

\* Q2 – Functions of Audit Committee

This is a continuing task and the Administration is closely monitoring the LG Reform Bill and will bring an amended Terms of Reference to the Audit Committee and then Council, when appropriate.

\* Q6 – Meeting Arrangements

The Administration will continue to provide a report to the Committee to consider frequency, timing, duration, venue and format of meetings. This will be of particular relevance once Council makes appointments to the Committee following the Council elections.

\* Q12 – Independent Presiding Member appointment.

Currently that is a matter for Council to appoint, the incoming provisions (late 2022) of the *Statutes Amendment (Local Government Review) Act 2021* provide for a majority of Audit & Risk Committee Members to be independent but does not prescribe a requirement for an independent presiding member.

\* Q16 – Timeliness of actions against the Internal Audit.

The Administration will continue to work to improve the timeliness of action close out, working with the Committee as necessary to adopt realistic and achievable action plans.

\* Q19 – Consideration of meeting commencement time and length.

The Administration will continue to provide a report to the Committee to consider frequency, timing, duration, venue and format of meetings.

\* Q19 – Consideration of Independent Presiding Member.

Currently that is a matter for Council to appoint, the incoming provisions (late 2022) of the *Statutes Amendment (Local Government Review) Act 2021* provide for a majority of Audit & Risk Committee Members to be independent but does not prescribe a requirement for an independent presiding member.

\* Q19 – Consolidated list of findings from internal and external audits.

The Administration will continue to work with the Committee on understanding its reporting requirements.

\* Q19 – Continuation of 6.30pm meeting commencement time.

The Administration will continue to provide a report to the Committee to consider frequency, timing, duration, venue and format of meetings.

### **3. OPTIONS**

The Committee has the following options:

- I. To note the outcomes of the Audit Committee Self-Assessment 2022.
- II. To determine areas of improvement by way of resolution.

### **4. APPENDIX**

- (1) Audit Committee Self-Assessment 2022 - Report

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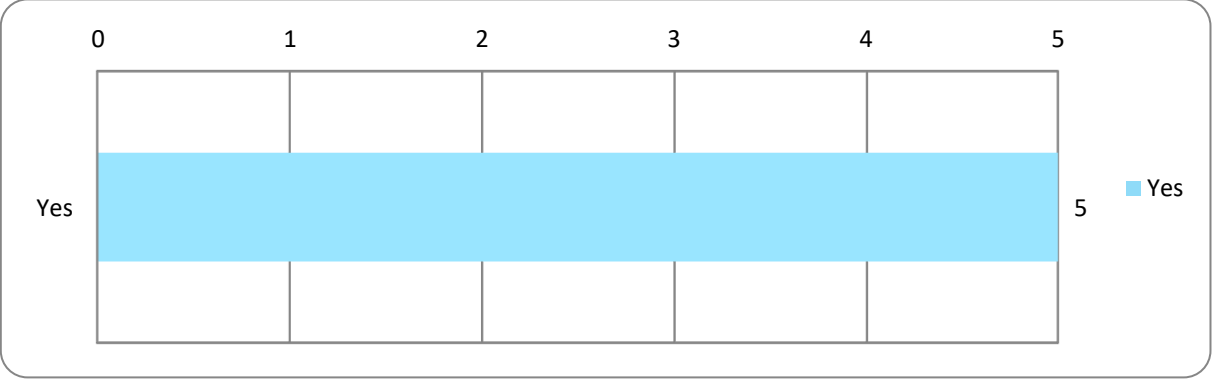
# **Appendix 1**

*Audit Committee Self-Assessment 2022 - Report*

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# Adelaide Hills Council Audit Committee - Self Reflection Survey 2022

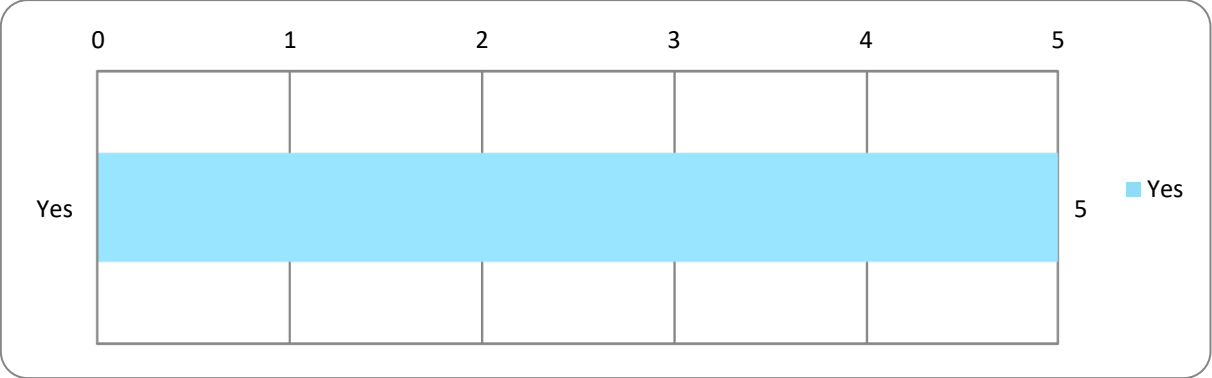
1. Please provide your name: **5 of 5 Respondents**
2. Do you understand and agree with the functions of the Committee as detailed in its Terms of Reference?



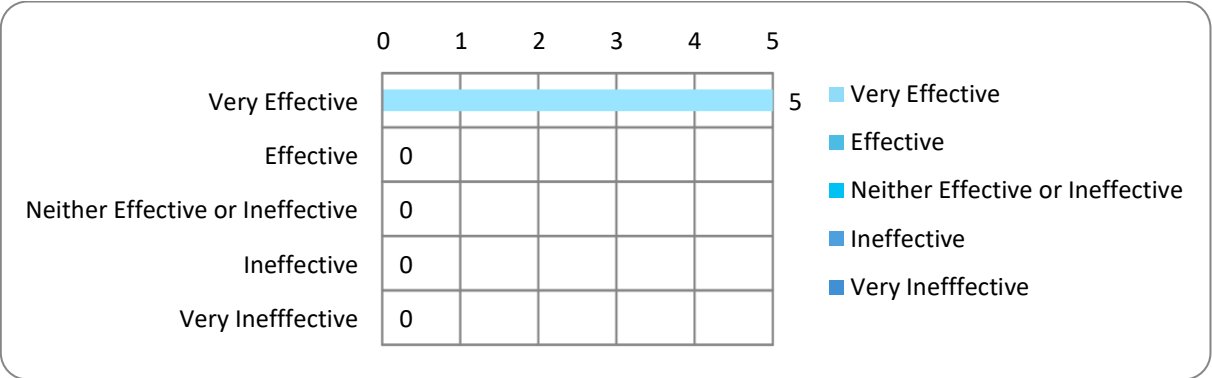
Comments:

- But may need review by Next year

3. Does the Committee collectively have sufficient skills, experience, time and resources to undertake its duties?



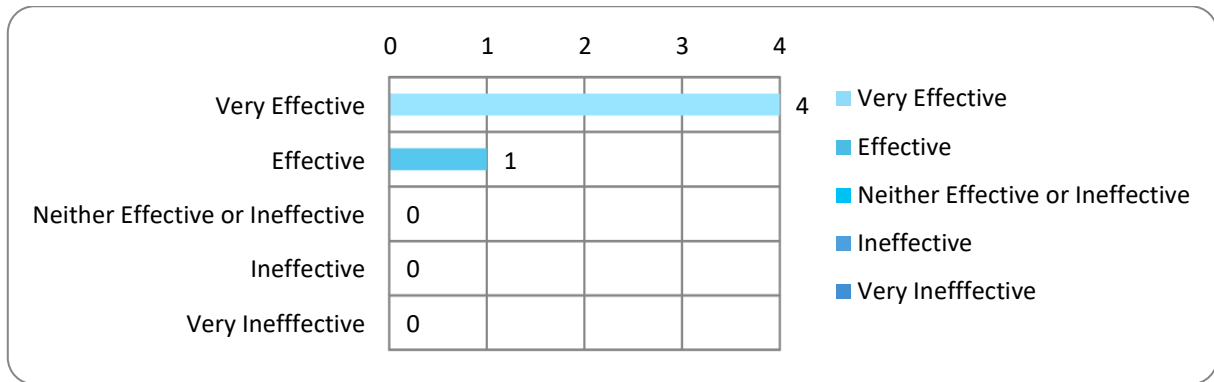
4. Does the Committee work constructively as a team and work well with others attending the meetings?



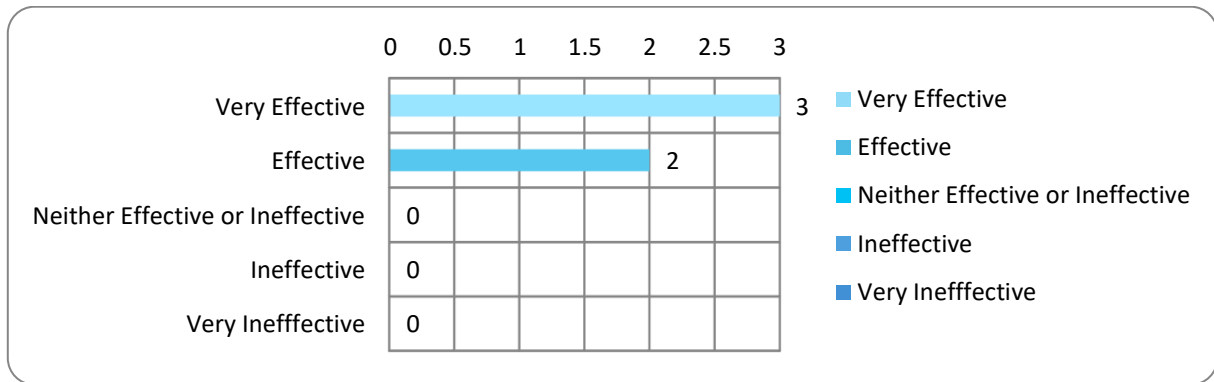


# Adelaide Hills Council Audit Committee - Self Reflection Survey 2022

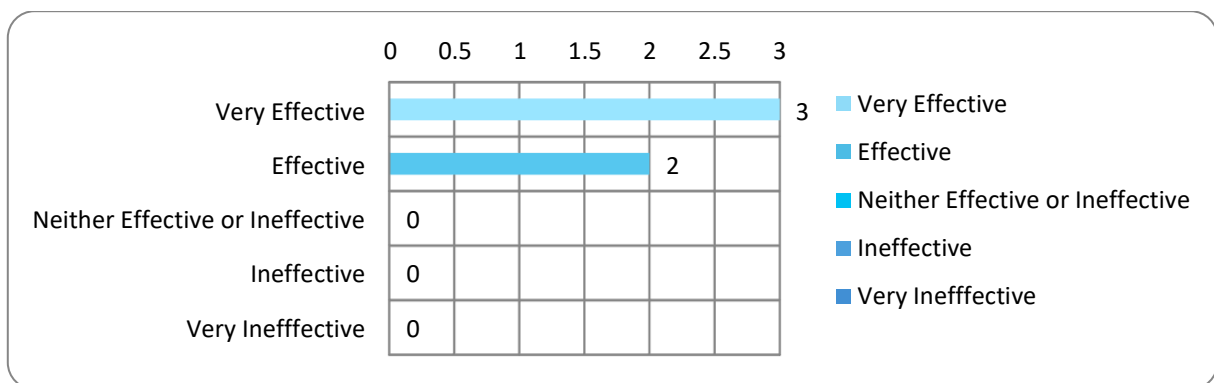
5. Does the relationship between Committee members strike the right balance between challenge and mutuality?



6. Do the meeting arrangements enhance the Committee’s effectiveness (e.g. frequency, timing, duration, venue and format) to allow sufficient time for the discussion of agenda items?

