

# **NOTICE OF COUNCIL MEETING**

Pursuant to the provisions of section 83(2) of the  
*Local Government Act 1999*, a

**Special Meeting of the**



will be held in

**Council Chamber  
Redbanks Road  
Mallala**

on

**Wednesday 9 November 2022 at 6.00pm**

A handwritten signature in black ink, appearing to be "James Miller".

James Miller  
**CHIEF EXECUTIVE OFFICER**

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**1 ATTENDANCE RECORD**

**2 ADJOURNED BUSINESS**

Nil


**3 DECLARATION OF MEMBERS' INTEREST**

**4 ITEMS FOR DECISION**

4.1 Adoption of Draft Audited Annual Financial Statements 2021/2022

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**5 CLOSURE**

 <b>Adelaide Plains Council</b>	<b>4.1</b>	<b>Adoption of Draft Audited Annual Financial Statements 2021/2022</b>
	<b>Department:</b>	<b>Finance and Business</b>
	<b>Report Author:</b>	<b>General Manager – Finance and Business</b>
<b>Date: 9 November 2022</b>	<b>Document No:</b>	<b>D22/49718</b>

## **EXECUTIVE SUMMARY**

- The purpose of this report is for Council to:
  - Receive and note the minutes of the Audit Committee Meeting held on Monday 7 November 2022 (**Attachment 1** to this Report) and
  - Adopt Adelaide Plains Council's (Council) 2021/2022 Draft Audited Financial Statements, and authorise the Mayor and Chief Executive Officer to certify same on behalf of Council, in accordance with Audit Committee Resolution 2022/059.
- The remainder of the Audit Committee's recommendations will be presented to a future Ordinary Council Meeting for consideration in keeping with Council's usual practice.
- Council have completed 2021/2022 Financial Year with an operating surplus of \$1.054m, which is an improvement of \$0.451m against the operating surplus of \$0.603m reported in the 2020/2021 Financial Year.
- The improvement in financial performance has been achieved primarily due to;
  - Increase in rate revenue;
  - 75% of the 2022/2023 Financial Assistance Grant (FAG) was paid in advance in April 2022 whereas only 50% was paid as advance in 2020/2021 Financial Year;
  - Reduction in materials, contracts and other expenses; and
  - Reduction in interest expenses.

Detailed analysis of the reasons for improved performance is given under **Table 2**.

- Total outstanding loan balance has increased slightly from \$2.836m at 30 June 2021 to \$2.787m at 30 June 2022.
- Overdue Council rates have decreased by \$0.128m from \$1.050m at 30 June 2021 to \$0.922m at 30 June 2022.
- Council's external Auditor, Mr Tim Muhlhausler of Galpins Accountants, Auditors & Business Consultants (the Auditor), has completed the audit of the 2021/2022 Financial Statements and has issued 2021/2022 Audit Completion Report (**Attachment 4**) with the intention to issue an unqualified audit opinion on the financial statements and internal financial controls of the Council.

- The Auditor has identified three (3) performance improvement observations in the final Management Letter (**Attachment 4**) for 2021/2022 Financial Year. They are:
  - Council review/reassess existing lease agreements for application of AASB 16 – Leases;
  - No formal process to record the completion of capital works; and
  - High level of accrued annual leave.
- The Audit Committee has recommended that, subject to the treatment of Local Roads and Community Infrastructure Program grants, which has now been actioned, Council:
  - Adopt the Draft 2021/2022 Annual Financial Statements and
  - Authorise the Mayor and Chief Executive Officer to certify the Annual Financial Statements subject to adjustment of treating LRCIP grants.

### **RECOMMENDATION 1**

**“that Council receives and notes the minutes of the Audit Committee Meeting held on 7 November 2022 as presented at Attachment 1 to this Report.”**

### **RECOMMENDATION 2**

**“that Council, having considered Item 4.1 – *Adoption of Draft Audited Financial Statements 2021/2022*, dated 9 November 2022, receives and notes the report and in doing so:**

- 1. Endorses Audit Committee Resolution 2022/059 and adopts the 2021/2022 Audited Financial Statements and notes forming part of the statements, and authorises the Mayor and Chief Executive Officer to certify same on behalf of Council; and**
- 2. Notes that the Audit Committee has, through its Resolution 2022/060, authorised the Audit Committee Chairman to sign the Certification of Auditor Independence.”**

### **BUDGET IMPACT**

Estimated Cost:	Not Applicable
Is this Budgeted?	Not Applicable

### **RISK ASSESSMENT**

Not applicable

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## **Attachment**

1. Draft Minutes of Audit Committee Meeting held on 7 November 2022.
2. Management Representation Letter 2021/2022 issued by the Council.
3. Draft Audited Financial Statement 2021/2022 updated following Audit Committee Resolution 2022/059.
4. 2021/2022 Audit Completion Report issued by the Auditor.
5. Statement by Auditor on independence.

## **DETAILED REPORT**

### **Purpose**

The purpose of this report is to present Adelaide Plains Council's audited Financial Statements for the year ended 30 June 2022, for adoption by the Elected Members and certification by the Mayor and Chief Executive Officer.

### **Background/History**

The 2021/2022 audited annual financial statements and notes have been prepared in accordance with Section 127 of the Act and the Regulations. Regulation 13 requires that the Financial Statements of a Council be prepared in accordance with the requirements set out in the Model Financial Statements.

Section 126 (4) (a) of the Act requires that the functions of an Audit Committee to include '*reviewing annual financial statements to ensure that they present fairly the state of affairs of the council*'.

Accordingly, Council's Audit Committee has considered draft 2021/2022 Audited Financial Statements at its meeting held on 7 November 2022 and resolved as follows.

#### **6.1 Committee Resolution**

*Moved Mr Fairlie-Jones Seconded Deputy Mayor Strudwicke 2022/ 059*

*"that Audit Committee, having considered Item 6.1 – Draft Audited Annual Financial Statements 2021/2022, dated 7 November 2022, receives and notes the report and in doing so acknowledges that it has reviewed the Annual Financial Statements for the year ended 30 June 2022 and formed the opinion that they present a true and fair view, and recommends to the Council that they be formally adopted and be certified on behalf of the Council by the Mayor and Chief Executive Officer, subject to adjustment of treating Local Roads and Community Infrastructure Program grants as 'Amounts received specifically for new or upgraded assets' in the 2020/2021 and 2021/2022 financial years."*

**CARRIED**

A copy of the draft minutes of the Audit Committee Meeting held on 7 November 2022 is provided under the **Attachment 1**. The remainder of the Audit Committee's recommendations will be presented to a future Ordinary Council Meeting for consideration in keeping with Council's usual practice.

### **Discussion**

Management can confirm that to the best of their knowledge, the 2021/2022 Financial Statements represent a true and fair view of the state of affairs of the Council as at 30 June 2022 and accordingly has issued a Management Representation Letter (Please refer to **Attachment 2**) as part of the audit of 2021/2022 Financial Statements.

The Council's external Auditor, Mr Tim Muhlhausler of Galpins Accountants, Auditors & Business Consultants has audited the financial statements of the Adelaide Plains Council contained in **Attachment 3**, which comprises;

- i. the Statement of Comprehensive Income for the year ending 30 June 2022;
- ii. the Statement of Financial Position as at 30 June 2022;
- iii. the Statement of Changes in Equity as at 30 June 2022;
- iv. the Statement of Cash Flows for the year ending 30 June 2022; and
- v. notes to the financial statements,

Accordingly, the Auditor has indicated in his Proposed Independent Auditor's Report on the Financial Report (**Attachment 4 – Appendix 1**) that in his opinion *"....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."*

#### Independent Assurance Report on Internal Controls 2022

With regard to Council's internal financial controls framework, the Auditor has concluded that *"Adelaide Plains 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"*. Proposed Independent Auditor's Report on the Internal Controls for 2022 is contained in **Attachment 4 – Appendix 2**.

#### Final Management Letter

Auditor has made three (3) performance improvement observations. They are;

- Council review/reassess existing lease agreements for application of AASB 16 - Leases
- No formal process to record the completion of capital works; and
- Council had 16 employees with more than 300 hours of accrued annual leave.

Please refer to the **Attachment 4** which contains Final Management Letter (**Section 6**) for the details of the performance improvement observations raised by the Auditor.

#### Council Management response to Final Management Letter

Council management accepts the recommendation of the Auditor with regard accounting of leases and capital works completion forms and plan to roll out a review/procedure in 2022/2023 Financial Year to implement the recommendations.

With regard to the higher annual leave, due to removal of restrictions associated with Covid-19, Council management foreshadow a reduction in number of staff with more than 300 hours of annual leave hours by 30 June 2023.

### Auditor's Independence Declaration

As declared by the Auditor (**Attachment 5**), Council management can confirm that throughout the audit of Council's financial statements, the auditor has maintained his independence and did not receive any other financial benefit from the Council during 2021/2022 Financial Year other than the fee for the audit of Council's annual financial statements.

### Statement of Comprehensive Income

In 2021/2022 Financial Year, the Council is reporting an operating surplus of \$1.054m against an operating surplus of \$0.603m made in 2020/2021 Financial Year resulting an improvement of \$0.451m. Please refer to **Table 1** below for the comparison of Statement of Comprehensive Income.

**Table 1: Statement of Comprehensive Income**

Description	2021/2022 Actual \$	2020/2021 Actual \$	Favourable/ (Unfavourable) \$	%
<b>INCOME</b>				
Rates	11,206,407	10,634,893	571,515	5
Statutory charges	525,371	603,101	(77,730)	(13)
User charges	240,693	178,414	62,278	35
Grants, subsidies and contributions	2,836,596	2,675,460	161,136	6
Investment income	992	991	2	0
Reimbursements	48,090	24,412	23,678	97
Other income	164,647	142,580	22,067	15
<b>Total Income</b>	<b>15,022,796</b>	<b>14,259,891</b>	<b>762,945</b>	<b>5</b>
<b>EXPENSES</b>				
Employee costs	5,665,785	5,150,560	(515,225)	(10)
Materials, contracts & other expenses	4,934,658	5,388,820	454,162	8
Depreciation, amortisation & impairment	3,196,571	2,910,953	(285,618)	(10)
Finance costs	105,636	131,771	26,135	20
Net loss - equity accounted Council businesses	66,040	74,840	8,800	12
<b>Total Expenses</b>	<b>13,968,690</b>	<b>13,656,944</b>	<b>(311,746)</b>	<b>(2)</b>
<b>OPERATING SURPLUS / (DEFICIT)</b>	<b>1,054,106</b>	<b>602,906</b>	<b>451,199</b>	<b>75</b>
Asset disposal & fair value adjustments	(394,064)	(273,009)	(121,055)	44
Amounts received specifically for new or upgraded assets	755,462	2,134,667	(1,379,205)	(65)
Physical resources received free of charge	4,674,028	5,344,703	(670,675)	(13)
<b>NET SURPLUS / (DEFICIT)</b>	<b>6,089,532</b>	<b>7,809,268</b>	<b>(1,719,736)</b>	<b>(22)</b>
<b>Other Comprehensive Income</b>				
Changes in revaluation surplus	2,817,240	1,405,039	1,412,201	101
Share of other comprehensive income	(59,054)	(55,383)	(3,671)	7
<b>Total Other Comprehensive Income</b>	<b>2,758,186</b>	<b>1,349,656</b>	<b>1,408,530</b>	<b>104</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>8,847,718</b>	<b>9,158,924</b>	<b>(311,206)</b>	<b>(3)</b>



The reasons for major variances in 2021/2022 actual income and expenses against that of 2020/2021 are explained below.

