

NOTICE OF COUNCIL MEETING

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

Audit Committee Meeting of the



will be held in

**Council Chamber
Redbanks Road
Mallala**

on

Monday 13 November 2023 at 4.05 pm

A handwritten signature in black ink, appearing to read "James Miller", is positioned above the printed name.

James Miller
CHIEF EXECUTIVE OFFICER

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1 ACKNOWLEDGEMENT OF COUNTRY

Council acknowledges that we meet on the traditional country of the Kurna people of the Adelaide Plains and pays respect to elders past, present and emerging. We recognise and respect their cultural heritage, beliefs and relationship with the land and we acknowledge that they are of continuing importance to the Kurna people living today.

2 ATTENDANCE RECORD

3 MINUTES

3.1 Confirmation of Minutes - Audit Committee Meeting - 4 September 2023

“that the minutes of the Audit Committee Meeting held on Monday 4 September 2023 (MB Folios 273 to 278, inclusive), be accepted as read and confirmed.”

MINUTES

of the

Audit Committee Meeting



Held, pursuant to the provisions of the
Local Government Act 1999, in the

**Council Chamber
Redbanks Road
Mallala**

on

Monday 4 September 2023 at 4.30pm

The Chairperson formally declared the meeting open at 4.30pm.

1 ACKNOWLEDGEMENT OF COUNTRY

The Audit Committee of the Adelaide Plains Council acknowledges that we meet on the traditional country of the Kurna people of the Adelaide Plains and pays respect to elders past, present and emerging. We recognise and respect their cultural heritage, beliefs and relationship with the land and we acknowledge that they are of continuing importance to the Kurna people living today.

2 ATTENDANCE RECORD

2.1 Present

Mr Alan Rushbrook (Chairperson)

Mr Peter Fairlie-Jones (Independent Member)

Mayor Mark Wasley

Deputy Mayor Marcus Strudwicke

Councillor Margherita Panella (*by electronic means*)

Also in Attendance

Chief Executive Officer

Mr James Miller

Director, Finance

Mr Rajith Udugampola

Accountant

Ms Carmel Vandermolen

Executive Assistant to the Mayor and Chief Executive Officer

Ms Susan Cook

Governance Administration Officer/Minute Taker

Ms Stacie Shrubsole

3 MINUTES**3.1 CONFIRMATION OF MINUTES – AUDIT COMMITTEE MEETING – 3 JULY 2023****COMMITTEE RESOLUTION 2023/050****Moved: Deputy Mayor Strudwicke****Seconded: Mayor Wasley**

“that the minutes of the Audit Committee Meeting held on Monday 3 April 2023 (MB Folios 265 to 272, inclusive), be accepted as read and confirmed.”

CARRIED**4 BUSINESS ARISING**

At the request of the Chairperson, the Director, Finance provided a verbal update to the Committee in relation to the 2023/2024 Annual Business Plan and Budget adoption process.

5 DECLARATION OF MEMBERS' INTEREST

Nil

6 REPORTS FOR DECISION**6.1 POLICY REVIEW – RATING POLICY****COMMITTEE RESOLUTION 2023/051****Moved: Mayor Wasley****Seconded: Mr Fairlie-Jones**

“that the Audit Committee, having considered Item 6.1 – *Policy Review – Rating Policy*, dated 4 September 2023, receives and notes the report and in doing so recommends to the Council that the updated Rating Policy as presented in Attachment 1 to this report, be adopted.”

CARRIED**6.2 POLICY REVIEW – PROCUREMENT POLICY****COMMITTEE RESOLUTION 2023/052****Moved: Deputy Mayor Strudwicke****Seconded: Mr Fairlie-Jones**

“that the Audit Committee, having considered Item 6.2 – *Policy Review – Procurement Policy*, dated 4 September 2023, receives and notes the report and in doing so recommends to the Council that it:-

- 1. Rescind the current Procurement Policy as presented as Attachment 1 to this Report; and**
- 2. Adopt the proposed Procurement Policy as presented as Attachment 2 to this Report subject to the following amendment: -**

- the inclusion of a requirement that all exemptions approved by the Chief Executive Officer pursuant to Clause 8 of the policy be reported to the Audit Committee on a bi-annual basis.”