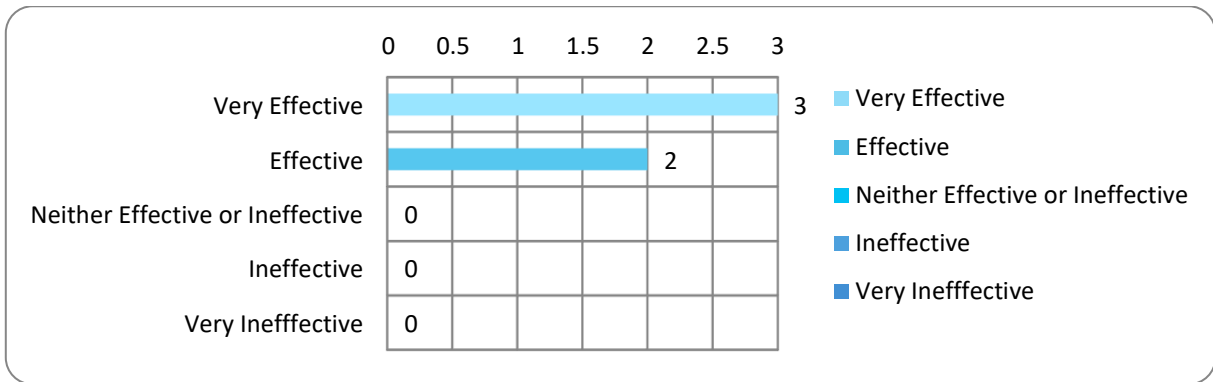


7. Are the reports for each meeting sufficiently comprehensive and yet understandable enough for you to make informed decisions?

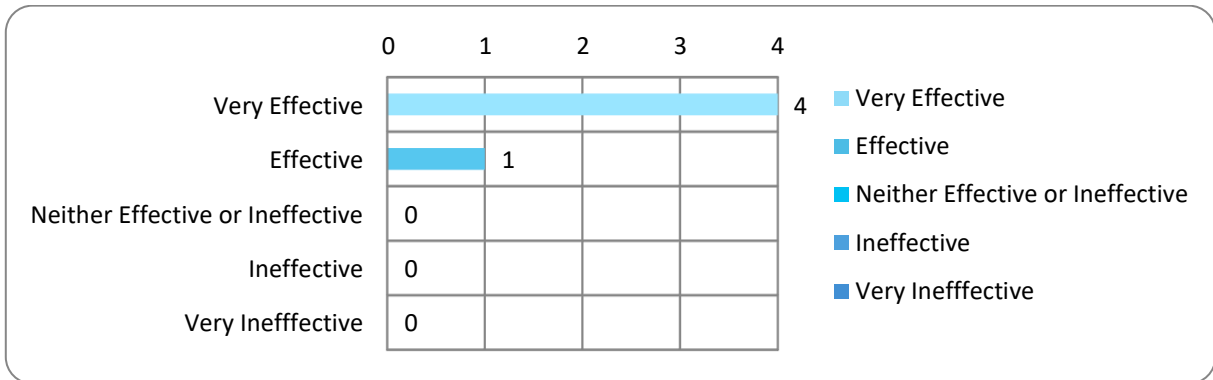


# Adelaide Hills Council Audit Committee - Self Reflection Survey 2022

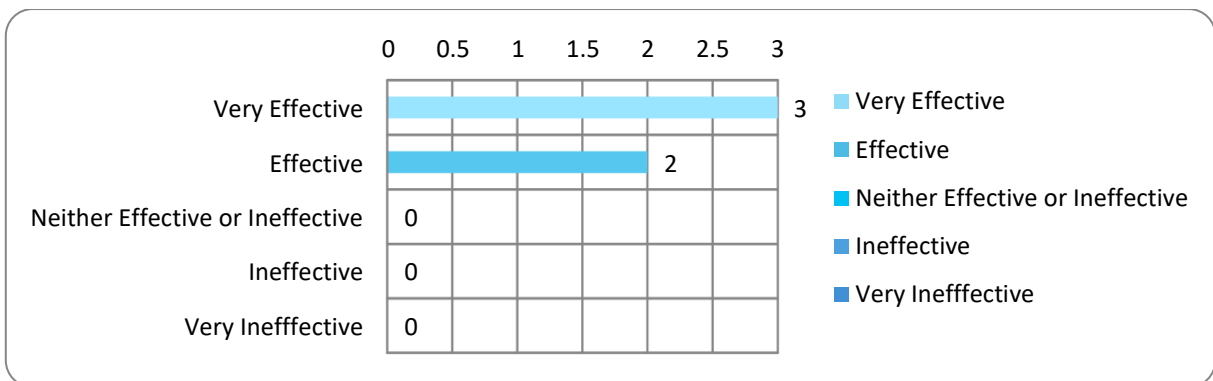
8. Are the presentations an interesting and helpful way of informing members about various issues?



9. Are effective minutes prepared, distributed and followed up?

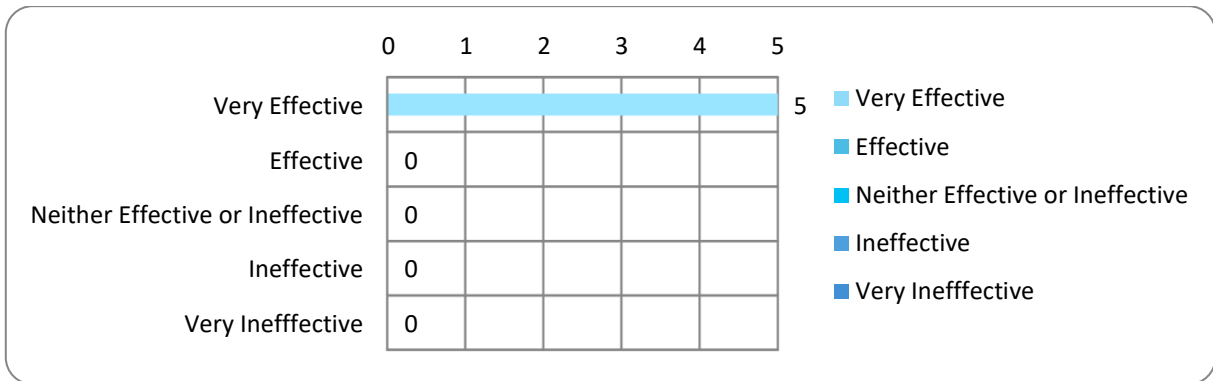


10. How do you rate the overall efficiency and effectiveness of the Committee?

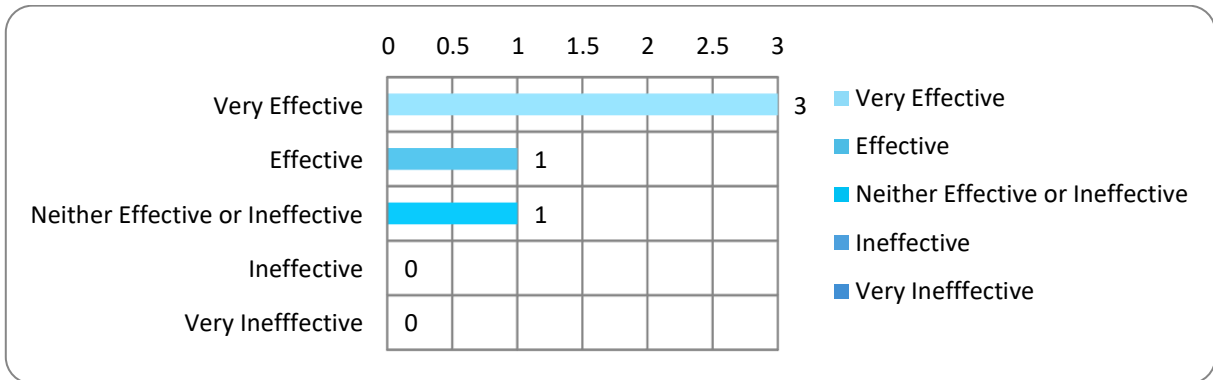


# Adelaide Hills Council Audit Committee - Self Reflection Survey 2022

11. Do staff and members conduct themselves in accordance with high standards of behaviour?



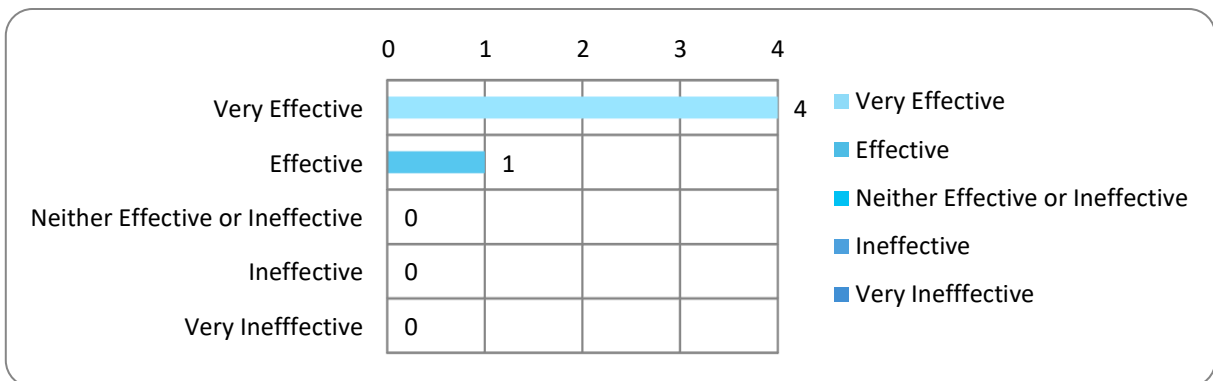
12. How do you rate the performance of the Presiding Member in preparing for and conducting the meetings?



Comments

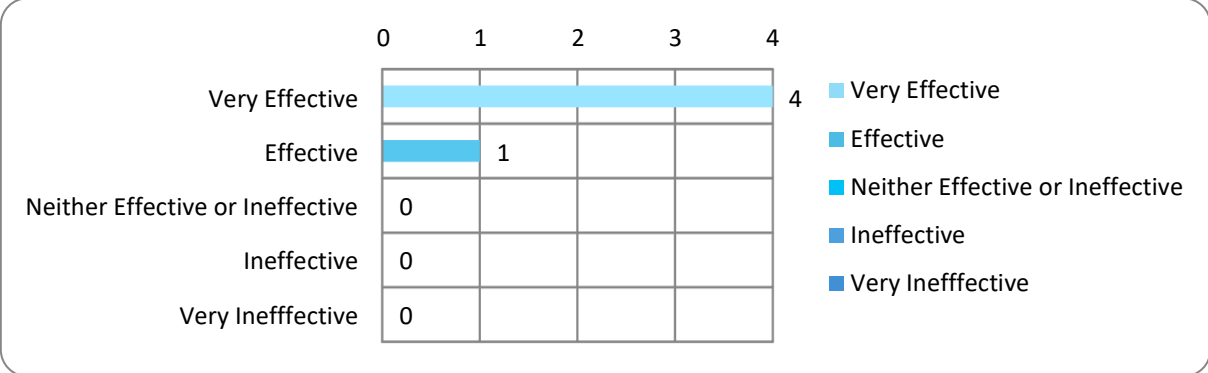
- As previously noted, it is best practice for the Presiding Member of an Audit and Risk Committee to be an independent member.