**Table 2: Statement of Comprehensive Income**

Description	2021/2022 Actual \$	2020/2021 Actual \$	Favourable/ (Unfavourable) \$	%
<b>Rates</b>	<b>11,206,407</b>	<b>10,634,893</b>	<b>571,515</b>	<b>5</b>
Average existing rate increase in 21/22 was 2.49% plus growth of 2.67%			496,434	
Income from Kerbside Waste collection service charge has increased due to combined impact of increase in service charge from \$160 in 2020/2021 to \$167 in 2021/2022 and increase in number of services			48,406	
Legal & other costs recovered on overdue rates have been higher in 21/22 - Offset by increase in debt collection charges as explained under 'Materials, Contracts and Other Expenses'			18,634	
<b>Statutory Charges</b>	<b>525,371</b>	<b>603,101</b>	<b>(77,730)</b>	<b>(13)</b>
Income from development application has decreased by \$28,717 due to number of applications processed being reduced from 745 in 2020/2021 to 578 in 2021/2022. The value of the development approvals also decreased from \$198m 2020/2021 to \$91m in 2021/2022.			(28,717)	
A total of 167 wastewater applications were approved in the 2021/2022 financial year, a 44% decrease from the 299 approvals processed in 2020/2021 resulting a decrease of income from wastewater approvals			(62,321)	
Income from dog infringements has reduced by \$7,420.			7,420	
<b>User Charges</b>	<b>240,693</b>	<b>178,414</b>	<b>62,278</b>	<b>35</b>
Income from Two Wells Waste Transfer Station has increased in 21/22 compared to 20/21. (Increase in income has been offset by increase in waste disposal costs at the TW Waste Transfer Station)			17,451	
Income from leasing premises to NBN Co for the period 10/02/2020 to 15/09/2022 was received in 2021/2022 Financial Year.			20,055	
<b>Grants, Subsidies and Contributions</b>	<b>2,836,596</b>	<b>2,675,460</b>	<b>161,136</b>	<b>6</b>
75% of the 22/23 Financial Assistance Grant (FAG) was paid in advance in April 2022 whereas only 50% was paid as advance in 20/21 Financial Year.			502,768	
Council received grant income of \$139,400 for coastal protection in 21/22. No such income in 20/21			139,400	
Supplementary Local Road Funding of \$132,459 was received in 21/22 whereas Supplementary Local Road Funding for 20/21 was received in June 21 and was considered as an income in 19/20 financial year			132,459	
21/22 FAG allocated to the Council is higher than 20/21			104,267	
Grant income of \$574,987 was recorded in 20/21 under Drought Communities Program			(574,987)	
Income recognised in 21/22 as grant under Local Roads and Community Infrastructure Program and Roads to Recovery is lower than that in 20/21.			(253,748)	
<b>Investment Income</b>	<b>992</b>	<b>991</b>	<b>2</b>	<b>0</b>
<b>Reimbursements</b>	<b>48,090</b>	<b>24,412</b>	<b>23,678</b>	<b>97</b>
Reimbursement from Local Government Income Protection for actual wages adjustment in 21/22 is higher than in 20/21			19,798	
<b>Other Income</b>	<b>164,647</b>	<b>142,580</b>	<b>22,067</b>	<b>15</b>

WorkCover rebate in 21/22 has been \$22,571 higher than that of 20/21			22,572	
<b>TOTAL INCOME</b>	<b>15,022,796</b>	<b>14,259,891</b>	<b>762,945</b>	<b>5</b>
<b>Employee Costs</b>	<b>5,665,785</b>	<b>5,150,560</b>	<b>(515,225)</b>	<b>(10)</b>
As part of EBA, staff salary was increased by 3% in 21/22. In addition, number of vacant positions that existed in 20/21 was filled in 21/22 resulting increase in staff numbers from 55 FTEs on 30/6/2021 to 63 FTEs on 30/06/2022 which includes 3 new positions added as part of 21/22 budget at an additional cost of \$394,000			(515,225)	
<b>Materials, Contracts and Other Expenses</b>	<b>4,934,658</b>	<b>5,388,820</b>	<b>454,162</b>	<b>8</b>
Expenditure on Operating Projects in 21/22 has been lower compared to 20/21 mainly due to completion of several projects under Drought Communities Program in 20/21			753,551	
\$86,000 increase in Solo Waste Collection & Disposal Costs due to combines impact of cost increases and increase in number of services. (Increase in costs is offset by increase in income from Waste Levy)			(86,728)	
Reduction in legal expenses			114,128	
Diesel cost in 21/22 has been higher than 20/21 mainly due to increase in market prices (average cost increased from 103 cents per litre to 145 cents)			(103,791)	
Expenses on coastal conservation activities in 21/22 is higher than that of 20/21 due to completion of additional coastal conservation projects with grant funding			(80,463)	
Cost of collecting overdue rates have increased			(17,920)	
Increase in telephone costs due to additional services being added to the contract plus the increase in contract price by Telstra			(28,233)	
Increase in software costs - upgrade of corporate accounting system Authority (\$66,910), increase in Adobe Licensing costs (16,648), Council contribution to Planning Portal (\$15,210) & purchase of new mapping software (\$38,000)			(136,768)	
<b>Depreciation, Amortisation and Impairment</b>	<b>3,196,571</b>	<b>2,910,953</b>	<b>(285,618)</b>	<b>(10)</b>
In 20/21 \$7.6m of assets were added under the asset class 'roads, kerbing, footpath & street lights' with the date of addition being 30/06/2021 (i.e. no depreciation in 20/21). Full year depreciation of those assets were accounted in 21/22 resulting significant increase in depreciation expense. Further, there was an increase in assets values due to indexation of assets as of 1 July 2021.				
<b>Finance Costs</b>	<b>105,636</b>	<b>131,771</b>	<b>26,135</b>	<b>20</b>
Interest paid on long-term debentures has reduced in 21/22 compared to 20/21 as interest portion included in loan instalments being reduced progressively.			26,135	
<b>Net Loss - Equity Accounted Council Business</b>	<b>66,040</b>	<b>74,840</b>	<b>8,800</b>	<b>12</b>
Gawler River Floodplain Management Authority (GRFMA) made an Operating Deficit of \$250,818 in 21/22 compared to an Operating Deficit of \$281,354 in 20/21. Council share of the operating result of GRFMA is 26.33%.			8,800	
<b>TOTAL EXPENSES</b>	<b>13,968,690</b>	<b>13,656,944</b>	<b>(311,746)</b>	<b>(2)</b>

## Statement of Financial Position

Comparison of audited Statement of Financial Position on 30 June is given below in **Table 3**.

**Table 3: Statement of Financial Position**

Description	30 June 2022 Actual \$	30 June 2021 Actual \$	Favourable/ (Unfavourable) \$	%
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	215,791	256,781	(40,990)	(16)
Trade & other receivables	1,469,508	2,386,481	(916,973)	(38)
Inventories	779,431	238,610	540,821	227
<b>Total Current Assets</b>	<b>2,464,730</b>	<b>2,881,872</b>	<b>(417,141)</b>	<b>(14)</b>
<b>Non-current Assets</b>				
Equity accounted investments in Council businesses	5,692,786	5,817,880	(125,094)	(2)
Infrastructure, property, plant & equipment	130,807,427	121,078,242	9,729,185	8
Other non-current assets	941,431	990,926	(49,495)	(5)
<b>Total Non-current Assets</b>	<b>137,441,644</b>	<b>127,887,048</b>	<b>9,554,596</b>	<b>7</b>
<b>Total Assets</b>	<b>139,906,374</b>	<b>130,768,920</b>	<b>9,137,455</b>	<b>7</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade & other payables	1,652,373	1,819,620	(167,247)	(9)
Borrowings	1,019,641	1,045,818	(26,177)	(3)
Provisions	1,327,943	1,253,471	74,472	6
<b>Total Current Liabilities</b>	<b>3,999,957</b>	<b>4,118,909</b>	<b>(118,952)</b>	<b>(3)</b>
<b>Non-current Liabilities</b>				
Borrowings	1,766,880	1,790,122	(23,242)	(1)
Provisions	277,330	209,556	67,774	32
<b>Total Non-current Liabilities</b>	<b>2,044,210</b>	<b>1,999,678</b>	<b>44,532</b>	<b>2</b>
<b>Total Liabilities</b>	<b>6,044,167</b>	<b>6,118,587</b>	<b>(74,420)</b>	<b>(1)</b>
<b>NET ASSETS</b>	<b>133,862,207</b>	<b>124,650,333</b>	<b>9,211,875</b>	<b>7</b>
<b>EQUITY</b>				
Accumulated Surplus	49,336,239	42,882,551	6,453,688	15
Asset Revaluation Reserves	82,410,036	79,592,796	2,817,240	4
Other Reserves	2,115,932	2,174,986	(59,054)	(3)
<b>TOTAL EQUITY</b>	<b>133,862,207</b>	<b>124,650,333</b>	<b>9,211,875</b>	<b>7</b>

## Total Assets

Council's total asset base has increased from \$131m at 30/06/2021 to \$140m at 30/06/2022, an increase of \$9m due to the combined impact of: -

- a) Increase in rubble stock as at 30 June 2022 resulting an increase in valuation by \$0.541m;
- b) New assets donated to the Council (\$4.674m);
- c) Council's expenditure on assets renewal and new/upgraded assets (\$3.934m) in 2021/2022;
- d) Depreciation expense of \$3.197m recorded in the 2021/2022 Financial Year; and
- e) The impact of the revaluation of fixed assets on 1 July 2021 being \$2.817m.

## Total Liabilities

Council's total liabilities have decreased from \$6.119m on 30/06/2021 to \$6.044m at 30/06/2022, a reduction of \$0.074m, mainly due to combined impact of:

- a) Reduction in Council's long-term debts by \$0.507m;
- b) Increase in Council's short-term borrowings by \$0.458m;
- c) Reduction in trade creditors by \$0.167m; and
- d) Increase in provisions by \$0.142m due to increase in unused staff leave hours.

## Financial Indicators

Following tables shows Council's audited financial indicators for 2021/2022 Financial Year and previous four (4) financial Years.

**Table 4: Financial Indicators**

Financial Ratio	21/22	20/21	19/20	18/19	17/18
Operating Surplus/(Deficit) - \$'000	1.054	0.603	0.651	0.134	(0.234)
Operating Surplus Ratio - %	7.00	4.20	4.80	1.10	(2.00)
Adjusted Operating Surplus/(Deficit) - \$'000	0.553	0.600	0.621	(0.143)	(0.301)
Adjusted Operating Surplus Ratio - %	4.00	4.00	5.00	(1.00)	(3.00)
Net Financial Liabilities Ratio - %	29	24	31	38	51
Adjusted Net Financial Liabilities Ratio - %	39	30	37	47	57
Asset Renewal Funding Ratio - %	111	78	78	41	107

*Note: LGA recommended range for ratios on average over long term*

*Operating Surplus Ratio - 0% and 10%*

*Asset Sustainability Ratio - greater than 90% but less than 110%*

*Net Financial Liabilities Ratio - greater than 0% but no more than 100%*

## **Conclusion**

The Council is reporting an Operating Surplus of \$1.054m from its operations in the 2021/2022 Financial Year against an Operating surplus of \$0.603m reported in 2020/2021, an improvement of \$0.451m.

Council's external Auditor, Mr Tim Muhlhausler of Galpins Accountants, Auditors & Business Consultants, has completed the audit of the 2021/2022 Financial Statements and has issued draft audit report with an unqualified audit opinion on the financial statements and internal financial controls of the Council.

Audit Committee have considered the 2022 draft audited Annual Financial Statements at its meeting held on 7 November 2022. At this meeting, the Audit Committee resolved to recommend to Council that the Annual Financial Statements for the year ended 30 June 2022 be adopted by the Council, and the Mayor and Chief Executive Officer to certify the Annual Financial Statements subject to adjustment of treating LRCIP grants.

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## **References**

### **Legislation**

*Local Government Act 1999*

*Local Government (Financial Management) Regulations 2011*

### **Council Policies/Plans**

Audit Committee Terms of Reference

Audit Committee Annual Work Programme 2021/2022

Strategic Plan 2021-2024

# MINUTES

of the

## **Audit Committee Meeting**

of the



**Adelaide  
Plains  
Council**

Pursuant to the provisions of section 88 (1) of the  
*Local Government Act 1999*

HELD IN

**Council Chamber  
Redbanks Road  
Mallala**

on

**Monday 7 November 2022 at 4.30pm**

The Chairperson formally declared the meeting open at 4.30pm and in doing so, acknowledged that the meeting was taking place on Kurna land and paid respect to Kurna Elders, past and present and emerging.