CARRIED

6.3 DRAFT FRAUD, CORRUPTION, MISCONDUCT AND MALADMINISTRATION PREVENTION POLICY

COMMITTEE RESOLUTION 2023/053

Moved: Mayor Wasley

Seconded: Deputy Mayor Strudwicke

“that the Audit Committee, having considered Item 6.3 – *Draft Fraud, Corruption, Misconduct and Maladministration Prevention Policy*, dated 4 September 2023, receives and notes the report and in doing so recommends to the Council that the draft Fraud, Corruption, Misconduct and Maladministration Prevention Policy as presented in Attachment 1 to this report, be adopted.”

CARRIED

6.4 DRAFT ANNUAL WORK PROGRAM FOR 2023/2024 FINANCIAL YEAR

COMMITTEE RESOLUTION 2023/54

Moved: Mr Fairlie-Jones

Seconded: Councillor Panella

“that the Audit Committee, having considered Item 6.4 – *Draft Annual Work Program for 2023/2024 Financial Year*, dated 4 September 2023, receives and notes the report and in doing so adopts Draft 2023/2024 Audit Committee Work Program and instructs the Chief Executive Officer to bring back a report to the next meeting of the Audit Committee setting out timeframes and priorities.”

CARRIED

6.5 APPOINTMENT OF EXTERNAL AUDITORS FOR 2023/2024 FINANCIAL YEAR AUDIT

COMMITTEE RESOLUTION 2023/055

Moved: Deputy Mayor Strudwicke

Seconded: Mayor Wasley

“that the Audit Committee, having considered Item 6.5 – *Appointment of External Auditors for 2023/2024 Financial Year Audit*, dated 4 September 2023, receives and notes the report and in doing so recommend to the Council that it authorise the Chief Executive Officer to extend the contract for the provision of audit service with Tim Muhlhausler of Galpins Accountants, Auditors & Business Consultants by one (1) year to include audit of 2023/2024 Financial Year.”

CARRIED

7 REPORTS FOR INFORMATION**7.1 COMMITTEE RESOLUTIONS****COMMITTEE RESOLUTION 2023/056**

Moved: Mayor Wasley

Seconded: Councillor Panella

“that the Audit Committee, having considered Item 7.1 – *Committee Resolutions*, dated 4 September 2023, receives and notes the report.”

CARRIED

7.2 ACCOUNTING TREATMENT OF THE LAND PURCHASED IN TWO WELLS**COMMITTEE RESOLUTION 2023/057**

Moved: Mr Fairlie-Jones

Seconded: Deputy Mayor Strudwicke

“that the Audit Committee, having considered Item 7.2 – *Accounting Treatment of the Land Purchased in Two Wells*, dated 4 September 2023, receives and notes the report.”

CARRIED

7.3 CHIEF EXECUTIVE OFFICER CREDIT CARD EXPENSES FOR THE PERIOD 1 JANUARY 2023 TO 30 JUNE 2023**COMMITTEE RESOLUTION 2023/058**

Moved: Mayor Wasley

Seconded: Mr Fairlie-Jones

“that the Audit Committee, having considered Item 7.3 – *Chief Executive Officer Credit Card Expenses for the period 1 January 2023 to 30 June 2023*, dated 4 September 2023, receives and notes the report.”

CARRIED

7.4 LEAVE LIABILITY AS AT 30 JUNE 2023**COMMITTEE RESOLUTION 2023/059**

Moved: Mr Fairlie-Jones

Seconded: Deputy Mayor Strudwicke

“that the Audit Committee, having considered Item 7.4 – *Leave Liability as at 30 June 2023*, dated 4 September 2023, receives and notes the report.”