13. How do you rate your performance as a member of the Committee?

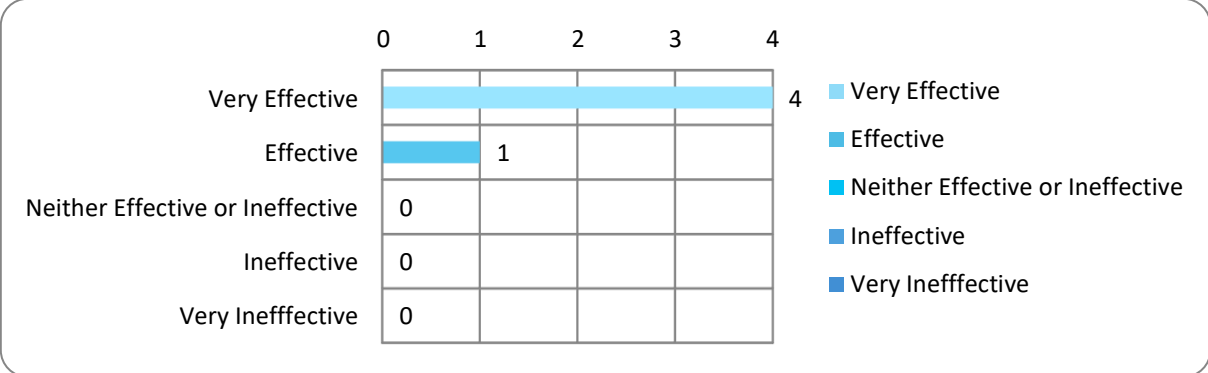


# Adelaide Hills Council Audit Committee - Self Reflection Survey 2022

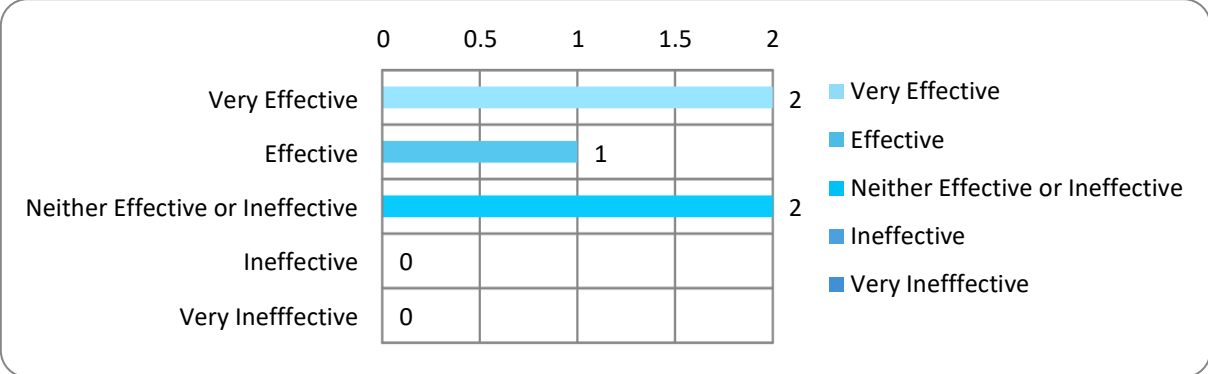
**14.** Does the Committee assure itself that the Executive take responsibility for risk identification and control, and give formal assurance through reporting that key risks are being adequately managed?



**15.** Is the Committee satisfied that there is an effective program in place to ensure that risk management becomes an integral part of the way in which Council conducts business?



**16.** Are internal audit findings and recommendations responded to in a timely and appropriate manner?



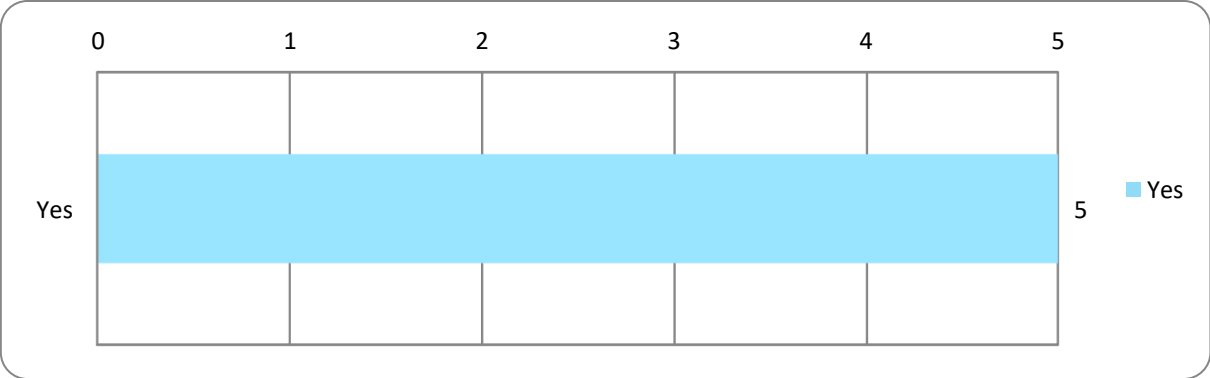
**Comments:**

- Although the follow up and reporting of Internal Audit actions has improved, there is still an opportunity for actions to be closed out in a timely manner.

# Adelaide Hills Council Audit Committee - Self Reflection Survey 2022

- I rated Internal Audit findings and recommendations being responded to in a timely fashion as only effective. There are a number of internal audit and external reviews reports where the recommendations and findings are not always acted on in a timely manner. My observations for this are:-
  - The Council does not always have the resources in personal or finance to immediately attend to the issues;
  - The issues may require specialised expertise which is difficult to recruit to or buy in order to be addressed effectively. eg. Matters raised in respect to Cyber Security matters.
- My main critique would be timeliness of actioning internal and other audit findings. While there have been good improvements in this area I sometime think there needs to be more attention by staff in pushing resolution of actions to their close. The nature of audit finding is that a deficiency has been identified and until it is fixed the council is potentially vulnerable - actions should not be allowed to remain open too long. Maybe a method of prioritising actions could be developed to ensure that the really important ones e.g. cyber security vulnerabilities are given greater emphasis.

17. Does the Committee review and discuss the external auditor’s management letter?

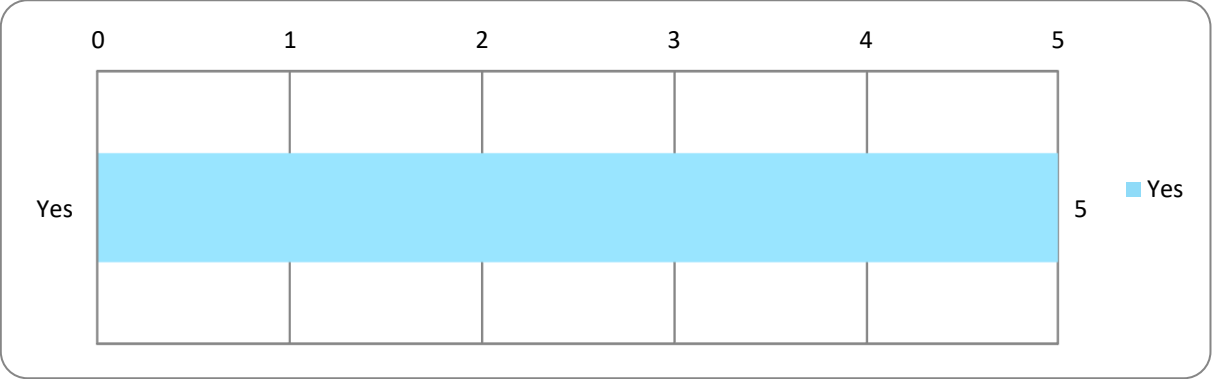


Comments:

- The management letter from the External Auditor is always on the agenda and a full copy of the management letter is included in the meeting paper.
- Seems to work well.

# Adelaide Hills Council Audit Committee - Self Reflection Survey 2022

18. Is the Committee effective in managing and monitoring the relationship with the external auditor?



19. Do you have any other suggestions for improving any aspect of the Committee’s performance, role or functions?

- Just one thing. I know we changed the meeting time to 6.30pm to allow more time for Adelaide people to attend. I try to keep the meetings to under two hours. Finishing at 8.30pm. It’s too early to have dinner before I leave Birdwood 5.45 and a bit late when I arrive home after 9.15pm. I would like this raised at the first new Audit Committee meeting.
- Consideration for an Independent Member be appointed as Presiding Member. Current Presiding Member is performing the role very well, however good governance practice recommends independence be considered when appointing this role.
- AHC has undertaken work to consolidate its risk register and to take a holistic stocktake of findings from external and internal audit reviews and external reviews. I suggest that this work continue to enable the Audit Committee to see an overall picture of issues contained in one document.
- I am happy with the continuation of 6:30pm starts to meetings as I drive up from town after work and this allows me more time to get to meetings.

**ADELAIDE HILLS COUNCIL  
AUDIT COMMITTEE MEETING  
Monday 17 October 2022  
AGENDA BUSINESS ITEM**

**Item:** 8.4

**Responsible Officer:** Kira-marie Laverty  
Corporate Planning & Performance Coordinator  
Office of the Chief Executive

**Subject:** Quarterly Council Performance Report – Q1 2022-23

**For:** Information

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**SUMMARY**

As a local government entity, Council has a number of legislative obligations regarding the preparation and distribution of corporate planning and reporting information to the elected body and the community. In addition to these mandated requirements, Council has over time created a number of additional elements to improve the integration, transparency and accountability of its activities. The Quarterly Council Performance Report is just one of these elements.

A revised suite of corporate performance indicators and targets were developed in consultation with Council Members, the Strategic Leadership Team and relevant officers as part of the *2020-21 Annual Business Plan* process and have continued to be incorporated into the *Annual Business Plan 2022-23*. These were aligned to the new *Strategic Plan 2020-24 – A brighter future* adopted in April 2020.

The Quarterly Council Performance Report for Q1 (**Appendix 1**) covers the period 1 July 2022 to 30 September 2022, and shows the performance against the corporate performance indicators as well as discussing key highlights aligned with the Strategic plan.

The purpose of this report is to inform the Audit Committee of Council's performance against the *Annual Business Plan 2022-23* targets in order to assist in their role as advisors to Council on the adequacy and effectiveness of processes involving financial management, reporting, risk and governance.

**RECOMMENDATION**

**The Audit Committee resolves the Quarterly Council Performance Report – Q1 2022-23 be received and noted.**

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## 1. BACKGROUND

At its 19 June 2018 meeting, Council adopted (Res 128/18) the *Corporate Planning & Performance Framework*, of which a key element was the establishment of a suite of Corporate Business Performance Indicators which are aligned with Adelaide Hills Council's Strategic Plan goals and will enable the tracking of performance over time.

Over the 2019-20 financial year, Quarterly Council Performance Reports were drafted showing the performance against the Corporate Performance indicators, strategic initiatives and key activities of the *2019-20 Annual Business Plan*.

A revised suite of corporate performance indicators and targets were developed in consultation with Council Members, the Strategic Leadership Team and relevant officers as part of the 2020-21 Annual Business Plan process. These were aligned to the new *Strategic Plan 2020-24 – A brighter future* adopted in April 2020. These indicators have continued to be used in the *Annual Business Plan 2022-23*.

A change was made to the timing of reports during the 2021-22 financial year and will continue into the 2022-23 financial year. Reports are provided to Council and the Audit Committee at the next meeting directly following the end of the quarter. This may mean that some quarterly reports go to the Council meeting prior to the Audit Committee.

## 2. ANALYSIS

### ➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

*Strategic Plan 2020-24 – A brighter future*

Goal	A progressive Organisation
Objective O5	We are accountable, informed, and make decisions in the best interests of the whole community
Priority O5.3	Demonstrate accountability through robust corporate planning and reporting that enhances performance, is relevant and easily accessible by the community

The Quarterly Council Performance Report is part of the performance reporting suite contained in the *Corporate Planning & Performance Framework*.

### ➤ Legal Implications

Chapter 8 - Administrative and financial accountability of the *Local Government Act 1999* sets out the key legislative obligations regarding corporate planning and reporting obligations, as follows:

- S122 – Strategic management plans – development, content requirements, consultation, review and availability of strategic plan, asset management plan and long-term financial plan;
- S123 – Annual business plans and budgets - development, content requirements, consultation, review and availability of annual business plan and budget
- S127 – Financial statements – preparation, content, auditing and availability of the financial statements;
- S131 – Annual reports – preparation, content, distribution and availability of the annual report



Additional requirements are contained in the *Local Government (General) Regulations 2013* and the *Local Government (Financial Management) Regulations*.

➤ **Risk Management Implications**

Quarterly Council Performance Reporting will assist in mitigating the risk of:

*Ineffective performance management and reporting processes leading to poor performance and/or loss of stakeholder confidence*

Inherent Risk	Residual Risk	Target Risk
Extreme (4B)	Low (3E)	Low (3E)

Note that there are many other controls that assist in mitigating this risk. The quarterly performance reports are part of the current control suite and therefore there is no additional mitigating impact of this report.

➤ **Financial and Resource Implications**

The Corporate Planning & Performance Coordinator role, which coordinates the performance reporting function, is funded in the Governance & Performance Department budget.

Quarterly Council Performance Reporting assists in showing the financial and resource performance to plan as per the targets, initiatives and activities outlined in the *Annual Business Plan 2022-23*.

As part of the development of the budget outlined in the *Annual Business Plan 2022-23*, a series of Savings Strategies were developed to help address emerging cost pressures and to improve Council's Operating Surplus over the period of the Long Term Financial Plan. The adopted strategies totalled \$650k in savings, and a page dedicated to reporting on the progress of these strategies has now been included in the quarterly report.