## **1. ATTENDANCE AND WELCOME**

### **1.1 Present**

Mr Alan Rushbrook (Chairperson)

Mr Peter Fairlie-Jones

Mayor Mark Wasley

Deputy Mayor Marcus Strudwicke

### **Also in Attendance**

Chief Executive Officer

General Manager – Finance and Business

General Manager – Governance and Executive Office

Manager Governance and Administration

Accountant

Informational Technology Officer

Administration and Executive Support Officer/Minute Taker

Audit Director, Galpins (*in attendance for Item 6.1*)

Partner, Galpins (*in attendance for Item 6.1*)

Mr James Miller

Mr Rajith Udugampola

Ms Sheree Schenk

Ms Alyssa Denicola

Ms Carmel Vandermolen

Mr Thomas Harris-Howson

Ms Stacie Shrubsole

Mr Juliano Freitas

Mr Tim Muhlhausler

### **1.2 Apologies:**

Councillor Margherita Panella

## 2. CONFIRMATION OF MINUTES

### 2.1 Confirmation of Minutes – Meeting held 8 August 2022

#### Committee Resolution

Moved Deputy Mayor Strudwicke Seconded Mr Fairlie-Jones

2022/ 054

**“that the minutes of the Audit Committee Meeting held on Monday 8 August 2022 (MB Folios 225 to 231, inclusive), be accepted as read and confirmed.”**

**CARRIED**

## 3. BUSINESS ARISING

Nil

## 4. ADJOURNED BUSINESS

Nil

## 5. DECLARATION OF MEMBERS' INTERESTS

Nil

## 6. REPORTS FOR DECISION

### 6.1 Draft Audited Annual Financial Statements 2021/2022

Mr Juliano Freitas, Audit Director, Galpins, delivered a 9-minute presentation to the Committee in relation to the Draft Audited Annual Financial Statements 2021/2022.

The Chairperson sought leave of the meeting to proceed to Item 6.2 – *Update on Audit Committee Annual Work Program 2022/2023*, noting that Item 6.1 – *Draft Audited Annual Financial Statements 2021/2022* would be resumed at a later stage of the meeting. Leave was granted.

### 6.2 Update on Audit Committee Annual Work Program 2022/2023

#### Committee Resolution

Moved Mr Fairlie-Jones Seconded Mayor Wasley

2022/ 055

**“that the Audit Committee, having considered Item 6.2 – *Update on Audit Committee Annual Work Program 2022/2023*, dated 7 November 2022, receives and notes the report and in doing so recommends to the Council that it acknowledge the progress made to complete the activities identified for Audit Committee during 2022/2023 Financial Year.”**

**CARRIED**



### 6.3 Policy Review – Risk Management Policy

## Committee Resolution

Moved	Mayor Wasley	Seconded	Deputy Mayor Strudwicke	<b>2022/ 056</b>
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**“that the Audit Committee, having considered Item 6.3 – *Policy Review – Risk Management Policy*, dated 7 November 2022, receives and notes the report and in doing so recommends to Council that it adopt the revised Risk Management Policy, as presented at Attachment 1 to this Report.”**

**CARRIED**

## 7. REPORTS FOR INFORMATION

## 7.1 Committee Resolutions

### Committee Resolution

Moved Mayor Wasley      Seconded Mr Fairlie-Jones      2022/ 057

**“that the Audit Committee, having considered Item 7.1 – *Committee Resolutions*, dated 7 November 2022, receives and notes the report.”**

**CARRIED**

## 7.2 Review of Audited Financial Results for 2021/2022 Against Adopted Budget

## Committee Resolution

Moved Mayor Wasley Seconded Deputy Mayor Strudwicke 2022/ 058

**“that the Audit Committee, having considered Item 7.2 – *Review of Audited Financial Results for 2021/2022 Against Adopted Budget*, dated 7 November 2022, receives and notes the report and in doing so requests the Chief Executive Officer bring back a report to the Audit Committee in relation to the accounting treatment of the income and expenditure for the Two Wells Levee.”**

**CARRIED**

## 6.1 Draft Audited Annual Financial Statements 2021/2022

Mr Tim Muhlhausler, Partner, Galpins, addressed the Committee in relation to the Draft Audited Annual Financial Statements 2021/2022.

## Committee Resolution

Moved	Mr Fairlie-Jones	Seconded	Deputy Mayor Strudwicke	<b>2022/ 059</b>
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**“that Audit Committee, having considered Item 6.1 – *Draft Audited Annual Financial Statements 2021/2022*, dated 7 November 2022, receives and notes the report and in doing so acknowledges that it has reviewed the Annual Financial Statements for the year ended 30 June 2022 and formed the opinion that they present a true and fair view, and recommends to the Council that they be formally adopted and be certified on behalf of the Council by the Mayor and Chief Executive Officer, subject to adjustment of treating Local Roads and Community Infrastructure Program grants as ‘Amounts received specifically for new or upgraded assets’ in the 2020/2021 and 2021/2022 financial years.”**

**CARRIED**

## 6.1 Committee Resolution

Moved Deputy Mayor Strudwicke Seconded Mr Fairlie-Jones 2022/ 060

**“that the Audit Committee, having considered Item 6.1 – *Draft Audited Financial Statements 2021/2022*, dated 7 November 2022, authorises its Chairman to sign the Certification of Auditor Independence.”**

**CARRIED**

## 6.1 Committee Resolution

Moved Mayor Wasley Seconded Deputy Mayor Strudwicke 2022/ 061

**“that the Audit Committee, having considered Item 6.1 – *Draft Audited Financial Statements 2021/2022*, dated 7 November 2022, acknowledges that Council’s independent Auditor Mr Tim Muhlhausler of Galpins Accountants, Auditors & Business Consultants intends to issue an unqualified opinion in relation to the Financial Statements and the Internal Financial Controls of the Council for the 2021/2022 Financial Year.”**

**CARRIED**

## 7.3 Reporting of Credit Card Transactions

## Committee Resolution

Moved Deputy Mayor Strudwicke Seconded Mayor Wasley 2022/ 062

**“that the Audit Committee, having considered Item 7.3 – *Reporting of Credit Card Transactions*, dated 7 November 2022, received and notes the report and in doing so:**

- 1. Notes that a report by the Auditor General in 2020 on credit card use at The Coorong District Council recommended that “Council should ... periodically report the CEO’s and Mayor’s credit card transactions to its audit committee” (page 8 of Auditor General’s Report 4 of 2020); and**
- 2. Recommends to Council that it revise its *Credit Card Policy* to include the reporting of the Chief Executive Officer’s credit card transactions, to the Audit Committee, on a 6-monthly basis and including the details of ‘Supplier’, ‘Amount’ and ‘Description’.”**

**CARRIED**

## 7.4 Update on Finance Related Policies

## Committee Resolution

Moved Deputy Mayor Strudwicke Seconded Mr Fairlie-Jones 2022/ 063

**“that Council, having considered Item 7.4 – *Update on Finance Related Policies*, dated 7 November 2022, receives and notes the report and in doing so resolves to include an annual update of Council’s Policy Review Schedule within the Audit Committee Annual Work Program and requests that the Chief Executive Officer bring back, to a future meeting of the Committee, a:**

- 1. Draft Rates Policy and**
- 2. Draft Fraud and Corruption Prevention Policy.”**

**CARRIED**

## 7.5 Two Wells Town Centre Market Engagement and Expression of Interest Update

**Committee Resolution**

Moved Mayor Wasley

Seconded Mr Fairlie-Jones

2022/ 064

**“that the Audit Committee, having considered Item 7.5 – *Two Wells Town Centre Market Engagement and Expression of Interest Update*, dated 7 November 2022, receives and notes the report.”**

**CARRIED****8. CONFIDENTIAL ITEMS**

## 8.1 Information Technology Update

**Committee Resolution**

Moved Deputy Mayor Strudwicke

Seconded Mr Fairlie-Jones

2022/ 065

**“that:**

1. Pursuant to section 90(2) of the *Local Government Act 1999*, the Audit Committee orders that all members of the public, except Chief Executive Officer, General Manager – Finance and Business, General Manager – Governance and Executive Office, Manager Governance and Administration, Accountant, Information Technology Officer and Administration and Executive Support Officer/Minute Taker be excluded from attendance at the meeting of Audit Committee for Agenda Item 8.1 – *Information Technology Update*;
2. The Audit Committee is satisfied that pursuant to section 90(3)(e) of the *Local Government Act 1999*, Item 8.1 – *Information Technology Update* concerns matters affecting the security of the council, members or employees of the council, or council property, or the safety of any person, being a report in relation to information technology of the Council; and
3. The Audit Committee is satisfied that the principle that Committee meetings should be conducted in a place open to the public has been outweighed by the need to keep the information, matter and discussion confidential.”

**CARRIED**8.1 **Committee Resolution**

Moved Deputy Mayor Strudwicke

Seconded Mayor Wasley

2022/ 066

**“that the Audit Committee, having considered Item 8.1 – *Information Technology Update*, dated 7 November 2022, receives and notes the report.”**

**CARRIED**

8.1 **Committee Resolution**

Moved Mayor Wasley

Seconded Deputy Mayor Strudwicke

2022/ 067

**“that the Audit Committee, having considered Item 8.1 – *Information Technology Update*, dated 7 November 2022 in confidence under sections 90(2) and 90(3)(e) of the *Local Government Act 1999*, resolves that:**

1. The report, Attachment 1 and Attachment 2 pertaining to Item 8.1 – *Information Technology Update* remain confidential and not available for public inspection until further order of the Council except such disclosure as the Chief Executive Officer determines necessary or appropriate for the purpose of furthering the discussions or actions contemplated;
2. Pursuant to section 91(9)(a) of the *Local Government Act 1999*, the confidentiality of the matter will be reviewed every 12 months; and
3. Pursuant to section 91(9)(c) of the *Local Government Act 1999*, the Committee delegates the power to revoke this confidentiality order to the Chief Executive Officer.”

**CARRIED**9. **GENERAL BUSINESS**

Nil

10. **NEXT MEETING**

Monday 6 February 2023 at 4.30pm.

11. **CLOSURE**

There being no further business, the Chairperson declared the meeting closed at 7.04pm.

Confirmed as a true record.

Chairperson:.....

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

Mr Tim Muhlhausler  
Partner  
Galpins Accountants Auditors and Business Consultants  
PO Box 4067  
Norwood South SA 5067

Dear Tim,

This representation letter is provided in connection with your audit of the financial report of the Adelaide Plains Council (the Council) for the year ended 30 June 2022 for the purpose of expressing an opinion as to whether the financial report presents fairly in accordance with the Australian Accounting Standards, *Local Government Act 1999* and *Local Government (Financial Management) Regulations 2011*.

We confirm that *(to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves)*:

**A. FINANCIAL REPORT**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, for the preparation of the financial report in accordance with Australian Accounting Standards, *Local Government Act 1999* and *Local Government (Financial Management) Regulations 2011*; in particular the financial report presents fairly in accordance therewith.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control for the preparation of the financial report in accordance with Australian Accounting Standards, *Local Government Act 1999* and *Local Government (Financial Management) Regulations 2011*.
3. Significant accounting policies adopted in the preparation of the financial report are fully and fairly described in the financial report.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Australian Accounting Standards. Such transactions with related party may include:
  - sales, purchases, loans, transfers of assets / liabilities/ services, leasing arrangements, guarantees etc.
  - all balances due to or from related party at year end.
6. All events subsequent of the date of the financial report for which Australian Accounting Standards require adjustment or disclosure have been adjusted or disclosed.
7. There are no identifiable misstatements, both individually and in the aggregate, within the financial report.

## **B. OWNERSHIP**

1. The Council has good title (or lease interest) in all assets recorded in the accounts.

## **C. VALUATION**

1. We have no plans and intentions that may affect materially the carrying value, or classification, of Council's assets and liabilities.
2. The fair value of land and buildings as determined by the external valuer is reasonable.
3. Adequate provisions have been recorded in the accounts for all anticipated losses.
4. Depreciation rates for capital and other assets have been reviewed having regard to such factors as asset usage and obsolescence. Any adjustment to reflect the most recent assessment of the useful lives of all capital and other assets has been recognised and disclosed in the financial report.
5. The carrying amount of capital and other assets does not materially differ from its fair value at the reporting date.

## **D. Information Provided**

1. We have provided you with:
  - access to all information of which we are aware that is relevant to the preparation of the financial report such as records, documentation and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
2. All transactions have been recorded in accounting records and are reflected in the financial report.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. We have disclosed to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
5. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial report.
6. We have disclosed to you all information in relation to allegations of fraud, suspected fraud, affecting the Council's financial report communicated by employees, former employees, analysts, regulators or others.