CARRIED

7.5 REVIEW OF COUNCIL INVESTMENT AND BORROWINGS 2022-2023

COMMITTEE RESOLUTION 2023/060

Moved: Deputy Mayor Strudwicke

Seconded: Mayor Wasley

“that the Audit Committee, having considered Item 7.5 – Review of Council Investment and Borrowings 2022-2023, dated 4 September 2023, receives and notes the report.”

CARRIED

7.6 OVERDUE COUNCIL RATES AS AT 30 JUNE 2023

COMMITTEE RESOLUTION 2023/061

Moved: Mayor Wasley

Seconded: Councillor Panella

“that the Audit Committee, having considered Item 7.6 – Overdue Council Rates as at 30 June 2023, dated 4 September 2023, receives and notes the report.”

CARRIED

8 QUESTIONS WITHOUT NOTICE

Nil

9 MOTIONS WITHOUT NOTICE

Nil

10 URGENT BUSINESS

Nil

11 NEXT MEETING

Monday 16 October 2023 at 4.00pm.

12 CLOSURE

There being no further business, the Chairperson declared the meeting closed at 6.09pm.

Confirmed as a true record.

Chairperson:.....

Date: ___/___/___

3.2 Confirmation of Minutes - Special Audit Committee Meeting - 16 October 2023

“that the minutes of the Audit Committee Meeting held on Monday 16 October 2023 (MB Folio 279), be accepted as read and confirmed.”

Subject to Confirmation

MINUTES

of the

Special Audit Committee Meeting



As the number of apologies received by the Chief Executive Officer indicated that a quorum would not be present at the meeting, and in accordance with Regulation 7(2) of the *Local Government (Procedures at Meetings) Regulations 2013*, the Chief Executive Officer adjourned the meeting to 4.00pm on Monday 13 November 2023.

James Miller
CHIEF EXECUTIVE OFFICER

Monday 16 October 2023

4 BUSINESS ARISING

5 DECLARATION OF MEMBERS' INTEREST

6 REPORTS FOR DECISION





6.1 DRAFT AUDITED FINANCIAL STATEMENTS 2022-2023

Record Number: D23/45471

Author: Director Finance

Authoriser: Chief Executive Officer

Attachments:

1. Draft Management Representation Letter 2022/2023 [↓](#) 
2. Draft Audited Financial Statement 2022/2023 [↓](#) 
3. 2022/2023 Audit Completion Report issued by the Auditor [↓](#) 
4. Statement by Auditor on independence [↓](#) 

EXECUTIVE SUMMARY

- The purpose of this report is to provide Audit Committee Members with the draft audited 2022/2023 Financial Statement (**Attachment 2**) for comment and consideration before it is considered for adoption by the Council at the Ordinary Council meeting to be held on 27 November 2023.
- Adelaide Plains Council has completed 2022/2023 Financial Year with an operating deficit of \$0.986m, which is a reduction of \$2.040m against the operating surplus of \$1.054m reported in the 2022/2023 Financial Year primarily due to combined impacts of;
 - Increase in rate revenue by \$0.988m;
 - Increase in employee costs by \$0.831m;
 - Increase in materials, contracts and other expenses by \$1.461m;
 - Increase in depreciation by \$0.550m; and
 - Increase in interest expenses by \$0.255m.
- Detailed analysis of the reasons for reduction performance is given under **Table 2**.
- Total outstanding loan balance has increased from \$2.787m at 30 June 2022 to \$9.715m at 30 June 2023.
- Overdue Council rates have decreased by \$0.174m from \$0.922m at 30 June 2022 to \$1.096m at 30 June 2023.
- Council's external Auditor, Mr Tim Muhlhausler of Galpins Accountants, Auditors & Business Consultants (the Auditor), has completed the audit of the 2022/2023 Financial Statements and has issued 2022/2023 Audit Completion Report (**Attachment 3**) 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 3**) for 2022/2023 Financial Year. They are:
 - Capital work completion is confirmed verbally;
 - Incorrect accrual of LSL hours for an employee; and
 - Employees with excessive annual leave balances.