➤ **Customer Service and Community/Cultural Implications**

Providing integrated, consultative corporate planning and effective and transparent performance reporting to the Council and community has the potential to increase the level of trust and confidence in Council.

➤ **Sustainability Implications**

Quarterly Council Performance Reporting assists in demonstrating the outcomes related to Council's economic, social and environmental initiative.

➤ **Engagement/Consultation conducted in the development of the report**

Consultation on the development of this report was as follows:

*Council Committees:* Not applicable

*Council Workshops:* Not applicable

*Advisory Groups:* Not applicable

*External Agencies:* Not applicable

*Community:* Not applicable

The Quarterly Council Performance Report – Q1 2022-23 will be provided to the 25 October 2022 Ordinary Council meeting.

**3. OPTIONS**

As this is an information report, the Audit Committee is limited to receiving and noting the report however additional feedback can be provided to the Governance and Performance team for consideration of future enhancements for the 2022-23 FY reports.

**4. APPENDIX**

(1) Quarterly Council Performance Report – Q1 2022-23

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# **Appendix 1**

*Quarterly Council Performance Report – Q1 2022-23*

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# Quarterly Council Performance Report

Quarter 1 – 1 July – 30 September 2022

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6. Savings Strategies	24
7. Quarterly Financial Performance	25

# 1. Executive Summary

Strategic Goal	Performance Indicators	Annual Business Plan Strategic Initiatives
 <b>Built Environment</b>	 1 of 3 Targets met or exceeded	 On Track (24) Not Started (1) Behind Schedule (1)
 <b>Community Wellbeing</b>	 0 of 2 Targets met or exceeded	 Not Started (1) On Track (14)
 <b>Economy</b>	 2 of 3 Targets met or exceeded	 On Track (3)
 <b>Natural Environment</b>	 2 of 3 Targets met or exceeded	 Not Started (3) Completed (1) On Track (8)
 <b>Organisation</b>	 6 of 6 Targets met, N/A or exceeded	 Not Started (2) Behind Schedule (1) On Track (24)

## Customer Service Standards

	<b>9</b>	Targets met or exceeded
	<b>4</b>	N/A or No Incidents reported
	<b>4</b>	Target not met

## Capital Performance

**\$2m** of infrastructure delivered

**\$2.2m** of infrastructure ordered

The primary focus has been on finalising projects from the end of the previous financial year, undertaking early works utilising existing panel contracts, and commencing the design phase for projects to be delivered as part of this financial year's program

## Highlights

- On 23 August 2022 nominations opened for the Local Government Election 2022. At the close of nominations Mayor Jan-Claire Wisdom was elected unopposed. The Ranges Ward received twelve (12) nominations for seven (7) positions and the Valleys Ward received six (6) nominations for five (5) positions.
- Council's Chief Executive Officer, Andrew Aitken, resigned his position after 10 years of service. Andrew completed his tenure on 30 September 2022. Council appointed David Waters, Director Community Capacity as Acting CEO.
- The details of the 2023 Santos Tour Down Under, Women's Tour Down Under and Challenge Tour were announced. The Adelaide Hills will host for the first time, the final stage of the Santos Tour Down Under.
- The transition from the Development Act to the Planning, Development & Infrastructure Act is now completed with the development of a Business Continuity Plan. There remains some current development applications under the Development Act that are still under assessment.
- Book Week and Science Week were celebrated in the Libraries at Stirling and Gumeracha with topics including light, seaweed and indigenous storytelling.
- Agreement reached with the Mylor Oval Committee on location and design of the new cricket practice nets. Construction to commence in November.
- 200 trees planted at Federation Park in Gumeracha in a collaborative community effort to celebrate National Tree Day for 2022. This continues the revegetation project along the banks of Kenton Creek.
- Woodside Pool Management Agreement has been signed by both Council and the Committee following considerable discussion. This will enable the ongoing development of the pool to meet community needs.
- The 2022-23 Rates Notices were issued in August. 2,466 rate payers registered for electronic notices and teams continue to encourage sign up.
- The Summit Community Centre held an Open Day to celebrate the recently refurbished space.

## Risk and Challenges

- Financial pressures resulting from escalation of CPI continue to grow. Strategies to mitigate rate rises are being developed for consideration in the review of the Long Term Financial Plan.
- Availability of contractors to support building works remains a challenge as does the growth that has been occurring for building projects.

## 2. Adelaide Hills Council Major Projects

### Implementation of the Community and Recreation Facilities Framework

The Community & Recreation Facilities Framework was developed to support the management of Council and Community owned facilities.

This framework will be progressively implemented over a three year period.

#### Latest News

An Internal working group has been convened to implement the project.

A Club Support Officer has been recruited within Council as part of the support network for the framework implementation. They will be commencing in October 2022.

Preparation of the lease templates for review by the engaged Lawyers has commenced.



### FABRIK Development

The FABRIK Development Project will involve upgrading and enhancing the former Onkaparinga Woollen Mills site at Lobethal. The new building will provide an exciting and focused entry point to the site that will enable staff to promote the history of the site, the current uses and businesses within the location and then direct visitors to various buildings from a central location.

#### Latest News

Building works have commenced on Building 21 with the internal works well underway including demo, electrical, plumbing, fire safety, and internal walls and ramp installed during the reporting period.

Contracts are being finalised for the other buildings and materials for the whole project are in the process of being procured to minimise any potential delays resulting from shortages.



## Gumeracha Library improvements

The upgrade to the Gumeracha Library and Service Centre is aimed at making the space more welcoming and user-friendly. This includes updating the furniture, shelving, service counter and general layout.

### Latest News

Draft concept plans were prepared which included a revamped children's space, refreshed reading and sitting areas, an updated service desk with accessible options and new shelving and furniture.

Community engagement was undertaken in August to seek feedback on the draft plans.



## Heathfield School Courts including Canteen and Storage upgrades

The Heathfield Sports Courts Redevelopment is being constructed in partnership with the Department of Education and the State Government.

It aims to provide additional sporting facilities to the community, sports clubs as well as an improved amenity for the Heathfield High School.

### Latest News

Documents for the design and construct of the canteen and storeroom were lodged for tender in September. Tender closes mid-November.



# Towards Community Led Emergency Resilience Program (TCLERP)

Following on from the Community Resilience and Readiness pilot, the program has evolved to focus on community led emergency preparedness. The name of the program also changed to be Toward Community Led Emergency Resilience Program (TCLERP).

The program has several areas of focus including:

- Community Engagement
- Psychological and emotional emergency preparedness community education
- Recovery ready halls project – emergency preparedness for select community facilities
- Vegetation management project – ensuring practices are based on best fire science and within shared land owners existing capacity

## Latest News

Adelaide Hills Community Action Bushfire Network (AHCABN) established in 2021 to promote knowledge sharing and to work closely with Council. The network have been meeting monthly, as well as engaging with government agencies in emergency and recovery sectors.

Recruitment of the new Community Resilience team members is underway with new staff commencing in October 2022.





# 3. Performance by Strategic Goal

## A functional Built Environment

### Highlights

- ✓ **Federation Park and Oval masterplan implementation**
  - Met with local community members to ascertain community priorities out of the masterplan, with staff now further investigating a new path to connect to the public toilets and having power available for events.
- ✓ **Investigate and Implement central irrigation control system (region wide)**
  - 9 sites have new control systems installed.
  - Future upgrade sites will be identified after the completion of the audit currently underway.
- ✓ **Prepare turf and irrigation design/management plans for key bore water use areas**
  - Irrigation designs for Mylor Oval & Bradwood Park to be completed end of October 2022
- ✓ **Operational worksite review including forward planning**
  - Property and ICT teams have relocated into Garrod Street offices at Stirling, freeing up space in the main Administration building for other works. Staff have been relocated from the temporary transportable building to enable refurbishment/upgrade of this portion of the Stirling administration building.
- ✓ **Planning & Development**
  - 218 planning applications lodged and 220 planning consents determined. This included five (5) planning consents granted by the Council Assessment Panel in the quarter.
  - 78 new building applications lodged and 107 building consents determined.
  - 76 building inspections completed in the quarter and 69 investigations of development compliance matters.
  - The transition from the Development Act to the Planning, Development & Infrastructure Act is now completed with the development of a Business Continuity Plan.
- ✓ **Community Wastewater Management System (CWMS)**
  - Council transitioned the operation of its 13 pump stations to a long term contract with Trility.
- ✓ **Purchase of Electric Vehicles cars for fleet**
  - Two electric vehicles have been ordered and will be delivered in the coming months
- ✓ **Installation of further Electric Vehicle charging stations**
  - The Heathfield Depot has been identified as the initial location for the installation of two EV charging stations.
- ✓ **Building Upgrades – minor**
  - The design and approvals have been completed for the Gumeracha Community Centre Public Toilet Upgrade Tender sought and awarded. Construction work has commenced with completion expected in Dec 2022.
  - The Stirling Theatre has had electrical upgrades completed and new carpet installed. Installation of new seats is anticipated for October.
- ✓ **Mt Torrens Coach House Reserve Facilities**
  - Design work for the toilet block was undertaken as well as an inspection of the effluent system to ensure compliance.
- ✓ **Adelaide Hills War memorial Swimming Pool**
  - Investigations into future feasibility as well as current costings is underway
- ✓ **Sustainability**
  - Continue to install and integrate all solar systems onto the one system Solar Analytics. This will provide the ability to better measure the amount of MWh the solar systems are producing and exporting, as well as providing maintenance updates and identifying faults.
  - Commenced sustainability audits for numerous Council facilities including halls within the district. These audits will identify potential actions for improving the resilience, energy and water efficiency of these buildings.
- ✓ **Cemeteries**
  - Request from Woodside Church to have two cemeteries transferred to Council. This will be considered by the Cemeteries Reference Group in October and formally by Council at its meeting in February 2023.

## Risks & Challenges

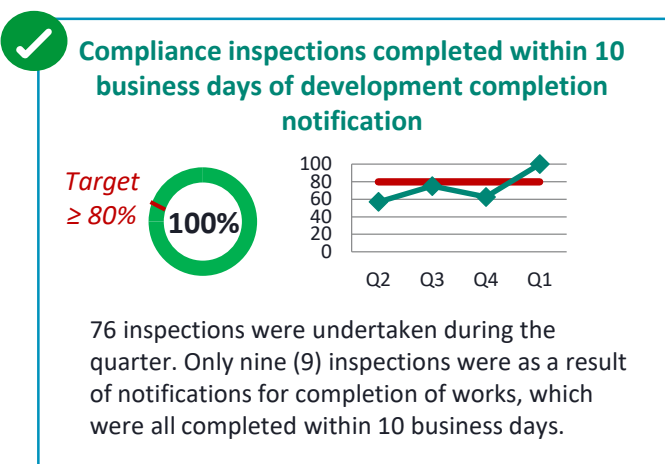
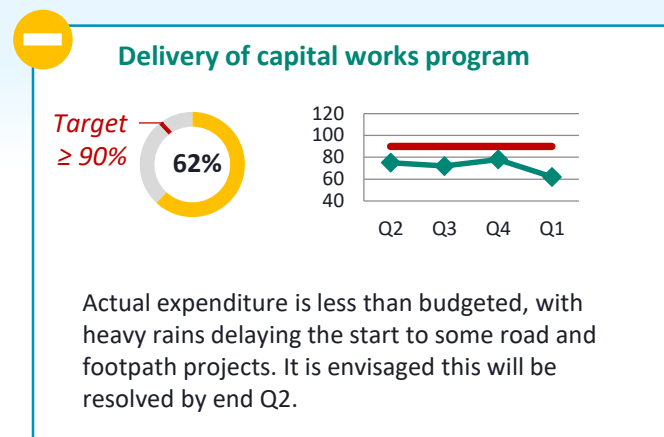
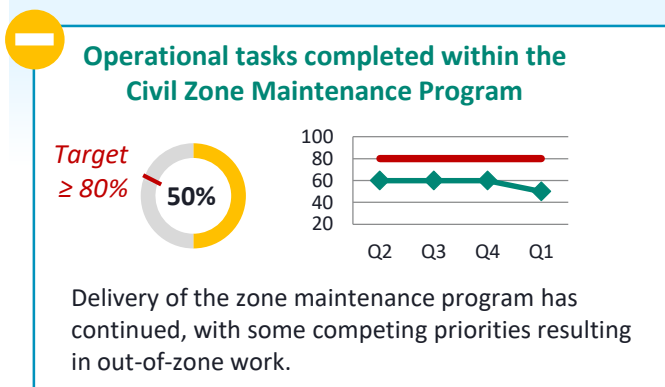
### ⊗ Carbon Management Plan - Energy Upgrades, Battery & Efficiency Actions

- A property audit which includes numerous sustainability audits is currently being undertaken. This includes the main Council facilities and numerous community facilities mainly halls. The outcomes of these audits will provide recommendations for implementation. This work is in progress, however a little behind original schedule.