7. We have disclosed to you all known instances of non-compliance or suspected non-compliances with laws and regulations including all covenants, conditions or other requirements of outstanding debts, whose effects should be considered when preparing the financial report.
8. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial report; and accounted for and disclosed in accordance with the applicable financial reporting framework.
9. We have disclosed to you all known unusual commitments or contractual obligations that were not in the ordinary course of business whose effects should be considered when preparing the financial report.
10. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

**E. COMPLETENESS**

1. All assets owned or controlled by the Council have been recorded in the accounts.
2. All services rendered prior to the year-end have been recorded in the correct financial year.
3. Inventory does not include items not paid for and for which no liability has been recorded in the accounts at year-end.
4. All charges to capital assets (and additions under capital leases) during the year represent actual additions and no expenditure of a capital nature have been charged to expenses during the year.
5. All capital assets sold or dismantled during the year have been properly accounted for in the accounts.
6. Capital and other assets with a limited life are being depreciated, amortised, or otherwise written off as a charge to income over their estimated useful lives in a systematic and rational manner.
7. All liabilities of the Council at year-end have been recorded in the accounts (including provisions for such items as salaries and wages, employee benefits, professional services and long term debts).

**F. ELECTRONIC PUBLICATION OF FINANCIAL REPORT**

1. We acknowledge our responsibility for the electronic presentation of the audited financial report and independent auditor's report on the internet is identical to the signed hard copy version.
2. We acknowledge our responsibility to clearly differentiate between audited and unaudited information in the construction of the Council's website as we understand the risk of potential misrepresentation.
3. We acknowledge our responsibility for the design, implementation and internal control to ensure the security and integrity of the data published on the internet.
4. We acknowledge our responsibility to only publish the independent auditor's report when the full financial report is presented on the website.

**G. OTHER**

1. Minute book provided to you contains complete and authentic minutes of all meetings and committees held throughout the year to the most recent meetings.
2. We believe that the Council will be able to meet its financial commitments when they fall due.

Yours Sincerely,

**James Miller**  
**Chief Executive Officer**

DRAFT



# ADELAIDE PLAINS COUNCIL

## General Purpose Financial Reports for the year ended 30 June 2022

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# ADELAIDE PLAINS COUNCIL

## STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2022

	Notes	2022 \$	2021 \$
<b>INCOME</b>			
Rates	2	11,206,407	10,634,893
Statutory charges	2	525,371	603,101
User charges	2	240,693	178,414
Grants, subsidies and contributions	2	2,836,596	2,675,460
Investment income	2	992	991
Reimbursements	2	48,090	24,412
Other income	2	164,647	142,580
<b>Total Income</b>		<b>15,022,796</b>	<b>14,259,851</b>
<b>EXPENSES</b>			
Employee costs	3	5,665,785	5,150,560
Materials, contracts & other expenses	3	4,934,658	5,388,820
Depreciation, amortisation & impairment	3	3,196,571	2,910,953
Finance costs	3	105,636	131,771
Net loss - equity accounted Council businesses	18	66,040	74,840
<b>Total Expenses</b>		<b>13,968,690</b>	<b>13,656,944</b>
<b>OPERATING SURPLUS / (DEFICIT)</b>		<b>1,054,106</b>	<b>602,907</b>
Asset disposal & fair value adjustments	4	(394,064)	(273,009)
Amounts received specifically for new or upgraded assets	2	755,462	2,134,667
Physical resources received free of charge	2	4,674,028	5,344,703
<b>NET SURPLUS / (DEFICIT)</b>		<b>6,089,532</b>	<b>7,809,268</b>
transferred to Equity Statement			
<b>Other Comprehensive Income</b>			
Changes in revaluation surplus - infrastructure, property, plant & equipment	9	2,817,240	1,405,039
Share of other comprehensive income - equity accounted Council businesses	18	(59,054)	(55,383)
<b>Total Other Comprehensive Income</b>		<b>2,758,186</b>	<b>1,349,656</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>8,847,718</b>	<b>9,158,924</b>

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

# ADELAIDE PLAINS COUNCIL

## STATEMENT OF FINANCIAL POSITION as at 30 June 2022

	Notes	2022 \$	2021 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	215,791	256,781
Trade & other receivables	5	1,469,508	2,386,481
Inventories	5	779,431	238,610
<b>Total Current Assets</b>		<b>2,464,730</b>	<b>2,881,872</b>
<b>Non-current Assets</b>			
Equity accounted investments in Council businesses	6	5,692,786	5,817,880
Infrastructure, property, plant & equipment	7	130,807,427	121,078,242
Other non-current assets	6	941,431	990,926
<b>Total Non-current Assets</b>		<b>137,441,644</b>	<b>127,887,048</b>
<b>Total Assets</b>		<b>139,906,374</b>	<b>130,768,920</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & other payables	8	1,652,373	1,819,620
Borrowings	8	1,019,641	1,045,818
Provisions	8	1,327,943	1,253,471
<b>Total Current Liabilities</b>		<b>3,999,957</b>	<b>4,118,909</b>
<b>Non-current Liabilities</b>			
Borrowings	8	1,766,880	1,790,122
Provisions	8	277,330	209,556
<b>Total Non-current Liabilities</b>		<b>2,044,210</b>	<b>1,999,678</b>
<b>Total Liabilities</b>		<b>6,044,167</b>	<b>6,118,587</b>
<b>NET ASSETS</b>		<b>133,862,207</b>	<b>124,650,333</b>
<b>EQUITY</b>			
Accumulated Surplus		49,336,238	42,882,551
Asset Revaluation Reserves	9	82,410,036	79,592,796
Other Reserves	9	2,115,932	2,174,986
<b>Total Council Equity</b>		<b>133,862,207</b>	<b>124,650,333</b>
<b>TOTAL EQUITY</b>		<b>133,862,207</b>	<b>124,650,333</b>

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

# ADELAIDE PLAINS COUNCIL

## STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2022

	Notes	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	TOTAL EQUITY
2022		\$	\$	\$	\$
Balance at end of previous reporting period		42,882,551	79,592,796	2,174,986	124,650,333
Adjustments (Correction of Prior Period Errors)		364,156	-	-	364,156
Restated opening balance		43,246,707	79,592,796	2,174,986	125,014,489
Net Surplus / (Deficit) for Year		6,089,532	-	-	6,089,532
<b>Other Comprehensive Income</b>					
Gain on revaluation of infrastructure, property, plant & equipment		-	2,817,240	-	2,817,240
Share of other comprehensive income - equity accounted Council businesses		-	-	(59,054)	(59,054)
<b>Balance at end of period</b>		<b>49,336,238</b>	<b>82,410,036</b>	<b>2,115,932</b>	<b>133,862,207</b>
<b>2021</b>					
Balance at end of previous reporting period		35,073,283	78,187,757	2,230,369	115,491,409
<b>Net Surplus / (Deficit) for Year</b>		7,809,268	-	-	7,809,268
<b>Other Comprehensive Income</b>					
Gain on revaluation of infrastructure, property, plant & equipment		-	1,405,039	-	1,405,039
Share of other comprehensive income - equity accounted Council businesses		-	-	(55,383)	(55,383)
<b>Balance at end of period</b>		<b>42,882,551</b>	<b>79,592,796</b>	<b>2,174,986</b>	<b>124,650,333</b>

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

# ADELAIDE PLAINS COUNCIL

## STATEMENT OF CASH FLOWS for the year ended 30 June 2022

	Notes	2022 \$	2021 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<u>Receipts</u>			
Rates - general & other		11,334,218	10,395,368
Fees & other charges		515,399	616,641
User charges		183,162	236,485
Investment receipts		948	1,242
Grants utilised for operating purposes		2,836,631	1,981,894
Reimbursements		48,090	24,412
Other revenues		164,647	142,580
<u>Payments</u>			
Employee costs		(5,482,904)	(4,884,602)
Materials, contracts & other expenses		(5,147,082)	(5,384,837)
Finance payments		(150,906)	(177,040)
<b>Net Cash provided by (or used in) Operating Activities</b>		<b>4,302,203</b>	<b>2,952,144</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		1,485,281	1,400,653
Sale of replaced assets		70,091	124,099
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(3,875,502)	(2,141,883)
Expenditure on new/upgraded assets		(1,973,646)	(2,997,314)
<b>Net Cash provided by (or used in) Investing Activities</b>		<b>(4,293,776)</b>	<b>(3,614,445)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<u>Receipts</u>			
Proceeds from borrowings		10,068,912	9,859,439
Proceeds from aged care facility deposits		-	-
<u>Payments</u>			
Repayments of borrowings		(10,118,330)	(9,810,246)
<b>Net Cash provided by (or used in) Financing Activities</b>		<b>(49,418)</b>	<b>49,193</b>
<b>Net Increase (Decrease) in cash held</b>		<b>(40,990)</b>	<b>(613,108)</b>
Cash & cash equivalents at beginning of period	11	256,781	869,889
<b>Cash &amp; cash equivalents at end of period</b>	11	<b>215,791</b>	<b>256,781</b>

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

# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 1 - SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by Council in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 1 Basis of Preparation

##### 1.1 Compliance with Australian 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 28 November 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 dollar.

#### 2 The Local Government Reporting Entity

The Adelaide Plains Council is incorporated under the SA Local Government Act 1999 and has its principal place of business at 2A Wasleys Road, Mallala. Other entities in which Council has an interest but does not control are reported in Note 19.

#### 3 Income recognition

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 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 grants (financial assistance grants/ local roads/ supplementary grants) has varied from the annual from the annual allocation as shown in the table below :

Financial Year	Cash Payment Received	Annual Allocation		Difference
2019/2020	1,478,003	1,455,290	+	22,713
2020/2021	1,467,802	1,462,155	+	5,647
2021/2022	2,204,205	1,545,413	+	658,792

# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 1 (cont) - SIGNIFICANT ACCOUNTING POLICIES

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.

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

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

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

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

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

#### 5 Inventories

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

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

##### 6.1 Initial Recognition

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

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

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

##### 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 as follows. No capitalisation threshold is applied to the acquisition of land or interests in land.

- Office Furniture & Equipment	\$ 1,000
- Other Plant & Equipment	\$ 1,000
- Buildings - new construction/extensions	\$10,000
- Park & Playground Furniture & Equipment	\$ 2,000
- Road construction & reconstruction	\$10,000
- Paving & footpaths, Kerb & Gutter	\$ 2,000
- Drains, Culverts & Reticulation extensions	\$ 5,000
- Sidelines & household connections	\$ 5,000

# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 1 (cont) - SIGNIFICANT ACCOUNTING POLICIES

#### 6.3 Subsequent Recognition

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

#### 6.4 Depreciation of Non-Current Assets

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

Major depreciation periods for each class of asset are shown 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 Equipment & Furniture	4 to 25 years
> Vehicles and Road-making Equipment	6 to 40 years
> Other Plant & Equipment	5 to 40 years

##### Building & Other Structures

> Buildings – masonry	50 to 150 years
> Buildings – other construction	20 to 40 years
> Park Structures – masonry	50 to 100 years
> Park Structures – other construction	20 to 40 years
> Playground equipment	5 to 15 years
> Benches, seats, etc	10 to 20 years

##### Infrastructure

> Sealed Roads – Surface	15 to 30 years
> Sealed Roads – Structure	20 to 130 years
> Unsealed Roads	10 to 30 years
> Bridges – Concrete	80 to 150 years
> Paving & Footpaths, Kerb & Gutter, Drains	50 to 100 years
> Culverts	50 to 80 years
> Flood Control Structures	80 to 100 years
> Reticulation Pipes – PVC	70 to 80 years
> Reticulation Pipes – other	25 to 75 years
> Pumps & Telemetry	15 to 25 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.

#### 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



# **ADELAIDE PLAINS COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022**

### **Note 1 (cont) - SIGNIFICANT ACCOUNTING POLICIES**

#### **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.

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

##### **9.2 Superannuation**

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 17.

#### **10 Joint Ventures and Associated Entities**

Council participates in cooperative arrangements with other Councils for the provision of services. Council's equity in Gawler River Flood Plan Management Authority is accounted for in accordance with AASB 128 and set out in detail in Note 18.

#### **11 Leases**

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.

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

##### **Right-of- Use Assets**

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 incentive received and the estimate of costs 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 assets.

# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 1 (cont) - SIGNIFICANT ACCOUNTING POLICIES

#### Lease Liabilities

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

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

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-

#### 12 GST Implications

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

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

#### 13 New and Amended Accounting Standards and Interpretations

The Council applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Council has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### 14 Comparative Figures

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

#### 15 Disclaimer

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

# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 2 - INCOME

	Notes	2022 \$	2021 \$
<b>RATES</b>			
<u>General Rates</u>		10,093,645	9,597,211
Less: Discretionary rebates, remissions & write offs		(101,119)	(89,679)
		<u>9,992,526</u>	<u>9,507,532</u>
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		192,070	188,055
Waste collection		660,479	612,072
Community wastewater management systems		250,391	246,611
		<u>1,102,940</u>	<u>1,046,738</u>
<u>Other Charges</u>			
Penalties for late payment		92,482	76,271
Legal & other costs recovered		22,946	4,312
		<u>115,428</u>	<u>80,583</u>
Less: Discretionary rebates, remissions & write offs		(4,487)	40
		<u>11,206,407</u>	<u>10,634,893</u>
<b>STATUTORY CHARGES</b>			
Development Act fees		244,070	272,787
Health & Septic Tank Inspection fees		69,661	131,982
Animal registration fees & fines		193,085	185,665
Parking fines / expiation fees		444	416
Other licences, fees, & fines		18,111	12,251
		<u>525,371</u>	<u>603,101</u>
<b>USER CHARGES</b>			
Cemetery/crematoria fees		37,776	42,073
Museum Admission Fees		2,481	731
Hall & equipment hire		20,055	591
Rubbish/Recycling Collection Fees		65,794	48,342
Sales - general		1,158	1,342
Sundry		113,429	85,335
		<u>240,693</u>	<u>178,414</u>
<b>INVESTMENT INCOME</b>			
Interest on investments			
Local Government Finance Authority		991	977
Banks & other		1	14
		<u>992</u>	<u>991</u>

# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### NOTE 2 - INCOME (continued)

	Notes	2022 \$	2021 \$
<b>REIMBURSEMENTS</b>			
- by joint undertakings		33,960	23,099
- other		14,130	1,313
		<u>48,090</u>	<u>24,412</u>
<b>OTHER INCOME</b>			
Rebates received		127,785	108,751
Sundry		36,861	33,829
		<u>164,647</u>	<u>142,580</u>
<b>GRANTS, SUBSIDIES AND CONTRIBUTIONS</b>			
Amounts received specifically for new or upgraded assets		755,462	2,134,667
Other grants, subsidies and contributions			
Untied - Financial Assistance Grant		2,204,205	1,467,802
Roads to Recovery		263,364	395,046
NRM Board		101,716	101,779
Coastal Protection		139,400	-
Stormwater Management		-	27,435
Library & Communications		31,366	27,467
Drought Communities Program		-	574,987
Sundry		96,545	80,944
		<u>2,836,596</u>	<u>2,675,460</u>
		<u>3,592,058</u>	<u>4,810,127</u>
<i>The functions to which these grants relate are shown in Note 12.</i>			
<b>Sources of grants</b>			
Commonwealth government		838,358	2,326,536
State government		2,660,187	2,419,872
Other		93,513	63,719
		<u>3,592,058</u>	<u>4,810,127</u>
<b>PHYSICAL RESOURCES RECEIVED FREE OF CHARGE</b>			
Landscaping & Open Space		1,405,866	-
Roads, Bridges & Footpaths		2,631,092	4,414,924
Stormwater Drainage		637,070	929,779
<b>TOTAL PHYSICAL RESOURCES RECEIVED</b>		<u>4,674,028</u>	<u>5,344,703</u>

# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 3 - EXPENSES

	Notes	2022 \$	2021 \$
<b>EMPLOYEE COSTS</b>			
Salaries and Wages		4,714,070	4,237,737
Employee leave expense		688,034	668,108
Superannuation - defined contribution plan contributions	17	441,524	357,046
Superannuation - defined benefit plan contributions	17	56,177	65,362
Workers' Compensation Insurance		233,843	215,344
Less: Capitalised and distributed costs		(467,863)	(393,037)
<b>Total Operating Employee Costs</b>		<b>5,665,785</b>	<b>5,150,560</b>
<b>Total Number of Employees</b>		<b>63</b>	<b>55</b>
<i>(Full time equivalent at end of reporting period)</i>			
<b>MATERIALS, CONTRACTS &amp; OTHER EXPENSES</b>			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		14,200	22,950
Elected members' expenses		142,931	137,115
Operating Lease Rentals - cancellable leases		51,284	52,221
<b>Subtotal - Prescribed Expenses</b>		<b>208,415</b>	<b>212,286</b>
<u>Other Materials, Contracts &amp; Expenses</u>			
Contractors		847,715	1,298,360
Energy		407,724	326,087
Repairs & Maintenance		426,210	547,448
Parts, accessories & consumables		364,315	403,711
Waste Collection & Disposal		768,546	683,601
Information Technology - Software & Licensing		521,993	408,569
Rubble		112,910	140,880
Contributions & Donations		18,788	28,467
Legal Expenses		87,328	201,456
Levies paid to government - NRM levy		192,061	188,195
- Other Levies		11,214	10,598
Professional services		393,605	488,209
Memberships & Subscriptions		152,745	163,853
Insurance		273,637	244,225
Grading		100,677	138,427
Sundry		925,836	956,210
Less: Capitalised and distributed costs		(879,062)	(1,051,761)
<b>Subtotal - Other Materials, Contracts &amp; Expenses</b>		<b>4,726,243</b>	<b>5,176,534</b>
		<b>4,934,658</b>	<b>5,388,820</b>

# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 3 - EXPENSES (cont)

	Notes	2022 \$	2021 \$
<b>DEPRECIATION, AMORTISATION &amp; IMPAIRMENT</b>			
<b>Depreciation</b>			
Landscaping		16,695	16,556
Buildings & Open Space		552,362	522,599
<b>Infrastructure</b>			
- Roads, Kerbing, Footpath & Street Lights		1,945,105	1,751,343
Stormwater Drainage		150,848	136,716
CWMS		149,077	145,835
Plant, Machinery & Equipment		343,432	308,860
Furniture & Equipment		39,052	29,044
		<b>3,196,571</b>	<b>2,910,953</b>
<b>FINANCE COSTS</b>			
Interest on overdraft and short-term drawdown		9,290	5,422
Interest on Loans		96,346	126,349
		<b>105,636</b>	<b>131,771</b>

### Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

	Notes	2022 \$	2021 \$
<b>INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>			
<b><i>Assets renewed or directly replaced</i></b>			
Proceeds from disposal		70,091	124,099
Less: Carrying amount of assets sold	7	464,155	397,108
<b>NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS</b>		<b>(394,064)</b>	<b>(273,009)</b>

# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 5 - CURRENT ASSETS

	2022	2021
<b>CASH AND CASH EQUIVALENTS</b>	<b>\$</b>	<b>\$</b>
Cash on Hand and at Bank	107,101	119,961
Deposits at Call	108,690	136,820
	<u>215,791</u>	<u>256,781</u>
<b>TRADE &amp; OTHER RECEIVABLES</b>		
Rates - General & Other	922,032	1,049,842
Accrued Revenues	18,993	748,768
Debtors - general	116,334	48,832
GST Recoupment	359,216	357,436
Prepayments	52,933	181,603
	<u>1,469,508</u>	<u>2,386,481</u>
<b>INVENTORIES</b>		
Stores & Materials	779,431	238,610
	<u>779,431</u>	<u>238,610</u>

### Note 6 - NON-CURRENT ASSETS

	2022	2021
<b>FINANCIAL ASSETS</b>	<b>\$</b>	<b>\$</b>
Receivables		
<b>EQUITY ACCOUNTED INVESTMENTS IN COUNCIL BUSINESSES</b>		
Gawler River Floodplain Management Authority	18 5,692,786	5,817,880
	<u>5,692,786</u>	<u>5,817,880</u>
<b>OTHER NON-CURRENT ASSETS</b>		
Capital Works-in-Progress	941,431	990,926
	<u>941,431</u>	<u>990,926</u>

# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	Fair Value Level	2021 \$				2022 \$			
		AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
Land - Community	3	11,706,575	-	-	11,706,575	11,964,120	-	-	11,964,120
Land - Other	2	1,913,501	-	-	1,913,501	1,955,598	-	-	1,955,598
Landscaping	3	723,273	-	(620,267)	103,006	1,127,802	562,101	(650,648)	1,039,255
<u>Buildings &amp; Open Space</u>									
Buildings - Other	2	2,379,700	29,094	(1,551,671)	857,123	2,462,925	-	(1,541,766)	921,159
Open Space	2	129,334	-	(7,199)	122,135	31,834	-	(12,276)	19,558
Buildings - Community	3	12,917,555	18,947	(7,888,461)	5,048,041	12,963,593	888,341	(8,072,724)	5,779,210
Open Space	3	5,788,828	218,852	(3,628,876)	2,378,804	7,105,428	448,442	(3,878,214)	3,675,656
<u>Infrastructure</u>									
- Roads	3	28,628,721	2,755,252	(13,119,433)	18,264,540	33,042,733	1,786,484	(13,820,171)	21,009,046
- Road Pavement	3	62,096,832	99,117	(12,879,841)	49,316,108	63,051,522	892,226	(13,262,935)	50,680,813
- Footpath	3	3,900,355	146,144	(599,658)	3,446,841	4,548,645	103,399	(670,385)	3,981,659
- Kerb and Spoon Drain	3	8,315,208	92,937	(1,099,330)	7,308,815	8,765,171	33,155	(1,163,468)	7,634,858
- Pram Ramps	3	326,340	15,430	(29,532)	312,238	361,620	22,964	(33,790)	350,794
- Car Parks	3	-	49,468	-	49,468	49,468	-	(2,472)	46,996
- Street Lighting	3	-	43,903	-	43,903	44,869	-	(2,242)	42,627
Bridges	3	4,935,627	-	(2,641,061)	2,294,566	5,044,210	-	(2,749,572)	2,294,638
Stormwater Drainage	3	12,447,462	-	(2,852,257)	9,595,205	13,411,241	90,783	(3,055,885)	10,446,139
CWMS	3	6,575,991	-	(789,662)	5,786,329	6,720,663	-	(956,120)	5,764,543
Plant, Machinery & Equipment		-	4,972,405	(2,745,821)	2,226,584	-	5,789,488	(2,854,138)	2,935,350
Furniture & Equipment		-	761,171	(456,711)	304,460	-	761,171	(495,763)	265,408
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>		162,785,302	9,202,720	(50,909,780)	121,078,242	172,651,442	11,378,554	(53,222,569)	130,807,427
<b>Comparatives</b>		<b>153,704,674</b>	<b>10,168,763</b>	<b>(50,424,521)</b>	<b>113,448,916</b>	<b>162,785,302</b>	<b>9,202,720</b>	<b>(50,909,780)</b>	<b>121,078,242</b>

This Note continues on the following pages.



# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2021	CARRYING AMOUNT MOVEMENTS DURING YEAR							2022
	\$	\$							
	CARRYING AMOUNT	Additions		Disposals	Depreciation	Transfers		Net Revaluation	CARRYING AMOUNT
		New/Upgrade	Renewals			In	Out		
Land - Community	11,706,575	-	-	-	-	-	-	257,545	11,964,120
Land - Other	1,913,501	-	-	-	-	-	-	42,097	1,955,598
Landscaping	103,006	950,718	-	-	(16,695)	-	-	2,226	1,039,255
<u>Buildings &amp; Open Space</u>									
Buildings - Other	857,123	-	-	-	(55,839)	99,208	-	20,667	921,159
Open Space	122,135	-	-	-	(3,869)	-	(99,208)	500	19,558
Buildings - Community	5,048,041	571,455	368,556	(75,853)	(258,378)	-	-	125,389	5,779,210
Open Space	2,378,804	1,414,021	-	-	(234,276)	-	-	117,107	3,675,656
<u>Infrastructure</u>									
- Roads	18,264,540	1,170,676	1,553,720	(368,808)	(1,347,495)	-	-	1,736,413	21,009,046
- Road Pavement	49,316,108	1,629,879	-	-	(393,470)	-	-	128,296	50,680,813
- Footpath	3,446,841	588,768	13,522	(0)	(80,623)	-	-	13,152	3,981,659
- Kerb and Spoon Drain	7,308,815	469,211	-	-	(64,138)	-	-	(79,030)	7,634,858
- Pram Ramps	312,238	43,544	-	-	(4,260)	-	-	(728)	350,794
- Car Parks	49,468	-	-	-	(2,472)	-	-	-	46,996
- Street Lighting	43,903	-	-	-	(2,242)	-	-	966	42,627
					-	-	-	-	
Bridges	2,294,566	-	-	-	(50,405)	-	-	50,477	2,294,638
Stormwater Drainage	9,595,205	727,853	-	(943)	(150,848)	-	-	274,872	10,446,139
CWMS	5,786,329	-	-	-	(149,077)	-	-	127,291	5,764,543
Plant, Machinery & Equipment	2,226,584	1,042,749	28,000	(18,551)	(343,432)	-	-	-	2,935,350
Furniture & Equipment	304,460	-	-	-	(39,052)	-	-	-	265,408
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>121,078,242</b>	<b>8,608,874</b>	<b>1,963,798</b>	<b>(464,155)</b>	<b>(3,196,571)</b>	<b>99,208</b>	<b>(99,208)</b>	<b>2,817,240</b>	<b>130,807,427</b>
<i>Comparatives</i>	<b>113,448,916</b>	<b>7,367,844</b>	<b>2,164,504</b>	<b>(397,108)</b>	<b>(2,910,953)</b>	<b>1,039,128</b>	<b>(1,039,128)</b>	<b>1,405,040</b>	<b>121,078,242</b>

# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 7 (cont) - 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 7 for the disclosure of the Fair Value Levels of Infrastructure, Property, Plant and Equipment Assets.

#### Information on Valuations

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

**Fair value hierarchy level 3 valuations of land:** 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.

**Fair value hierarchy level 3 valuations of buildings, infrastructure and other assets:** There is no known market for these assets and they are valued at depreciated current replacement cost. This method involves:

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

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques. Accordingly, formal sensitivity analysis does not provide useful information.

#### Other Information

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

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

#### Highest and best use

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

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

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

# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 7 (cont) - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

#### Land & Landscaping

Pursuant to Council's election, freehold land and land over which Council has control, but does not have title, are initially recognised on the cost basis. Last revaluation of land was done at fair value as at 01 July 2019 by Mitch Ekonomopoulos of AssetVal Pty Ltd. During the year, a desktop valuation has been completed based on market evidence of valuation provided by Mitch Ekonomopoulos of AssetVal Pty Ltd as at 1 July 2021.

No capitalisation threshold is applied to the acquisition of land or interests in land.

Land improvements represent landscaping and are recognised on the cost basis and depreciated over the estimated remaining life of the relevant asset.

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

#### Building & Other Structures

Buildings and other structures generally are recognised at fair value, based on current market values. However, special purpose buildings (such as public toilets) for which there is no market are valued at depreciated current replacement cost. Buildings which Council does not intend to replace at the end of their useful life are valued at the market value of the "highest and best" use. All building and other structure assets were last revalued as at 01 July 2019 by Mitch Ekonomopoulos of AssetVal Pty Ltd. During the year, a desktop valuation has been completed based on market evidence of valuation provided by Mitch Ekonomopoulos of AssetVal Pty Ltd as at 1 July 2021.

#### Road Infrastructure

The Adelaide Plains Council conducted a condition assessment of its road infrastructure assets as part of the 2018/2019 valuation for sealed roads, kerb and footpath assets. Unsealed roads were condition assessed as part of the 2016/2017 and 2018/2019 valuation. As there is no market for Council to use to determine fair value of its Road assets, all assets have been valued as Level 3 inputs using a cost approach.

During the year, a desktop valuation has been completed by Tonkin Consulting Pty Ltd as at 1 July 2021 using rates from Rawlinsons Australian Construction Handbook which provides the latest information for 2021 and where available contract rates provided by Council. All acquisitions made after 1 July 2021 are recorded at cost.

#### Other Infrastructure

Stormwater drainage infrastructure assets were last valued by Council officers with external assistance by Tonkin Consulting Pty Ltd at written down replacement cost as at 1 July 2017. All acquisitions made after 1 July 2017 are recorded at cost. During the year, a desktop valuation has been completed based on unit rates developed for Adelaide Plains Council's stormwater assets by Tonkin Engineering Ltd as at 1 July 2021.

Bridges were last revalued as at 01 July 2019 by Mitch Ekonomopoulos of AssetVal Pty Ltd. During the year, a desktop valuation has been completed based Building Price Index by Tonkin Engineering Ltd as at 1 July 2021.

Community wastewater management scheme at Middle Beach was last valued by Graham L Martin of Maloney Field Services at written down current replacement cost as at 01 July 2015. All acquisitions made after 1 July 2015 for both Mallala and Middle Beach schemes are recorded at cost. During the year, a desktop valuation has been completed by Tonkin Consulting Pty Ltd as at 1 July 2021 using rates from Rawlinsons Australian Construction Handbook which provides the latest information.

#### Equipment & Furniture and All other Assets

Pursuant to Council's election, these assets are recognised on the cost basis.

# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 8 - LIABILITIES

		2022		2021	
		\$		\$	
<b>TRADE &amp; OTHER PAYABLES</b>	Notes	Current	Non-current	Current	Non-current
Goods & Services		1,430,627	-	1,208,954	-
Payments received in advance		35	-	-	-
Accrued expenses - employee entitlements		153,771	-	113,136	-
Accrued expenses - other		5,550	-	23,719	-
Other		62,390	-	473,811	-
		<u>1,652,373</u>	<u>-</u>	<u>1,819,620</u>	<u>-</u>

### BORROWINGS

Loans		1,019,641	1,766,880	1,045,818	1,790,122
		<u>1,019,641</u>	<u>1,766,880</u>	<u>1,045,818</u>	<u>1,790,122</u>

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

### PROVISIONS

Employee entitlements (including oncosts)		1,327,943	277,330	1,253,471	209,556
		<u>1,327,943</u>	<u>277,330</u>	<u>1,253,471</u>	<u>209,556</u>



# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 10 - ASSETS SUBJECT TO RESTRICTIONS

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.

	2022	2021
<b>CASH &amp; FINANCIAL ASSETS</b>	<b>\$</b>	<b>\$</b>
Developer Contributions	32,523	32,301
Two Wells Community Fund	76,083	52,932
<b>TOTAL ASSETS SUBJECT TO EXTERNALLY IMPOSED RESTRICTIONS</b>	<b>108,606</b>	<b>85,233</b>

Developer Contributions are restricted to either open space landscaping or footpaths in the applicable developments.

Two Wells Community fund is maintain to provide financial assistance to Two Wells community.

# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 11 - RECONCILIATION TO CASH FLOW STATEMENT

#### (a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	Notes	2022 \$	2021 \$
Total cash & equivalent assets	5	<u>215,791</u>	<u>256,781</u>
Balances per Cash Flow Statement		<u>215,791</u>	<u>256,781</u>

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

Net Surplus (Deficit)	<b>6,089,532</b>	7,809,268
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	<b>3,196,571</b>	2,910,953
Equity movements in equity accounted investments	<b>66,040</b>	74,840
Net increase (decrease) in unpaid employee benefits	<b>182,881</b>	279,148
Non-cash asset acquisitions	<b>(4,674,028)</b>	(5,344,703)
Grants for capital acquisitions treated as Investing Activity	<b>(755,462)</b>	(2,134,667)
Net (Gain) Loss on Disposals	<b>394,064</b>	273,009
	<u><b>4,499,598</b></u>	<u>3,867,847</u>
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	<b>187,152</b>	(415,921)
Net (increase) decrease in inventories	<b>(540,821)</b>	20,830
Net increase (decrease) in trade & other payables	<b>156,274</b>	(520,612)
<b>Net Cash provided by (or used in) operations</b>	<u><b>4,302,203</b></u>	<u>2,952,144</u>

#### (c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:

- Physical resources received free of charge	2	<u><b>4,674,028</b></u>	<u>5,344,703</u>
		<u><b>4,674,028</b></u>	<u>5,344,703</u>

#### (d) Financing Arrangements

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

Corporate Credit Cards	<b>25,000</b>	17,000
LGFA Cash Advance Debenture Facility	<b>6,500,000</b>	6,500,000

Council has access to cash facilities of \$6,500,000 and minimises interest expense by transferring funds between cash at bank LGFA Cash Advance Debenture Facility

# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 12 - FUNCTIONS

	INCOMES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES									
	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	ACTUAL	ACTUAL	ACTUAL	ACTUAL						
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Business Undertakings	251,290	283,583	387,215	491,306	(135,926)	(207,723)	-	-	1,349,113	1,261,001
Community Services	134,859	139,668	512,052	398,695	(377,194)	(259,028)	4,770	29,283	14,628,977	13,673,541
Culture	37,890	70,054	405,483	416,622	(367,593)	(346,568)	27,936	33,447	2,066,320	1,931,366
Economic Development	-	366,512	212,417	338,262	(212,417)	28,250	-	366,512	-	-
Environment	974,119	830,296	1,501,467	1,402,150	(527,348)	(571,854)	249,516	111,306	18,035,250	16,857,346
Recreation	8,405	321,954	624,069	850,536	(615,664)	(528,582)	4,305	39,634	12,393,931	11,584,468
Regulatory Services	578,107	571,140	1,557,892	1,608,632	(979,785)	(1,037,492)	60,000	-	305,348	285,405
Transport	28,545	334,025	2,904,546	3,092,324	(2,876,001)	(2,758,299)	285,864	395,047	77,263,835	72,217,642
Plant Hire & Depot/Indirect	11,565	9,852	1,176,043	756,812	(1,164,476)	(746,959)	-	-	7,616,013	7,118,601
Council Administration	12,998,018	11,332,769	4,621,466	4,226,766	8,376,552	7,106,003	2,204,205	1,700,231	6,247,587	5,839,550
TOTALS	15,022,798	14,259,853	13,902,650	13,582,105	1,120,148	677,748	2,836,596	2,675,460	139,906,374	130,768,920

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



# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 12 (cont) - COMPONENTS of FUNCTIONS

The activities relating to Council functions are as follows:

**Business Undertakings**

Camping facilities, Gravel Pits/Quarries, Private Works, and Sewerage/CWMS,

**Public Order & Safety**

Crime Prevention, Emergency Services, Other Fire Protection

**Health Services**

Pest Control – Health, Immunisation

**Community Support**

Child and youth Services, Community Assistance, Community Transport, Family and Neighbourhood Support,

**Community Amenities**

Cemeteries/Crematoria, public Conveniences, Car Parking – non-fee-paying and Other Community Amenities.

**Library Services**

Provision of three static facilities

**Cultural Services**

Cultural Services, Cultural Venues, Heritage and Museums, and Other Cultural Services.

**Economic Development**

Employment Creation Programs, Regional Development, Support to Local Businesses, Tourism, and Other Economic Development.

**Environment - Waste Management**

Domestic Waste, Green Waste, E-Waste, Recycling, Transfer Stations, Waste Disposal Facility, Other Waste Management

**Other Environment**

Coastal Protection, Stormwater and Drainage, Street Cleaning, Street Lighting, Streetscaping, Natural Resource Management Levy, and Other Environment.

**Recreation**

Parks and Gardens, Sports Facilities – Indoor, Sports Facilities – Outdoor,

**Regulatory Services**

Dog and Cat Control, Building Control, Town Planning, Litter Control, Health Inspection, Parking Control, and Other Regulatory Services.

**Transport**

Footpaths and Kerbing, Roads – sealed, Roads – formed, Roads – natural formed, Roads – unformed, Traffic Management, LGGC – roads (formula funded), and Other Transport.

**Plant Hire & Depot /Indirect**

Plant and equipment, indirect expenditure and depot operations

**Governance**

Council Administration n.e.c., Elected Members, Organisational.

**Support Services**

Accounting/Finance, Payroll, Human Resources, Information Technology, Communication, Rates Administration, Records,

# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 13 - FINANCIAL INSTRUMENTS

All financial instruments are categorised as *loans and receivables*.