RECOMMENDATION 1

“that the Audit Committee, having considered Item 6.1 – *Draft Audited Financial Statements 2022-2023*, dated 13 November 2023, receives and notes the report and in doing so, receives and notes the Annual Financial Statements and notes forming part of the Annual Financial statements for the 2022/2023 Financial Year”

RECOMMENDATION 2

“that the Audit Committee, having considered Item 6.1 – *Draft Audited Financial Statements 2022-2023*, dated 13 November 2023, receives and notes the report and in doing so, acknowledges that it has reviewed the Annual Financial Statements for the year ended 30 June 2023 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 to the

RECOMMENDATION 3

“that the Audit Committee, having considered Item 6.1 – *Draft Audited Financial Statements 2022-2023*, dated 13 November 2023, receives and notes the report and in doing so, authorises its Chairman to sign the Certification of Auditor Independence.”

RECOMMENDATION 4

“that the Audit Committee, having considered Item 6.1 – *Draft Audited Financial Statements 2022-2023*, dated 13 November 2023, receives and notes the report and in doing so, 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 2022/2023 Financial Year..”

BUDGET IMPACT

Estimated Cost:	Not applicable
Future ongoing operating costs:	Not applicable
Is this Budgeted?	Not applicable

RISK ASSESSMENT

Nil

DETAILED REPORT

Purpose

The purpose of this report is to present the draft 2022/2023 Audited Annual Financial Statements to the Audit Committee for comment and consideration in accordance with the Section 126 (4) of the *Local Government Act 1999* (the Act).

Background

The 2022/2023 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'.

Discussion

Management can confirm that to the best of their knowledge, the 2022/2023 Financial Statements represent a true and fair view of the state of affairs of the Council as at 30 June 2023 and accordingly will be issuing a Management Representation Letter (Please refer to **Attachment 1**) as part of the audit of 2022/2023 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 2**, which comprises;

- i. the Statement of Comprehensive Income for the year ending 30 June 2023;
- ii. the Statement of Financial Position as at 30 June 2023;
- iii. the Statement of Changes in Equity as at 30 June 2023;
- iv. the Statement of Cash Flows for the year ending 30 June 2023; and
- v. notes to the financial statements,

Accordingly, the Auditor has indicated in his Proposed Independent Auditor's Report on the Financial Report (**Attachment 3 – Appendix 1**) that in his opinion "*.....financial report presents fairly, in all material respects, the financial position of the Council as at 30 June 2023, 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 2023

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 2022 to 30 June 2023*".

Proposed Independent Auditor's Report on the Internal Controls for 2023 is contained in **Attachment 3 – Appendix 2**.

Final Management Letter

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

- Capital work completion is confirmed verbally;
- Incorrect accrual of LSL hours for an employee; and
- Employees with excessive annual leave balances.

Please refer to the **Attachment 3** 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 capital works completion and plan to roll out a review/procedure in 2023/2024 Financial Year.

Incorrect LSL hours has been accrued in the payroll system due to a system error. Council management is aware of this error and currently working with the software provider (Civica) to fix the issue.

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 2024. As of 26 October, Council still has 15 employees with more than 300 of annual leave hours.

Auditor's Independence Declaration

As declared by the Auditor (**Attachment 4**), 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 2022/2023 Financial Year other than the fee for the audit of Council's annual financial statements.

Statement of Comprehensive Income

In 2022/2023 Financial Year, the Council is reporting an operating deficit of \$0.987m against an operating surplus of \$1.054m made in 2022/2023 Financial Year. Please refer to **Table 1** below for the comparison of Statement of Comprehensive Income.