### ⊖ Cemeteries Upgrades

- Wet weather has delayed upgrades to paths and fences at the Summertown Cemetery. Works are expected to commence in late 2022 to early 2023.

## Performance Indicators



Legend: ✔ = Target Met ⊖ = Target not met  $\geq$  Greater than or equal to

## Progress on Strategic Initiatives from the Annual Business Plan

Project ID	Strategic Initiatives	Status
B1001	Recreation Trails & Cycling Route Upgrades	✓
B1003	New Bus Shelter Installation Program	✓
B1004	New and upgraded footpaths	✓
B1007	Recreation Trails & Cycling Routes Framework Implementation	✓
B1009	DDA Upgrades Minor access upgrades region wide (compliance)	✓
B2001	Federation Park and Oval masterplan implementation	✓
B3002	Implement irrigation systems (renewal / upgrades)	✓
B3003	Investigate and Implement central irrigation control system (region wide)	✓
B3004	Prepare turf and irrigation design/management plans for key bore water use areas	✓
B3005	Carbon Management Plan - Energy Upgrades, Battery & Efficiency Actions	✗
B4006	Asset management - Confirm Web and Connect Licences and Field Devices	✓
B4009	Building Upgrades - minor	✓
B4010	Cemeteries Upgrades	—
B4011	CWMS Capacity Upgrades (Birdwood & Woodside gravity mains)	✓
B4014	Road Safety Program including co-contribution to Road Blackspot	✓
B4015	Installation of further Electric Vehicle charging stations	✓
B4016	Purchase of Electric Vehicles cars for fleet	✓
B4041	Community and Recreation Facilities Framework Implementation	✓
B4042	Operational worksite review including forward planning	✓
B4043	Hamilton Hill - Dunfield Estate & Crest Maintenance	✓
B4044	Feasibility Studies for future projects	✓
B4045	Stormwater projects	✓
B4046	Mt Torrens Coach House Reserve Facilities	✓
B4047	Woodside School Crossing (LRCIP)	✓
B4048	Heathfield School Courts – Canteen and Storage	✓
B4049	Adelaide Hills War memorial Swimming Pool - Splash Park Contribution (LRCIP)	✓

## Highlights

- ✔ **Fabrik Activation Arts & Heritage Hub - Operating**
  - Construction work commenced at Fabrik and all public programs on site have ceased.
  - A low-key program of creative activities has commenced at Bushland Park, with funding support from Wellbeing SA. One of these is a community collaboration project called *Memorial for Forgotten Plants* which will be a part of the 2023 Fringe program.
- ✔ **Fabrik Development**
  - Building works have commenced in Building 21 including demolition, electrical, plumbing, internal walls and ramps, and fire safety.
  - Contracts are almost finalised for the other buildings and materials will be ordered in advance (if required) to prevent price increases and delays in delivery.
  - The chimney at the rear of the site has been restored with up-lighting to be connected in early October.
  - A condition report of the underground stormwater system/culvert has been completed. Council staff will consider the recommendations and report back to Council in the future.
- ✔ **Torrens Valley Community Centre**
  - Regular community centre programs are being well attended. This includes the Seasonal soup group which has transformed into a year long lunch group, a new movie club and a new regular maker program.
  - Spring school holiday program includes flower arranging, virtual reality, adventure trail and shed workshop.
- ✔ **Tour Down Under**
  - Received confirmation that Council will host the Stage 2 start in Birdwood and finish in Uraidla of the Santos Women's Tour Down Under on Monday 16 January.
  - AHC will also host for the first time, the final stage of the Santos Tour Down Under on Sunday 22 January at Mt Lofty.
  - The majority of the Stage 3 race and Challenge tour on Friday 20 January will also take place in the Adelaide Hills.
- ✔ **Public Health**
  - This quarter we have received notification of 8 new food businesses opening in the area while 3 existing food businesses closed, resulting in a net increase of 5 new food premises this quarter.
  - Over the past 5 years Council has had a net increase in new food businesses of 11 per annum.
  - Council received 55 new wastewater applications which is consistent with previous years.
  - Currently Council has over 3250 aerobic wastewater systems operating in the area with approximately 112 listed as non-compliant and a further 240 not currently receiving any required maintenance. These systems will be the focus of a targeted approach to ensure the public health of the residents and community.

## Risks & Challenges

- ✔ **Tour Down Under**
  - Working with SA Tourism Commission on how they will consult with residents and businesses impacted by major road closures proposed for the Challenge Tour.

## Performance Indicators



### Positive ageing wellbeing score

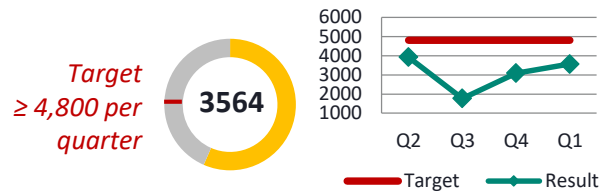
Average level of self-determined wellbeing of program participants reviewed in the quarter.



The wellbeing score has dipped slightly this quarter, often seasonal implications can play a part in how people feel in themselves, its been a long cold winter. The positive comments listed in the wellbeing report which these statistics are taken from refer to the capacity to have increased social connections (due to COVID restrictions easing) and people being supported to live in their own home close to friends and family.



### Number of volunteer hours contributed to AHC programs each year



Volunteer hours have reduced due the continuing impact of COVID-19 on many of our Programs.

Legend: = Target Met = Target not met  $\geq$  Greater than or equal to

## Progress on Strategic Initiatives from the Annual Business Plan

Project ID	Strategic Initiatives	Status
C1004	Gumeracha Library upgrades (LRCIP)	
C1005	Stirling Region Skate Park	
C4006	Play Space Framework Implementation	
C4012	Climate Change Adaption Plan Projects-All hazards emergency management	
C4022	Community Resilience Program	
C4023	Adelaide 100 Walking Route (LRCIP)	
C5002	Aboriginal Cultural Development	
C5003	Actions from adoption of Aboriginal Place naming Action plan	
C6001	Fabrik Activation Capital	
C6003	Capital Divestment - Capital Cost	
C6004	Activation Arts & Heritage Hub - Operating (Income)	
C6005	Activation Arts & Heritage Hub - Operating (Expenditure)	
C6006	Tour Down Under	
C6008	Support for high profile regional event	
C6009	Public Art (including acquisition)	

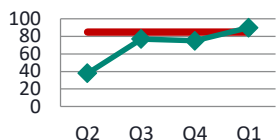
## Highlights

- ✔ **Review and upgrade Council signage and branding**
  - New wayfinding signage for the Stirling Council Chamber and Coventry Library is currently in production and due for installation in Q2.
  
- ✔ **Additional Tree safety work required to support the Tour Down under**
  - Route has been established and inspections arranged for second quarter
  
- ✔ **Economic Development**
  - Council took part in the Echunga Small Acreage Field day providing information on business support services, land management and circular economy/waste services.
  - Planning has commenced for the activation of a site on the Amy Gillet Bikeway near Mt Torrens as the final stage of the Bushfire Tourism Recovery Grant.
  - Developed and uploaded to the website information videos about Councils Economic Development functions.
  
- ✔ **Free Camping Initiative**
  - The Balhannah Oval Management Committee have received Development and Building approval for the creation of a Free Camping site at their facility. Council have commenced the process to install the RV Dump Point at Balhannah. We are seeking to have the Dump Point installed by December.
  - The Mt Torrens Hotel has still to submit a Development Application to enable them to have Free Camping at their site.

## Performance Indicators

### Percentage of planning consents completed within statutory timeframes

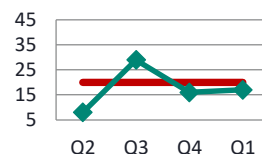
Target  $\geq 85\%$



There were a total of 220 Planning Consents issued by Council in this quarter with 90% of the decisions made within statutory timeframes. There was an average assessment timeframe of 22 days during this quarter.

### Average number of days for building consents

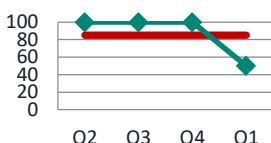
Target  $\leq 20$  Business Days



There were a total of 107 Building Consents issued by Council in this quarter with the average assessment timeframe of these decisions being 17 days.

### Percentage of new development application decisions upheld in Council/CAPs favour under appeal

Target  $\geq 85\%$



During this quarter there was one new appeal (by the Council against a deemed planning consent) and two on-going appeals against Council and CAP decisions. Two appeals were determined, with one decision of Council upheld and one overturned. Based on the result of these two appeals the target was not met. The overturned decision has been further appealed to the Supreme Court by the Council.

Legend: = Target Met or N/A = Target not met = N/A – cant be assessed  $\geq$  Greater than or equal  $\leq$  Less than or equal

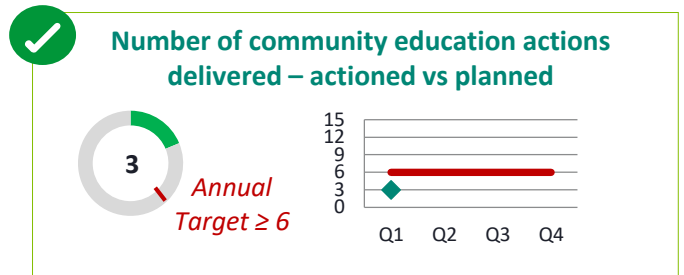
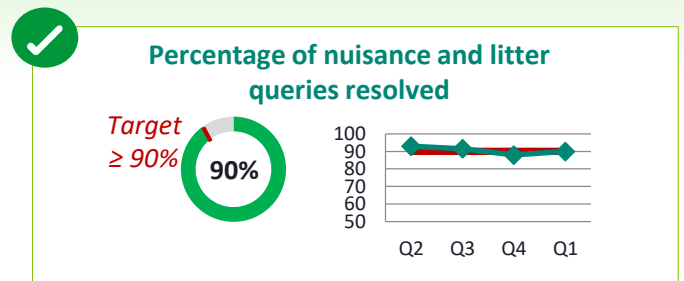
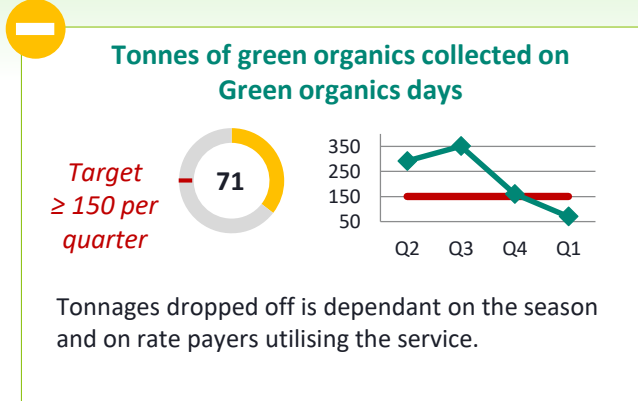
## Progress on Strategic Initiatives from the Annual Business Plan

Project ID	Strategic Initiatives	Status
E1003	Free Camping Initiative	
E2001	Review and upgrade Council signage and branding	
E4001	Additional Tree safety work required to support the Tour Down under	

## Highlights

- ✔ **Long Term Strategic Tree Planting Program**
  - Replacement planting has occurred in Charlestown township
- ✔ **Develop and review Council Management Plans for high value reserves**
  - Woorabinda Bushland Reserves Vegetation Management Plan will be reviewed & updated.
- ✔ **Post prescribed burn weed management**
  - 10 prescribed burn sites complete with ongoing weed management managed by contractors.
  - The autumn Bird Surveys for 2022 have been completed at all sites. Spring Surveys commenced in late September.
- ✔ **Animal Management**
  - Council's Regulatory Services team have now completed dog and cat registration renewal, late fees now apply to any animals that have not been registered before 1 September 2022.
  - The Adelaide Hills Council has a total of 8392 dogs registered and 1325 cats registered.
- ✔ **Native Vegetation Marker Site (NVMS) Program to protect and manage roadside vegetation**
  - 168 out of 450 NVMS sites are being managed as part of 22/23 AHC Roadside Weed Control Work Plan.
- ✔ **Develop Council Encroachment Policy**
  - Council was invited to a preliminary workshop to confirm the interactions of relevant legislation, Council policies and departmental roles. Kuringai's 2007 Bushland Encroachment Policy was circulated as example for comment.
- ✔ **Explore feasibility and benefits of a user pays kerbside bin service**
  - Work has commenced on the high level studies including workshops with key stakeholders and Council Members.
  - Modelling of several kerbside bin options is underway and will be presented to staff in draft form in the near future.