#### Accounting Policies - Recognised Financial Instruments

<b>Bank, Deposits at Call, Short Term Deposits</b>	<p><b>Accounting Policy:</b> Initially recognised at fair value and subsequently measured at amortised cost, interest is recognised when earned.</p> <p><b>Terms &amp; conditions:</b> Short term deposits have an average maturity of 30 days and an average interest rates of 0.30% (2020-21: 30 days, 0.30%).</p> <p><b>Carrying amount:</b> approximates fair value due to the short term to maturity.</p>
<b>Receivables</b> - Rates & Associated Charges (including legals & penalties for late payment)	<p><b>Accounting Policy:</b> Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.</p> <p><b>Terms &amp; conditions:</b> Secured over the subject land, arrears attract interest of 5.05% per annum (2020-21: 5.20%) Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.</p> <p><b>Carrying amount:</b> approximates fair value (after deduction of any allowance).</p>
<b>Receivables</b> - Fees & other charges	<p><b>Accounting Policy:</b> Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.</p> <p><b>Terms &amp; conditions:</b> Unsecured, and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.</p> <p><b>Carrying amount:</b> approximates fair value (after deduction of any allowance).</p>
<b>Receivables</b> - other levels of government	<p><b>Accounting Policy:</b> Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.</p> <p><b>Terms &amp; conditions:</b> 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.</p> <p><b>Carrying amount:</b> approximates fair value.</p>
<b>Liabilities</b> - Creditors and Accruals	<p><b>Accounting Policy:</b> Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.</p> <p><b>Terms &amp; conditions:</b> Liabilities are normally settled on 30 day terms.</p> <p><b>Carrying amount:</b> approximates fair value.</p>
<b>Liabilities</b> - Interest Bearing Borrowings	<p><b>Accounting Policy:</b> Initially recognised at fair value and subsequently at amortised cost. Interest is charged as an expense using the effective interest rate.</p> <p><b>Terms &amp; conditions:</b> secured over future revenues, borrowings are repayable on both credit foncier and cash advance; interest is charged at fixed rate of 4.45% for credit foncier (2020-21: between 4.45% and 7.05%) and the cash advance at variable of 2.05% as at 30 June 2022 (2020-21: 2.05% as at 30 June 2021).</p> <p><b>Carrying amount:</b> approximates fair value.</p>
<b>Liabilities</b> - Leases	<p><b>Accounting Policy:</b> accounted for in accordance with AASB 16 as stated in Note 17.</p>

# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 13 (cont) - FINANCIAL INSTRUMENTS

#### Liquidity Analysis

2022	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>Financial Assets</b>	\$	\$	\$	\$	\$
Cash & Equivalents	215,791	-	-	215,791	215,791
Receivables	1,416,575	-	-	1,416,575	1,416,575
<b>Total</b>	<b>1,632,366</b>	<b>-</b>	<b>-</b>	<b>1,632,366</b>	<b>1,632,366</b>
<b>Financial Liabilities</b>					
Payables	1,498,602	-	-	1,498,602	1,498,602
Current Borrowings	1,099,047	-	-	1,099,047	1,019,641
Non-Current Borrowings	-	410,585	2,273,941	2,684,526	1,766,880
<b>Total</b>	<b>2,597,649</b>	<b>410,585</b>	<b>2,273,941</b>	<b>5,282,175</b>	<b>4,285,123</b>

2021	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>Financial Assets</b>	\$	\$	\$	\$	\$
Cash & Equivalents	256,781	-	-	256,781	256,781
Receivables	2,204,878	-	-	2,204,878	2,204,878
<b>Total</b>	<b>2,461,659</b>	<b>-</b>	<b>-</b>	<b>2,461,659</b>	<b>2,461,659</b>
<b>Financial Liabilities</b>					
Payables	1,706,484	-	-	1,706,484	1,706,484
Current Borrowings	1,148,578	-	-	1,148,578	1,045,818
Non-Current Borrowings	-	410,584	2,376,589	2,787,173	1,790,122
<b>Total</b>	<b>2,855,062</b>	<b>410,584</b>	<b>2,376,589</b>	<b>5,642,235</b>	<b>4,542,424</b>

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

	30 June 2022		30 June 2021	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$	%	\$
Other Variable Rates	2.05	996,400	3.60	538,584
Fixed Interest Rates	4.45	1,790,121	4.47	2,297,356
		<b>2,786,521</b>		<b>2,835,940</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.

#### Risk Exposures

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

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

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

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

# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 14 - COMMITMENTS FOR EXPENDITURE

	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>		
Buildings	55,569	-
Plant & Equipment	10,740	196,279
	<u>66,309</u>	<u>196,279</u>
<b>These expenditures are payable:</b>		
Not later than one year	66,309	196,279
	<u>66,309</u>	<u>196,279</u>
<b>Expenditure Commitments</b>		
Other non-capital expenditure commitments:		
Other Contracts	4,848,348	3,058,440
	<u>4,848,348</u>	<u>3,058,440</u>
<b>These expenditures are payable:</b>		
Not later than one year	1,985,738	1,404,887
Later than one year and not later than 5 years	2,862,610	1,653,553
	<u>4,848,348</u>	<u>3,058,440</u>

# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 15 - FINANCIAL INDICATORS

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.

#### Operating Surplus Ratio

	2022	2021	2020
<u>Operating Surplus</u>	7.0%	4.2%	4.8%
Total Operating Revenue			

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

#### Net Financial Liabilities Ratio

	2022	2021	2020
<u>Net Financial Liabilities</u>	29%	24%	31%
Total Operating Revenue			

*Net Financial Liabilities are defined as total liabilities less financial assets. These are expressed as a percentage of total operating revenue.*

#### Adjustments to Ratios

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

<b>Adjusted Operating Surplus Ratio</b>	4.0%	4.0%	5.0%
<b>Adjusted Net Financial Liabilities Ratio</b>	39%	30%	37%

#### Asset Renewal Funding Ratio

	2022	2021	2020
<u>Net Asset Renewals</u>	111%	78%	41%
Infrastructure & Asset Management Plan required expenditure			

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

# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 16 - UNIFORM PRESENTATION OF FINANCES

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.

All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.

The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances

	2022 \$	2021 \$
Income	15,022,796	14,259,851
less Expenses	<u>13,968,690</u>	<u>13,656,944</u>
<b>Operating Surplus / (Deficit)</b>	<b>1,054,106</b>	<b>602,907</b>
<b>less Net Outlays on Existing Assets</b>		
Capital Expenditure on renewal and replacement of Existing Assets	3,875,502	2,141,883
Depreciation, Amortisation and Impairment	(3,196,571)	(2,910,953)
Proceeds from Sale of Replaced Assets	<u>(70,091)</u>	<u>(124,099)</u>
	<b>608,840</b>	<b>(893,169)</b>
<b>less Net Outlays on New and Upgraded Assets</b>		
Capital Expenditure on New and Upgraded Assets	1,973,646	2,997,314
Amounts received specifically for New and Upgraded Assets	<u>(1,485,281)</u>	<u>(1,400,653)</u>
	<b>488,365</b>	<b>1,596,661</b>
<b>Net Lending / (Borrowing) for Financial Year</b>	<b><u>(43,099)</u></b>	<b><u>(100,585)</u></b>

# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 17 - 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 Marketlink and/or Salarylink. All other employees (including casuals) have all contributions allocated to Marketlink.

#### **Marketlink (Accumulation Fund) Members**

Marketlink receives both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of employee earnings in accordance with superannuation guarantee legislation (10% 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) 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 of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Scheme'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 Plan 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 Willie 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.

# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 18 - INTERESTS IN OTHER ENTITIES

#### Joint Operations

Section 43 of the Local Government Act 1999, provides that Councils may establish a regional subsidiary to carry out joint projects, functions or activities of the Councils

#### Legatus Group

The Adelaide Plains Council is a member of the Legatus Group, referred to in this report as the "Regional Subsidiary" for the following purposes:

1. Undertake co-ordinating, advocacy and representational roles on behalf of its Constituent Councils at a regional level;
2. Facilitate and co-ordinate activities of local government at a regional level related to community and economic development with the object of achieving improvement for the benefit of the communities of its Constituent Councils;
3. Develop, encourage, promote, foster and maintain consultation and co-operation and to strengthen the representation and status of local government when dealing with other governments, private enterprise and the community;
4. Develop further co-operation between its Constituent Councils for the benefit of the communities of the region;
5. Develop and manage policies which guide the conduct of programs and projects in the region with the objective of securing the best outcomes for the communities of the region;
6. Undertake projects and activities that benefit the region and its communities;
7. Associate, collaborate and work in conjunction with other regional local government bodies for the advancement of matters of common interest.

During the 2020-21 year Council Subsidiary contribution was \$12,249 (\$12,249 in 2019-20).

#### Equity accounted Council Businesses

All equity accounted Council businesses are required to prepare Annual Financial Statements that comply with the SA Local Government Model Financial Statements.

#### Gawler River Floodplain Management Authority (GRFMA)

The GRFMA has been established for the following purposes:

1. To coordinate the construction, operation and maintenance of flood mitigation infrastructure in the Gawler River area (the Floodplain);
2. To raise finance for the purpose of developing, managing and operating and maintaining flood mitigation works within the Floodplain;
3. To provide a forum for the discussion and consideration of topics relating to the Constituent Council's obligations and responsibilities in relation to management of flood mitigation within the Floodplain;
4. To enter into agreements with Constituent Councils for the purpose of managing and developing the Floodplain.

During the 2020-21 year Council contribution to GRFMA was \$42,749 (\$53,709 in 2019-20).

This note is continued on the next page.



# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 18 (cont) - INTERESTS IN OTHER ENTITIES

	2022	2021
	\$	\$
<b>Gawler River Floodplains Management Authority</b>		
Council's respective interests are:		
- interest in the operating result	27.65%	27.65%
- ownership share of equity	26.33%	26.60%
- the proportion of voting power	16.67%	16.67%
<b>Movements in Investment in Joint Operation</b>		
	\$	\$
Opening Balance	5,817,880	5,948,103
Share in Operating Result	(66,040)	(74,840)
Adjustment to Equity Share	(59,054)	(55,383)
<b>Share in Equity of Joint Operation</b>	<b>5,692,786</b>	<b>5,817,880</b>
<b>Summarised financial information of the equity accounted business</b>		
<b>Statement of Financial Position</b>		
Cash and cash equivalents	126,130	169,344
Other current assets	98,664	49,278
Non-current assets	21,959,256	21,689,675
<b>Total assets</b>	<b>22,184,050</b>	<b>21,908,297</b>
Current trade and other payables	61,003	36,567
Borrowings	502,136	-
<b>Total liabilities</b>	<b>563,139</b>	<b>36,567</b>
<b>Net Assets</b>	<b>21,620,911</b>	<b>21,871,730</b>
<b>Statement of Comprehensive Income</b>		
Other income	100	100
Contributions from constituent Councils	261,256	196,235
State Government Grants	70,518	20,000
Interest income	1,132	1,009
<b>Total Income</b>	<b>333,006</b>	<b>217,344</b>
Materials, contracts & other expenses	258,251	177,536
Depreciation, amortisation & impairment	322,298	321,162
Finance costs	3,275	-
<b>Total expenses</b>	<b>583,824</b>	<b>498,698</b>
<b>Total Comprehensive Income</b>	<b>(250,818)</b>	<b>(281,354)</b>

# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 19 - CONTINGENT ASSETS & CONTINGENT LIABILITIES

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

#### 1 LAND UNDER ROADS

As reported elsewhere in these 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 these reports. Land acquired for road purposes during the year is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

#### 2 LEGAL EXPENSES

Council is the planning consent authority for its area under the Development Act 1993 (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. Council had notice of 1 appeal against planning decisions made prior to reporting date.

#### 3 POTENTIAL INSURANCES 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 has insured against all known insurable risks using a range of insurance policies, each of which is subject to a deductible "insurance excess", the amount of which varies according to the class of insurance.

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.

# ADELAIDE PLAINS COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

### Note 20 - RELATED PARTY DISCLOSURES

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, 19 persons were paid the following total compensation:

Type of compensation	2021 (\$)
Salaries, allowances & other short term benefits	1,373,964
Total	1,373,964

Amount payable as direct reimbursement of expenses incurred on behalf of the Adelaide Plains Council have not been included above.