Table 1: Statement of Comprehensive Income

Description	2022/2023	2021/2022	Variance	
	Actual	Actual	Favourable/ (Unfav.)	
	\$	\$	\$	%
INCOME				
Rates	12,194,544	11,206,407	988,137	9
Statutory charges	567,060	525,371	41,689	8
User charges	214,732	240,693	(25,963)	(11)
Grants, subsidies and contributions	2,892,745	2,836,596	56,149	2
Investment income	4,296	992	3,304	333
Reimbursements & Other Income	242,397	212,737	29,660	14
Total Income	16,115,774	15,022,796	1,092,976	7
EXPENSES				
Employee costs	6,496,997	5,665,785	(831,213)	(15)
Materials, contracts & other expenses	6,395,517	4,934,658	(1,460,859)	(30)
Depreciation, amortisation & impairment	3,746,404	3,196,571	(549,833)	(17)
Finance costs	360,317	105,636	(254,681)	(241)
Net loss - equity accounted Council businesses	103,039	66,040	(36,999)	(56)
Total Expenses	17,102,273	13,968,690	(3,133,583)	(22)
OPERATING SURPLUS / (DEFICIT)	(986,499)	1,054,106	(2,040,607)	(194)
Asset disposal & fair value adjustments	(542,773)	(394,064)	(148,709)	38
Amounts received specifically for new/upgraded assets	500,998	755,462	(254,464)	(34)
Physical resources received free of charge	3,734,116	4,674,028	(939,912)	(20)
NET SURPLUS / (DEFICIT)	2,705,842	6,089,532	(3,383,694)	(56)
Other Comprehensive Income				
Changes in revaluation surplus	15,789,217	2,817,240	12,971,977	460
Share of other comprehensive income	(49,014)	(59,054)	10,040	17
Total Other Comprehensive Income	15,740,203	2,758,186	12,982,017	471
TOTAL COMPREHENSIVE INCOME	18,446,045	8,847,718	9,598,322	108

The reasons for major variances in 2022/2023 actual income and expenses against that of 2021/2022 are explained below.

Table 2: Statement of Comprehensive Income

Description	2022/2023	2021/2022	Variance	
	Actual	Actual	Favourable/ (Unfav.)	
	\$	\$	\$	%
Rates	12,194,544	11,206,407	988,137	9
Average existing rate increase in 22/23 was 6.22%.			727,409	

Growth in number of rateable properties in 22/23 was 2.60% (146 new properties) which resulted in an additional general rates income of \$178,776.			178,776	
Income from Kerbside Waste collection service charge has increased due to combined impact of increase in service charge from \$167 in 21/22 to \$172 in 22/23 and increase in number of services.			43,852	
Fines and interest on overdue Council rates has been increased compared to the previous year by \$13,274.			13,274	
Income from CWMS service charge has increased due to increase in annual service charge by 5% and 3% for Mallala and Middle Beach services respectively.			12,061	
Statutory Charges	567,060	525,371	41,689	8
Number of dog registrations have increased by 257 in 22/23 to 5,312 registrations. In addition, active breeder registration has increased by 13 to 274. These increases in registrations have resulted in an increase of income from dog related registrations compared to the previous year.			19,597	
Income from development applications has increased by \$5,443 despite a reduction in the number of applications being processed from 578 in 21/22 to 538 in 22/23. This is mainly due to the value of the development approvals remained unchanged at \$91m in 22/23.			5,443	
A total of 206 wastewater applications were approved in the 22/23 financial year, which was 23% increase from the 167 approvals processed in 21/22 resulting an increase of income from wastewater approvals			5,381	
Income from fines/infringements (Animal, Environmental Health, Nuisance & Litter, Planning & Development, Parking) have increased over the previous year.			11,163	
User Charges	214,732	240,693	(25,963)	(11)
Income from leasing premises to NBN Co for the period 10/02/2020 to 15/09/2022 was received in 2021/2022 Financial Year.			(11,978)	
Grants, Subsidies and Contributions	2,892,745	2,836,596	56,149	2
22/23 Financial Assistance Grant allocated to the Council is higher than 21/22			164,747	
100% of the 23/24 Financial Assistance Grant (FAG) was paid in advance in June 2023 whereas only 75% was paid as advance in 21/22 Financial Year.			96,148	
Council received grant income of \$139,400 for coastal protection in 21/22. No such income in 22/23			(139,400)	
Council received a grant for a 'Breeder and Compliance' program in 21/22. No such grant in 22/23			(60,000)	
Investment Income	4,296	992	3,304	333
Reimbursements & Other Income	242,397	212,737	29,660	14
Reimbursement received in 22/23 from the private businesses towards roads maintenance. Offset by increase in seal road maintenance under material, contract and other expenses			55,000	
Special distribution from LGA Workers Compensation Scheme and bonus distribution from LGFA on Council's deposits and loans with LGFA is higher than prior year			7,528	