## Performance Indicators



Legend: ✔ = Target Met ⊖ = Target not met ≥ Greater than or equal to



## Progress on Strategic Initiatives from the Annual Business Plan

Project ID	Strategic Initiatives	Status
N1003	Long Term Strategic Tree Planting Program	
N2003	Native Vegetation Marker Program to protect and manage roadside vegetation	
N2004	Review Unformed Public Roads to ascertain connectivity potential & habitat value	
N2005	Develop Council Encroachment Policy	
N2006	Develop and review Council Management Plans for high value reserves	
N2008	Develop informative and attractive signage in Council reserves/playgrounds	
N2010	Post prescribed burn weed management	
N2012	Fire scars proactive tree management (LRCIP)	
N3001	Local Climate Adaptations for landscape conservation	
N3002	Resilient community facilities and open space including water fountains	
N4001	Explore feasibility and benefits of a user pays kerbside bin service	
N5001	Undertake Kerbside Waste Audits	



## Highlights

- ✓ **Ongoing Skytrust (WHS system) implementation**
  - Skytrust work continues to progress with the most recent improvement being our WHS Training Needs Analysis being completed. People Leaders have been trained in how to find and use the information.
- ✓ **Records Management software**
  - Organisational requirements have been defined and the development of a project plan underway to support a migration to a cloud based system.
- ✓ **Resource to manage building & swimming pool compliance inspections**
  - There were 76 Building inspections undertaken by Council building staff, including an audit of private bushfire shelters in the Council area. The audit was undertaken at the request of the State Planning Commission and involved all councils in bushfire prone areas.
- ✓ **Local Government Election Support**
  - On 23 August 2022 nominations opened for the Local Government Election 2022. At the close of nominations Mayor Jan-Claire Wisdom was elected unopposed. The Ranges Ward received twelve (12) nominations for seven (7) positions and the Valleys Ward received six (6) nominations for five (5) positions.
  - The caretaker period commenced 12pm (noon) on Tuesday 06 September 2022 following the close of nominations. Cr Andrew Stratford, Cr Linda Green and Cr Ian Bailey indicated their intentions not to seek re-election.
- ✓ **Information Systems - ERP Systems (Payroll, HR, Finance)**
  - Scoping work underway for commencement of the employee self service portal for payroll and human resources systems.

## Risks & Challenges

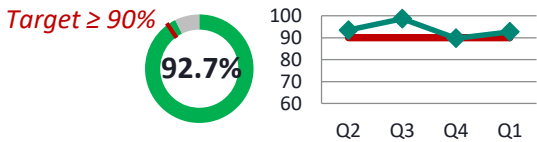
- ✗ **Update of Business Continuity Plan and implementation**
  - Critical Function Plans for each of the Critical Functions have now been finalised and the overarching Business Continuity Plan is in draft form ready for review.
  - The finalisation of the Business Continuity Plan has been impacted by delays in Critical Function Plan development and then the subsequent drafting of the Plan. Other urgent priorities within the Governance and Performance Department has impacted follow-up activities.
- ✓ **Resource to manage building & swimming pool compliance inspections**
  - A number of the private bushfire shelters inspected where installed without Development Approval and these have become active enforcement matters.



## Performance Indicators



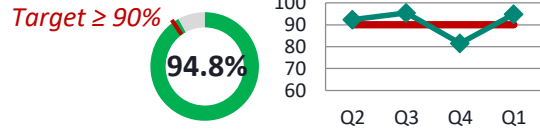
### Decisions (Council resolutions) considered in open Ordinary and Special Council meetings during the period



Council considered one confidential item during the quarter.



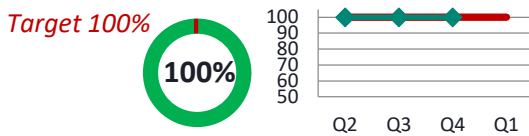
### Council member attendance at ordinary and special meetings for the period



There were three ordinary and two special meetings in the quarter with one leave of absence, one apology and one absence.



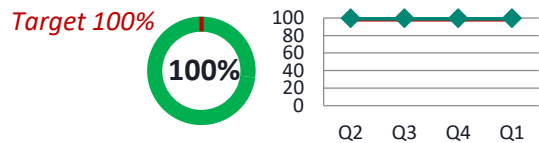
### Freedom of Information (FOI) External reviews upholding Council's decisions



No Freedom of information external reviews received or completed during the quarter.



### Freedom of Information (FOI) requests received, in progress and completed within the legislated timeframe



One FOI request received and managed within legislative timeframes.  
One FOI request still active.



### Number of lost time injuries

Annual Target	Actual
<b>0</b>	<b>0</b>



### Employee Turnover

Annual Target	Actual
<b>7-15%</b>	<b>3.72%</b>

The assessment against the target figure will only be realised at the end of financial year. Across the year a rolling update is provided.

## Progress on Strategic Initiatives from the Annual Business Plan

Project ID	Strategic Initiatives	Status
O1001	Resource to manage ongoing Skytrust (WHS system) implementation	✓
O1002	Update of Business Continuity Plan and implementation	✗
O2001	New council website and e-services	✓
O2002	Annual Council website license subscription	✓
O4001	Local Government Election Support	✓
O4002	Council Member Induction Training	✓
O5004	Maintenance of LG performance benchmarking program (Councils in Focus)	—
O5005	Resource to manage building & swimming pool compliance inspections	✓
O6002	Cyber & Systems Security - Program Management	✓
O6005	Records Management software	✓
O6007	Community perception survey	—
O6008	Information Systems - ERP Systems (Payroll, HR, Finance)	✓

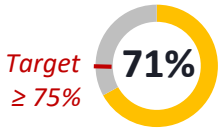
# 4. Customer service standards

## 5.1 General Customer Standards

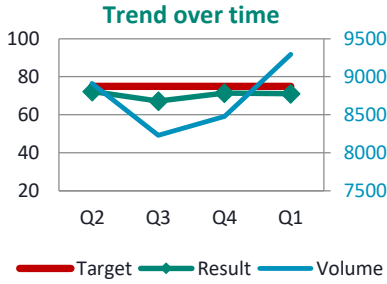
### Answering Incoming Phone Calls

Volume of calls = 9,294

Contact centre calls answered within 30 sec



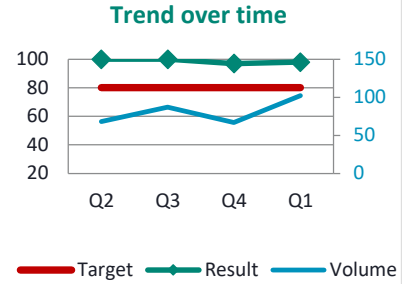
Although target not met, 75.5% of calls were answered within 45 seconds



### Updating Customer Details

Volume of updates = 102

Details updated within 5 days

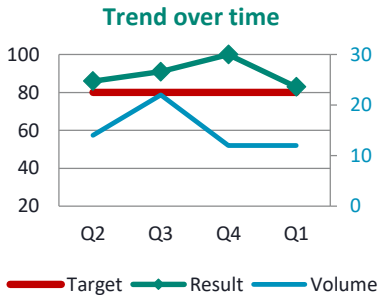


## 5.2 Service Specific Standards – Time Based Indicators

### New Event Applications

Volume of applications = 12

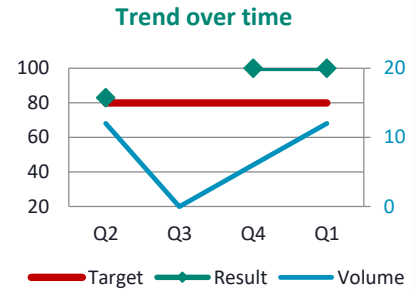
Acknowledgement of receipt within 5 days



### Illegal Burning Complaints

Volume of complaints = 11

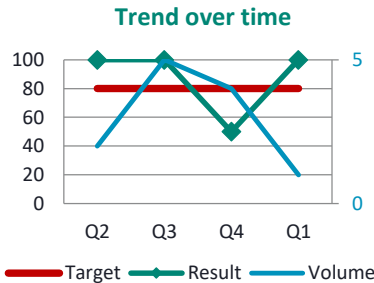
Investigated within 24 hours



### Health Complaints

Volume of complaints = 1

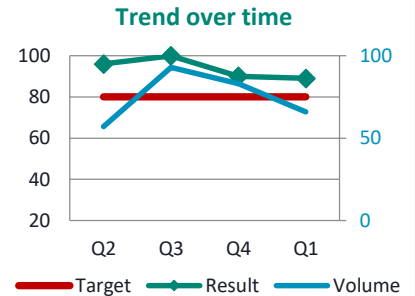
Investigated within 24 hours



### Illegally Dumped Rubbish

Volume of reports = 66

Rubbish removed within 3 days



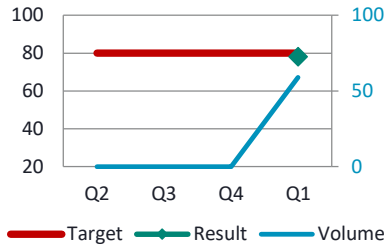
## Library Services

Volume of requests = 59

Response to requests to purchase materials within 10 days



Trend over time



Responses to requests are not accurately able to be determined, however of 59 requests were made and 49 materials were purchased during the period.

## Dog Attacks

Volume of attack reports = 14

Response within 24 hours



Trend over time



## Wasps

Volume of reports = 1

Investigate and action within 7 days



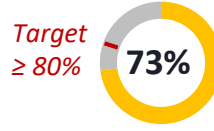
Trend over time



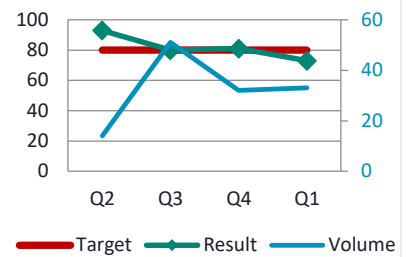
## Development Applications

Volume of applications = 33

Approval of fast track development applications within 28 days



Trend over time



Nine of the 33 fast tracked developments required further information from the applicant which delayed consent

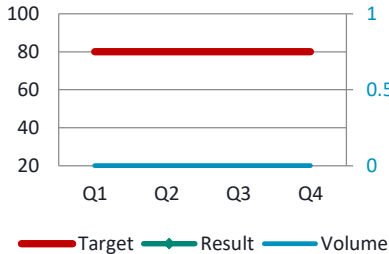
## Missed Bins

Volume of requests = 0

Missed bins collected within 2 days



Trend over time



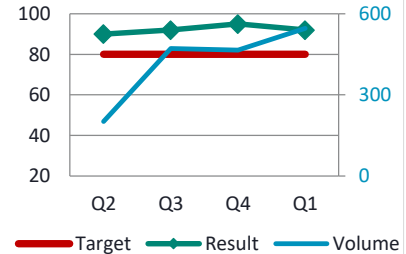
## Request for Bin Repair or Replacement