#### Other Related Parties

Adelaide Plains Council is a member of Gawler River Floodplains Management Authority (GRFMA). The Council is represented by two Elected Members as Board Member and Deputy Board member of the GRFMA. In addition, Council's Chief Executive Officer and General Manager - Governance and Executive are the proxy board member of the GRFMA.

During the 2021-22 year Council's contribution to GRFMA was \$59,363.

Council contains some key management personnel that have relationships with parties that the Council may transact with on a regular basis. Relationships includes, Two Wells Community Centre, Mallala Football Club and Two Wells Melodrama Group inc.

The nature of these organisation's activities with Council typically include lease of property from the Council: they may also be the recipient of hire income from the Council.

Key management personnel and their close family members may either have an employment relationship or committee role with these organisations and/or access their services. All matters when addressed by the key management personnel are covered by Council's conflict of interest policies & procedures.

# Galpins

Accountants, Auditors & Business Consultants

## 2021/22 Audit Completion Report

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## EXECUTIVE SUMMARY

### To the members of the audit committee of Adelaide Plains 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
Corrected Adjustments	Section 4
Immaterial Uncorrected Misstatements	Section 5
Final Management Letter	Section 6
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: 26 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	Note 1
Final financial report after considerations from the audit committee	Management	Note 1
Signed certification of financial statements	Management	Note 1
Signed management representation letter	Management	Note 1
Final Independent Auditor's Report on the Internal Controls	Audit	Note 2
Final Independent Auditor's Report on the Financial Report	Audit	Note 2

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	H	M	L	BP
Purch Procurement/Contracting	7	5	6	-	2	-	-
Fixed Assets	8	8	6	-	-	-	-
General Ledger	8	7	5	-	1	-	-
Accounts Payable	8	7	7	-	1	-	-
Rates / Rates Rebates	8	7	7	-	-	-	1
Payroll	11	11	10	-	-	-	-
Banking	5	5	5	-	-	-	-
Credit Cards	5	5	4	-	-	-	-
Debtors	3	3	3	-	-	-	-
Receipting	2	2	2	-	-	-	-
<b>Total</b>	<b>65</b>	<b>61</b>	<b>55</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>1</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 (61 out of 65 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 in June 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.

## 4. Corrected Adjustments

Adjustment 1 – Reclassification of buildings items included in the open space register					
D/C	Account at FS level	Assets  Increase/ (decrease) \$'000	Liabilities  (Increase)/ decrease \$'000	Surplus/Deficit  (Increase)/ decrease \$'000	Other Comprehensive Income (Increase)/ decrease) \$'000
D	IPPE – Buildings	99	-	-	-
C	IPPE – Open Space	(99)	-	-	-
<b>Description:</b> Reclassification of buildings items included in the open space register.					

Adjustment 2 – Open space contributions recognised as a liability					
D/C	Account at FS level	Assets  Increase/ (decrease) \$'000	Liabilities  (Increase)/ decrease \$'000	Surplus/Deficit  (Increase)/ decrease \$'000	Other Comprehensive Income (Increase)/ decrease) \$'000
D	Trade and other payables	-	-	364	-
C	Accumulated surplus	-	-	-	(364)
<p><b>Description:</b></p> <p>The financial report is prepared in compliance with section 127 of the <i>Local Government Act 1999</i>, in accordance with relevant Australian Accounting Standards and in accordance with the requirements set out in the <b>Model Financial Statements</b> (as required by the <i>Local Government (Financial Management) Regulations 1999</i>).</p> <p>The 2022 Model Financial Statements in its page 116 provides that ‘<i>developer contributions, such as parking, open space or Urban Tree Fund <b>cannot give rise to a liability</b> because no amount is owed to any party external to Council arising from the receipt of the contribution. Certainly, Council has an obligation to expend monies for the purpose for which they were contributed, but a liability can only arise after Council determines on a specific project and lets contracts for its execution</i>’.</p> <p>‘Contributions that are related to services rendered by the Council to the contributor should be classified as reimbursements. Developer contributions received should be classified as grants and contributions specifically for new/upgraded assets’.</p>					

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## 5. Immaterial Uncorrected Misstatements

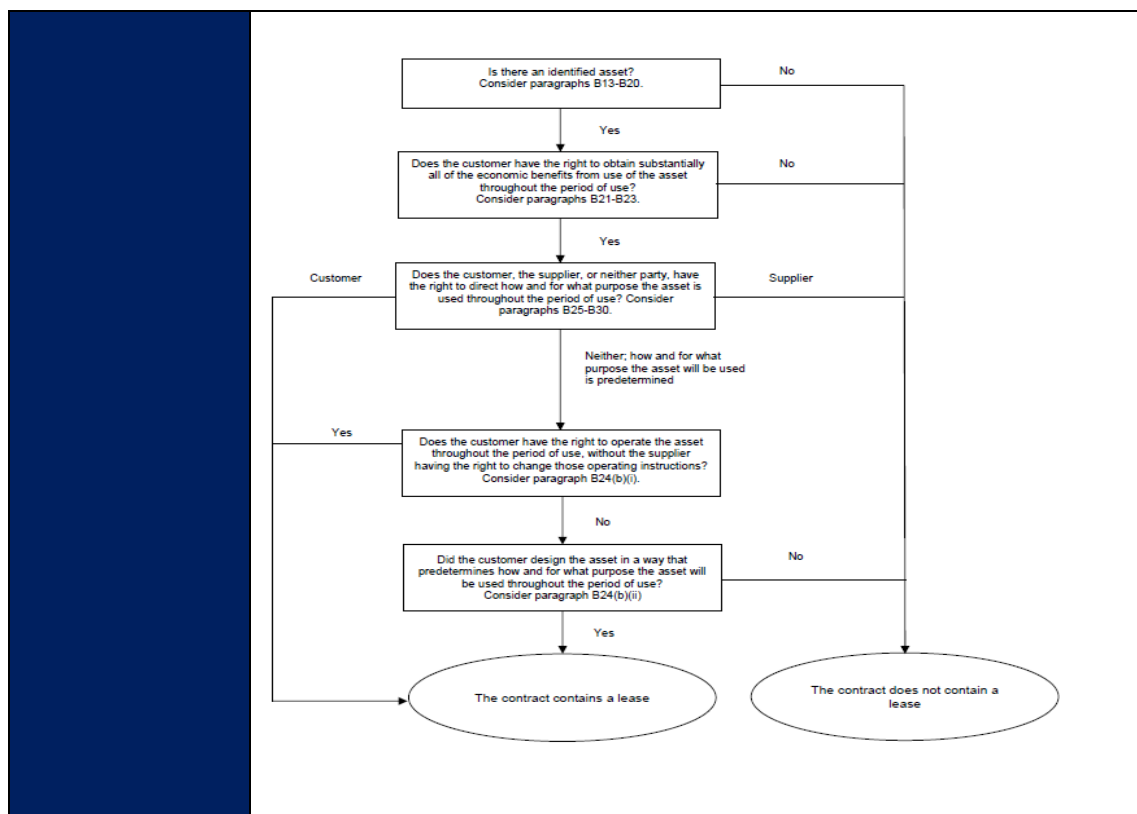
There are no immaterial uncorrected misstatements to be reported.

## 6. Final Management Letter

We have identified the following additional performance improvement observations when performing our substantive procedures during our final audit:

		Risk																																													
<b>6.1. Agreements requiring further assessment for application of AASB 16</b>		<b>Moderate</b>																																													
<b>Finding</b>	<p>AASB 16 - Leases, with effective date of 1 January 2019, brought changes to the way local government entities report leases.</p> <p>AASB 16 – Leases eliminated the distinction between operating and finance leases. The accounting treatment is based on the ‘right-of-use’ of an asset rather than ‘risks and rewards’ incidental to the ownership. The standard requires entities to recognise a right-of-use asset and a lease liability in the Statement of Financial Position related to its current lease agreements.</p> <p>Council has not recognised any right-of-use asset in its statement of financial position, as management is of the view that all the current lease agreements relate to low value items (items with a value below the threshold determined by the Asset Accounting Policy - currently \$10,000).</p> <p>Audit identified some items in the lease agreement register that may require further assessment from management to conclude whether they relate to low value items and whether these agreements contain a lease. These items are described in the table below:</p> <table border="1"> <thead> <tr> <th>CM reference</th><th>Description</th><th>Remaining lease liability</th></tr> </thead> <tbody> <tr> <td>D20/46628</td><td>14 x virtual &amp; physical servers in Datacentre</td><td>\$181,319.11</td></tr> <tr> <td>D19/45476</td><td>Computers 2022 Refresh</td><td>\$122,355.36</td></tr> <tr> <td>D19/36973</td><td>Network equipment</td><td>\$100,260.00</td></tr> <tr> <td>CON17/237</td><td>Landlines account</td><td>\$45,913.20</td></tr> <tr> <td>D20/46628</td><td>Civica Software Fees</td><td>\$45,860.22</td></tr> <tr> <td>D20/46628</td><td>Data landlines (3 x Cisco routers)</td><td>\$44,750.97</td></tr> <tr> <td>D20/39931</td><td>Server hosting</td><td>\$36,960.00</td></tr> <tr> <td>CON20/965</td><td>Telstra mobile phones</td><td>\$32,173.32</td></tr> <tr> <td>D20/39471</td><td>Multifunction printers</td><td>\$28,170.87</td></tr> <tr> <td>D22/980</td><td>Crowdstrike EDR</td><td>\$17,262.50</td></tr> <tr> <td>D22/978</td><td>Blue Revu software</td><td>\$16,720.00</td></tr> <tr> <td>D21/34278</td><td>Enterprise Ethernet NBN</td><td>\$13,869.17</td></tr> <tr> <td>D20/28888</td><td>ElementTime licence</td><td>\$12,936.00</td></tr> <tr> <td>D21/34185</td><td>Adobe Software</td><td>\$12,260.75</td></tr> </tbody> </table>		CM reference	Description	Remaining lease liability	D20/46628	14 x virtual & physical servers in Datacentre	\$181,319.11	D19/45476	Computers 2022 Refresh	\$122,355.36	D19/36973	Network equipment	\$100,260.00	CON17/237	Landlines account	\$45,913.20	D20/46628	Civica Software Fees	\$45,860.22	D20/46628	Data landlines (3 x Cisco routers)	\$44,750.97	D20/39931	Server hosting	\$36,960.00	CON20/965	Telstra mobile phones	\$32,173.32	D20/39471	Multifunction printers	\$28,170.87	D22/980	Crowdstrike EDR	\$17,262.50	D22/978	Blue Revu software	\$16,720.00	D21/34278	Enterprise Ethernet NBN	\$13,869.17	D20/28888	ElementTime licence	\$12,936.00	D21/34185	Adobe Software	\$12,260.75
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<b>Risk</b>	Risk of misstatements in the financial report.																																														
<b>Recommendation</b>	Audit recommends that management further assesses the agreements listed in the table above, with a view to identifying individual items greater than the \$10,000 threshold and, for items valued greater than this threshold, following the decision chart within AASB 16 (Appendix B para. B31) to determine whether the agreement is, or contains, a lease.																																														





		Risk
<b>6.2. Capital work completion is confirmed verbally</b>		<b>Moderate</b>
Finding	Capital work completion is confirmed verbally. There is no formal documentation such as an asset completion form signed and dated by project manager to substantiate that a capital work in progress project is ready to be capitalised and recorded as a depreciable capital asset in the asset registers to allow council to start recording depreciation expenses.	
Risk	Risk of errors in the classification of work in progress and capital asset, consequently, risk of the financial statements being misstated.	
Recommendation	Management to consider adopting an asset completion form to keep a record for capital work completion.	

		Risk
<b>6.3. Employees with excessive annual leave balances</b>		<b>Low</b>
Finding	Audit identified 16 employees (14 employees in 2021) with annual leave balances in excess of 300 hours.	
Risk	Leave balances exceeding the allowable balances under the relevant EB. Staff not taking leave may lead to health safety and welfare issues.	
Recommendation	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.

## 7. Contact Details



**Tim Muhlhausler** CA, B Comm, Grad Dip. (ICAA),  
Registered Company Auditor, MIIA (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 Plains Council

#### Opinion

We have audited the accompanying financial report of Adelaide Plains 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 Plains 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 Plains Council

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

#### Opinion

We have audited the compliance of Adelaide Plains 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 Plains 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.



## ADELAIDE PLAINS 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 Plains 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



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

Date: 26 October 2022

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