Reimbursement from Mallala Museum for funds spent over & above the annual budget allocation in 21/22 (for the Transport Gallery project)			(11,722)	
Total Income	16,115,774	15,022,796	1,092,976	7
Employee Costs	6,496,998	5,665,785	(831,213)	(15)
As part of EBA, staff salary was increased by 2.25% (inside staff) and 2.50% (outside staff) in 22/23. In addition, number of vacant positions that existed in 21/22 was filled in 22/23 resulting increase in staff numbers from 63 FTEs on 30/6/2022 to 65 FTEs on 30/06/2023. Further, Superannuation Guarantee payable for employees with Market link fund increased from 10% in 21/22 to 10.50% in 22/23.			(831,213)	
Materials, Contracts and Other Expenses	6,395,517	4,934,658	(1,460,859)	(30)
Council spent \$850,963 on new operating projects in 22/23 whereas operating project expenditure in 21/22 was \$222,129.			(628,834)	
Consultancy expenses in relation to planning (to cover short-term staff vacancies), surveying, asbestos management (in relation to a Council's leased property) and the administration of Council's assets register has been higher than previous year.			(122,226)	
Diesel cost in 22/23 has been higher than 21/22 mainly due to increase in market prices (average cost increased from 144 cents per litre to 174 cents). Total diesel usage also increased from 191,000 litres in 21/22 to 220,000 litres in 22/23			(105,062)	
Seal road maintenance costs has increased compared to previous year (partially offset by reimbursements from private businesses)			(99,223)	
Due to an unexpected major plant repairs and mechanic not on site (as a result of a vacancy), the costs of maintaining depot plants have been increased.			(91,617)	
\$51,480 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)			(51,480)	
Cost of insurance for policies such as property, motor, crime protection and machinery breakdown & computer equipment have increased mainly due to increase in value of insurance cover			(42,678)	
Cost of electricity has gone up due to increase in market rates (Council had a long-term electricity contract that expired on 31 December 2022 and was operated under a 6-month agreement to 30 June 2023 pending the finalisation of new long-term contract.			(36,209)	
Legal expenses have increased compared to prior year mainly due to increase in number of property and employment related advices obtained in the 22/23 financial year.			(33,337)	
Funds distributed to various community groups from Two Wells Community fund has been higher than previous year.			(32,083)	
Cost of income protection insurance cover has increased due to increase in salary and wages associated with staff members covered under the income protection cover			(18,861)	