Volume of requests = 546

Requests actioned within 7 days



Trend over time



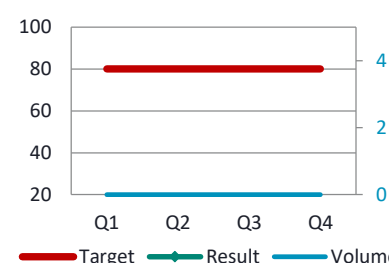
## Footpath Repairs - Hazardous

Volume of repairs = 0

Responded and made safe within 24 hours



Trend over time



## Road Repairs - Hazardous

Volume of repairs = 0

Responded and made safe within 24 hours



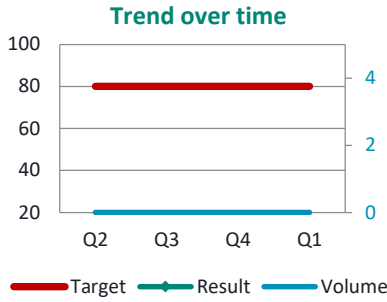
Trend over time



### Stormwater Repairs - Hazardous

Volume of reports = 0

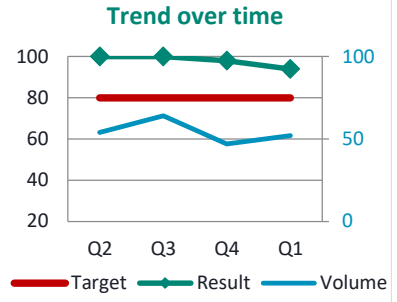
Responded and made safe within 24 hours



### Trees - Hazardous

Volume of reports = 52

Responded and made safe within 24 hours



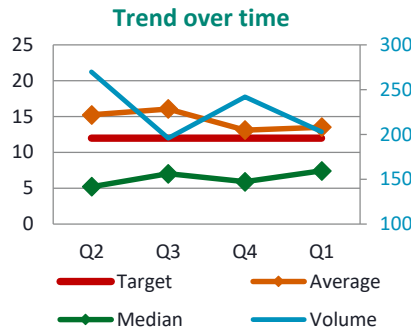
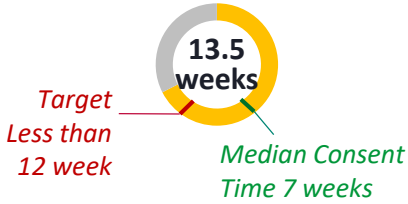
## 5.3 Service Specific Standards – Other Indicators

$\geq$  Greater than or equal to

### Development Applications

Volume of planning consents = 242

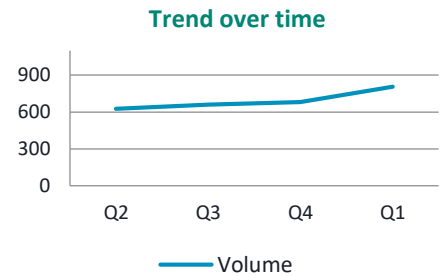
Average consent time from date of receipt



Average for Plan SA is 10.8 weeks with only 2 applications in the old system which is impacting the average

### Low Risk Infrastructure Requests – Number of New Requests

Volume of new requests = 807



### Low Risk Infrastructure Requests – Average Time to Resolve

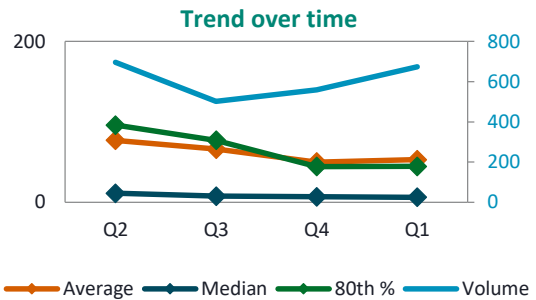
Volume of Requests = 674

Resolution time of requests

Average = 53.1 days

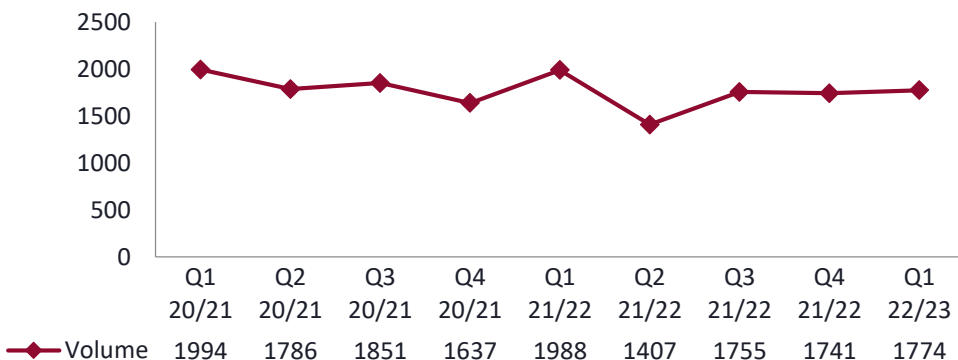
Median = 6.2 days

80<sup>th</sup> Percentile = 44.5 days



### Overall Volume of Requests

Trend in volume of requests/customer cases for which there is an adopted service standard, excluding the volume of phone calls



# 5. Capital Works Program

Quarter 1 of 2022-23 FY represents the commencement of the 2022-23 Capital Works Program, with approximately \$2M of infrastructure delivered, and an additional \$2.2M ordered during this period.

The primary focus of this quarter has been on finalising projects that were in progress at the end of the previous financial year, undertaking early works utilising existing panel contracts, and commencing the design phase for projects to be delivered as part of this financial year’s program.

## Highlights

- Road shoulder renewals were undertaken on Pottery Rd, Deviations Rd, and Yanagin Rd, to facilitate future reseal,
- Heavy patch work was undertaken on Woolcock Rd, Hender Rd, lower Hermitage Rd and Sprigg Rd, resulting in localized pavement renewal,
- Footpath, kerbing and stormwater were upgraded in Mabel St, Stirling.

## What’s Next

- Road safety improvements will occur along Woodshill Rd as part of the Black Spot program,
- Council’s significant road reseal program will commence,
- Detailed design will be finalized for a school crossing in Woodside, including community consultation.

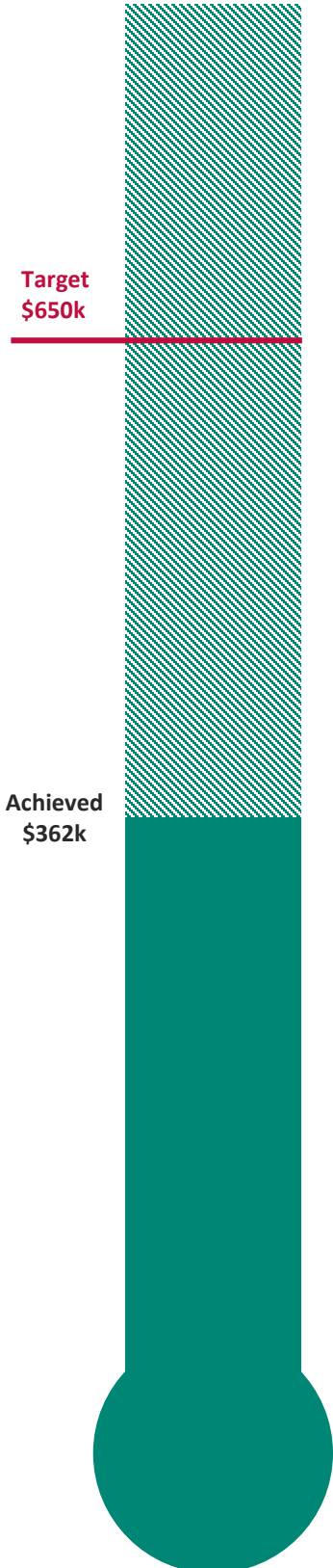
## Financial Performance by Asset Category (preliminary numbers)

Asset Category	YTD Actuals \$'000s	YTD Budget \$'000s	YTD Var fav / (unfav) \$'000s	Revised Budget \$'000s
Bridges	38	45	7	164
Buildings	266	538	273	8,899
Cemeteries	37	41	4	150
CWMS	0	34	34	550
Footpaths	3	72	69	968
Guardrails	-	10	10	112
Kerbing	-	8	8	88
Local Roads & Community Infrastructure Program	1	88	88	887
Other - Ret Walls, Str Furniture & Bus Stops	20	38	18	590
Roads	601	651	50	7,821
Sport & Recreation	74	123	49	1,952
Stormwater	4	14	10	313
Fleet	1,142	1,124	(18)	3,279
ICT	58	54	(4)	851
Plant & Equipment	16	10	(6)	164
	<b>2,260</b>	<b>2,850</b>	<b>590</b>	<b>26,788</b>



# 6. Savings Strategies

## Savings Achieved (\$)



## Savings Strategies

	PLANNED	ACHIEVED
<b>Strategy 1: Remove CPI on Contract &amp; Other Costs</b>	\$231,000	\$231,000
<i>Reduce the automatic budget increases on costs where the savings increase can be handled within the existing budgets</i>		
<b>Update:</b> This initiative has been achieved by budget adjustments to remove the CPI factor as part of the 2022-23 budget build.		
<b>Strategy 2: Electronic Rate Notices</b>	\$4,500	\$1,595
<i>Transition to greater use of electronic issue of rate notices to reduce printing and mail cost</i>		
<b>Update:</b> 2,466 rate payers registered for electronic notices. Rates Team continues to encourage sign up on phone.		
<b>Strategy 3: Change Payment Options</b>	\$40,000	\$1,221
<i>Transition from higher cost payment options to lower cost options for our customer payments</i>		
<b>Update:</b> Savings made in payment portal merchant upgrade and change in banking to reduce transactional fees. Technical issues identified between the key payment channels and Open Office may impact the ability to implement a viable and economical solution relating to Credit Card Surcharging.		
<b>Strategy 4: Insourcing of tree management</b>	\$25,000	\$6,250
<i>Reduce expenses on outsourced work by finding ways to complete using existing internal resources.</i>		
<b>Update:</b> This is a saving that was realized by removing the budget allocation from the area and will be realized across the financial year. Savings listed equates to 25%.		
<b>Strategy 5: Vacancy Management</b>	\$150,000	\$93,000
<i>Retain the current vacancy management strategy to ensure positions are only filled when necessary and unused budget is returned</i>		
<b>Update:</b> Savings identified by Directors for their Quarter 1 vacancies.		
<b>Strategy 6: Leave management</b>	\$100,000	TBD
<i>Reducing operating costs by focusing on reducing the unused annual and long service leave balances.</i>		
<b>Update:</b> People leaders are actively managing staff leave amounts to reduce balances. The associated savings are difficult to quantify until end of year.		
<b>Strategy 7: Other Savings</b>	\$100,000	\$29,600
<i>All other savings strategies that the Executive are considering as a means of removing upward pressure on rates</i>		
<b>Update:</b> A number of savings have been achieved related to the areas of Review of the Hut Budget \$15,000, Information Services \$11,500, Civil Services \$2,000, and Strategic Assets \$1,100		
<b>TOTALS</b>	<b>\$650,500</b>	<b>\$362,666</b>

# 7. Financial Performance

## Overall Funding Statement as at 30 September 2022

Note: These figures are preliminary only. The fully reconciled figures will be presented to Council as part of the Budget Review report.

	YTD Actual	YTD Budget	YTD Variance	Revised Budget
	\$'000	\$'000	\$'000	\$'000
<b>Total Operating Income</b>	46,372	46,088	● 284	52,914
<b>Total Operating Expenditure</b>	10,329	10,725	● 395	52,238
<b>Funding surplus before Capital</b>	36,043	35,363	● 680	676
<b>Capital Expenditure</b>	2,260	2,850	● 590	26,788
<b>Capital Income</b>	2,732	2,626	● 106	8,677
<b>Net expenditure - Capital projects</b>	(473)	224	● 697	18,111
<b>Net Lending / (Borrowing) Result for Year</b>	36,516	35,139	● 1,377	(6,934)

Adelaide Hills Council Operating Summary				
By Directorate				
as at September 2022				
	YTD Actuals	YTD Budget	YTD Var	Revised Budget
	\$'000s	\$'000s	fav / (unfav)	\$'000s
			\$'000s	
<b>Income</b>				
Community Capacity	817	806	● 11	2,581
Corporate Services	42,677	42,478	● 199	44,309
Development & Regulatory Services	676	631	● 45	1,317
Infrastructure & Operations	2,202	2,172	● 29	4,707
<b>Income Total</b>	<b>46,372</b>	<b>46,088</b>	<b>● 284</b>	<b>52,914</b>
<b>Expenditure</b>				
Community Capacity	1,835	2,029	● 194	8,624
Corporate Services	3,391	3,505	● 114	10,929
Development & Regulatory Services	992	997	● 5	3,939
Infrastructure & Operations	4,111	4,194	● 84	28,747
<b>Expenditure Total</b>	<b>10,329</b>	<b>10,725</b>	<b>● 395</b>	<b>52,238</b>
<b>Operating Surplus (Deficit)</b>	<b>36,043</b>	<b>35,363</b>	<b>● 680</b>	<b>676</b>



**Adelaide Hills**  
COUNCIL

## MORE INFORMATION

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Stirling SA 5152



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[mail@ahc.sa.gov.au](mailto:mail@ahc.sa.gov.au)

# REPORT TO THE ADELAIDE HILLS COUNCIL ON THE OPERATIONS OF THE AUDIT COMMITTEE DURING 2022

## INTRODUCTION

As outlined in Clause 8.1.2 of the Terms of Reference for the Audit Committee, the Presiding Member will attend a meeting of the Council at least once per annum to present a report on the activities of the Committee. This report provides an overview of the Adelaide Hills Council's Audit Committee operations for the 2022 calendar year leading up to the November 2022 Local Government election. It is anticipated that there will be a meeting in December 2022 with the newly appointed Audit Committee, although this report is for the period up to and including October 2022

This report includes:

- A summary of the work the Committee performed during the year aligned to the Committee's Terms of Reference;
- Details of meetings, including the number of meetings held during the period, and the number of meetings attended by each member; and

The report is intended to invite comment from the Council on all of the above.

## SUMMARY OF WORK PERFORMED AGAINST THE TERMS OF REFERENCE

For 2022, as in previous years, the Audit Committee had established a robust framework for the provision of information to meet the objectives established within the Terms of Reference. As a consequence some 37 reports were considered by the Committee for consideration over five meetings (including this one), and where appropriate, recommendations subsequently provided to Council.

The following sections of this report provide a brief summary of the work undertaken by the specific function of the Committee as set out in the Terms of Reference.

### **Financial Reporting and Prudential Requirements**

#### Strategic Management Planning

In relation to Council's suite of Strategic Management Plans (SMP), the Committee reviewed the assumptions underpinning the *Long Term Financial Plan* (LTFP) at its February meeting prior to recommending its approval for public consultation to Council.

Throughout the year, the Committee received regular reports on the progress of the asset management system implementation and considered the draft Community Wastewater Management Scheme (CWMS) Asset Management Plan for recommendation to Council at its August meeting.

#### Annual Business Planning

In April, the Committee reviewed the draft *2022-23 Annual Business Plan and Budget* (ABP) in terms of its alignment with the strategic management plans and the adequacy of the plans in the context of maintaining financial sustainability. The Committee recommended the draft ABP to Council for approval for public consultation. The Committee subsequently considered the revised ABP at its May meeting and reaffirmed its consistency with the Strategic Management Plans and maintenance of financial sustainability.

## Budget Reviews

The Audit Committee reviewed the 2021-22 second (BR2) and third (BR3) budget reviews and the End of Year Financial Report 2021-22. The Committee reviewed the 2022-23 first (BR1) budget review prior to these reports going to Council.

## Financial Statements and Annual Reports

At the October 2022 meeting, the Committee had an in depth discussion around the draft Annual Financial Statements that had been presented. The Committee was satisfied that the Statements 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

Due to the November 2022 Local Government election, the Committee was not able to receive and consider the draft 2021-22 Annual Report.

## Quarterly Performance Reporting

Commencing in the 2019-20 financial year, the Committee receives quarterly performance reports on the achievement of strategic plan objectives and priorities, key projects, customer and other performance targets, capital works program implementation and financial performance.

These reports continued in the 2022 calendar year with the Quarter 2, 3 and 4 2021-22 reports and the Quarter 1 2022-23 report being considered at each of its quarterly meetings.

## **Internal Controls and Risk Management Systems**

### Internal Controls

From the start of the 2015-16 financial year, Adelaide Hills Council has had additional obligations regarding the development and maintenance of a system of internal financial controls, consistent with the requirements of the *Local Government (Financial Management) Regulations 2011*. This has required Council's external auditors to provide an opinion on internal financial controls in accordance with s129(3)(b) of the Act.

Monitoring against the key risks and controls has been generated from a system called 'Control Track'. This system tracks the recognised 'core' controls and the agreed treatment plans by responsible officers. These have been provided to the Audit Committee on a bi-annual basis.

At its May meeting, the Audit Committee received report on the IT Entity Controls Review undertaken as part of the Financial Statements Audit process. The Committee will continue to maintain an active interest in the mitigations arising from this audit.

### Risk Management

Throughout the year, the Audit Committee has reviewed quarterly updates on the organisation's strategic risks and mitigation actions. The strategic risks are managed in the SkyTrust risk management platform. The Committee has received briefings on the development of the SkyTrust product in relation to its corporate risk management capabilities and will continue to monitor these.

Steady progress was noted in the implementation of mitigations with a number of new mitigations identified throughout the period as the risk and control environments have evolved.

In February, the Committee received a report on the Transferable Risk Profile of the Adelaide Hills Council. The report identified opportunities for minor enhancement in the insurance placement program which were implemented in the 2022-23 placement.

At its August meeting, the Committee received a report on the placement of Council's insurance portfolio and the enhanced elements of Council placement and claims management arrangements in conjunction with the insurers. The Committee noted that the insurance market has been hardening over the last 12 months (particularly as a result of the increasing frequency of extreme weather events) and this is resulting on super-normal contribution increases.

### Debtors

Biannual reporting of debtors continued to the Committee which demonstrated the ongoing improvement in the management of historic rate debtors as a result of the development and application of a *Debt Recovery Policy*.

### Cyber Security

In May 2022 the Committee was provided with a presentation on the progress of the Cyber Security Framework and limited information can be provided at this time due to the matter remaining in confidence.

### Policy Reviews

The Committee plays an important role in reviewing all financial and internal control related policies and making recommendations as appropriate to Council. During 2022, the Committee reviewed the following:

- *Internal Audit Policy*
- *Prudential Management Policy*
- *Risk Management Policy*
- *Procurement Policy*
- *Disposal of Assets Policy*

### **Internal Audit**

The Committee received quarterly reports on the implementation of the Strategic Internal Audit Plan 2018-19 – 2022-23. Progress against the Plan has been behind schedule due to competing resource priorities including boundary reform and legislative reform implementation. The Committee has noted a number of projects have been scoped and prepared for procurement for delivery in late 2022/early 2023.

At its August meeting, the Committee received an audit report on the AHC's Recruitment and Retention arrangements. The audit identified and documented a number of elements of good practice, it identified five (5) findings for recommendations for control improvements and three (3) other improvement opportunities. The auditors concluded that the control environment for Recruitment and Retention is marginal as assessed utilising the Council's *Corporate Risk Management Guide*.

At the same meeting, the Committee reviewed the Economic Development Plan Implementation audit report. The audit identified and documented a number of elements of good practice, it identified three (3) findings for recommendations for control improvements and five (5) other improvement opportunities. The auditors concluded that the control environment for Economic Development Plan Implementation is marginal as assessed utilising the Council's Corporate Risk Management Guide.

All agreed actions from internal and external audits are captured within the Committee's Audit Actions Implementation Register and reported to the Committee on a bi-annual basis to ensure that appropriate actions are being undertaken.

### External Audit

At its February meeting, the Committee considered the External Auditor's *Engagement Letter and Audit Plan* for the Annual Financial Statement and Internal Financial Control audits. The Committee considered the matter of auditor independence.

At the May meeting, the Committee considered the results of the Interim Audit and advised that the work to date was indicating unqualified audit reports. A number of recommendations were made by Galpins regarding potential improvements to the suite of internal financial controls and management responses and agreed actions adopted.

The Audit Committee met with Galpins in the absence of management at the October meeting. The auditors advised that the financial management and reporting of council activities was of a very good standard.

### Other Matters

At its February 2022 meeting, the Committee received a report on the incoming legislative changes which will impact on the Audit Committee's functions. The Committee noted the enhanced external audit rotation, internal audit provision and Audit Committee scope changes that will be implemented by June 2023.

The Committee considered a report on the incoming 'Rates Oversight Scheme' which will be overseen by the Essential Services Commission of South Australia (ESCOSA). The Committee noted that Adelaide Hills Council will be in the first round of councils that will be reviewed with the resultant assessment report being provided to Council in early 2023.

In March 2022, the Service Review Framework was operationalised with the conduct of the Civil Service Maintenance Function service review. The review found a high-achieving, positive culture and opportunities to enhance the levels of automation to plan and manage workload effectiveness and efficiency. Recommendations from the Service Review that are adopted in the Action Plan will be monitored in Council's Audit Action Register and will be reported on a biannual basis to Audit Committee and Council.

The Committee also assessed the External Auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the auditor, including the provision of any non-audit services. The Committee is satisfied that for the 2021-22 financial year, there were no relationships between the External Auditor and the Council that compromise audit independence, and this was also confirmed in writing by the external auditor.

In their audit of the Council's Annual Financial Statements, the External Auditors (Galpins) have issued an unqualified audit opinion in the *2021-22 Audit Completion Report* providing the following statement:

*In our opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of the Council as at 30 June 2022, 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.*

In auditing the internal financial controls, Council's External Auditors have issued an unqualified audit opinion in the 2021-22 Audit Completion Report providing the following statement:

*In our opinion, Adelaide Hills Council 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 2021 to 30 June 2022.*

### **COMMITTEE SELF-ASSESSMENT**

At its October meeting, the Committee considered the results of its annual Self-Assessment process. The feedback received is that the Committee is performing in relation to its rule and functions under the Committee's Terms of Reference.

### **DETAILS OF MEETINGS**

During 2022, a total of five (5) Audit Committee meetings were held being:

- 14 February 2022
- 20 April 2022
- 23 May 2022
- 15 August 2022
- 17 October 2022
- NB: November / December 2022 - Local Government Election. Meeting(s) to be determined by incoming Council/Audit Committee.

The above meeting cycle is consistent with the requirements of the Committee's Terms of Reference which requires at least four meetings per year to be held.

The Audit Committee member attendance at meetings during the year was as follows:

<b>Name</b>	<b>Attendance</b>	<b>Comments</b>
Cr Malcolm Herrmann	5/5	Presiding Member
Peter Brass	5/5	Independent Member
David Moffatt	4/5	Independent Member
Natalie Johnston	5/5	Independent Member
Cr Leith Mudge	4/5	Committee Member



Committee Membership is renewed in a staggered manner to provide continuity of knowledge. Current Membership terms are as follows:

Role	Name	From	To
Presiding Member	Cr Malcolm Herrmann	27 November 2021	November 2022
Independent Member	Peter Brass	14 December 2021	30 November 2023
Independent Member	David Moffatt	14 December 2021	30 November 2023
Independent Member	Natalie Johnston	01 December 2020	30 April 2023
Committee Member	Cr Leith Mudge	27 November 2021	November 2022

### **FUTURE WORK PROGRAM PROPOSAL**

The incoming Council/Committee will determine its Work Plan for 2022/2023, once Council Membership is appointed. The Work Plan will ensure that the Committee continues to undertake its principal functions as set out in the *Local Government Act 1999*.

The *Statutes Amendment (Local Government Review) Act 2021* (the "Amendment Act") was assented to by the Governor on 17 June 2021. There are a number of provisions in the Amendment Act relating to audit committees which will result in changes to nomenclature, functions, membership, internal and external audit arrangements. The majority of these new provisions are not due to commence until 30 November 2023 however the AHC Audit Committee is well-placed as many of these good governance arrangements have been in effect for a number of years.

### **CONCLUSION**

The body of work undertaken by the Committee is continuing to develop over time and the Committee is striving to ensure that its work is useful in the context of contributing to Adelaide Hills Council strategic objectives.

Finally, I would like to thank the other members of the Committee for their ongoing efforts in ensuring that the work undertaken is done so at both a highly professional and robust level. I would also like to thank those staff involved in preparing the reports and responding to questions at meetings, as their involvement has significantly aided in the review and decisions of the Committee.

### **Cr Malcolm Herrmann**

Presiding Member

Adelaide Hills Council Audit Committee

17 October 2022