Council's contribution to ePlanning Portal under <i>Planning, Development, and Infrastructure Act 2016</i> in 21/22 was \$6,200 (Year 1 part payment). However, due to full year contribution, this was increased to \$19,000 in 22/23			(12,800)	
New cybercrime Insurance cover commenced in the 22/23 financial year			(11,512)	
Council paid \$10,000 to Essential Services Commission of South Australia for the Local Government Advice - Year 1 payment			(10,000)	
Depreciation, Amortisation and Impairment	3,746,404	3,196,571	(549,833)	(17)
In 21/22 \$8.609m of new/upgraded and donated assets were added with the date of addition being 30/06/2022 (i.e., no depreciation in 21/22). Full year depreciation of those assets is accounted for in 22/23 resulting significant increase in depreciation expense. Further, there was a significant increase in assets values of transport infrastructure and stormwater drainage assets due to indexation of assets as of 1 July 2022 resulting higher depreciation for 22/23.				
Finance Costs	360,317	105,636	(254,681)	(241)
Interest paid on short-term cash advance (CAD) facilities from LGFA has been higher compared to prior year due to new CAD borrowings made in 22/23 to finance Crown Land purchase in Two Wells and capital programs delivered under Local Government Infrastructure Partnership Programme				
Net Loss - Equity Accounted Council Business	103,039	66,040	(36,999)	(56)
Gawler River Floodplain Management Authority (GRFMA) made a 'Total Comprehensive Income' of negative \$394,737 in 22/23 compared to that of negative \$250,818 in 21/22.				
Total Expenses	17,102,273	13,968,690	(3,133,583)	(22)

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 2023	30 June 2022	Variance	
	Actual	Actual	Favourable/ (Unfav.)	
	\$	\$	\$	%
ASSETS				
Current Assets				
Cash and cash equivalents	170,414	215,791	(45,377)	(21)
Trade & other receivables	1,634,901	1,469,508	165,393	11
Inventories	180,807	779,431	(598,624)	(77)
Total Current Assets	1,986,122	2,464,730	(478,608)	(19)
Non-current Assets				
Council Investment in GRFMA	5,540,733	5,692,786	(152,053)	(3)
Infrastructure, property, plant & equipment	156,381,559	130,807,427	21,573,345	16
Other non-current assets	1,518,524	941,431	577,093	61

Total Non-current Assets	163,440,816	137,441,644	25,999,172	19
Total Assets	165,426,938	139,906,374	25,520,564	18

LIABILITIES**Current Liabilities**

Trade & other payables	1,625,753	1,652,373	(26,620)	(2)
Borrowings	24,287	23,241	1,046	5
Provisions	1,443,490	1,327,943	115,547	9
Total Current Liabilities	3,093,530	3,003,557	89,973	3

Non-current Liabilities

Borrowings	9,690,235	2,763,280	(6,926,955)	(251)
Provisions	334,921	277,330	(57,591)	(21)
Total Non-current Liabilities	10,025,156	3,040,610	(6,984,546)	(230)
Total Liabilities	13,118,686	6,044,167	(7,074,519)	(117)
NET ASSETS	152,308,252	133,862,207	(18,446,045)	(14)

EQUITY

Accumulated Surplus	52,042,081	49,336,239	(2,705,842)	(5)
Asset Revaluation Reserves	98,199,253	82,410,036	(15,789,217)	(19)
Other Reserves	2,066,918	2,115,932	49,014	2
TOTAL EQUITY	152,308,252	133,862,207	(18,446,045)	(14)

Total Assets

Council's total asset base has increased from \$140m at 30/06/2022 to \$165m at 30/06/2023, an increase of \$25m due to the combined impact of: -

- a) Land purchased by the Council from the State Government in Two Wells;
- b) Reduction in rubble stock as at 30 June 2023 by \$0.599m;
- c) New assets of \$3.734m donated to the Council;
- d) \$6.698m spent on assets renewal and new/upgraded assets in 2022/2023;
- e) Depreciation expense of \$3.746m recorded in the 2022/2023 Financial Year; and
- f) The impact of the revaluation of fixed assets on 1 July 2022 being \$15.789m.

Total Liabilities

Council's total liabilities have increased from \$6.044m on 30/06/2022 to \$13.119m at 30/06/2023, an increase of \$7.075m, mainly due to combined impact of:

- a) Reduction in Council's long-term debts by \$0.023m;
- b) Increase in Council's short-term borrowings by \$6.951m;
- c) Reduction in trade creditors by \$0.026m; and

d) Increase in provisions by \$0.173m due to financial liability associated with increase in unused staff leave hours.

Financial Indicators

Following tables shows Council's audited financial indicators for 2022/2023 Financial Year and previous four (4) financial Years.

Table 4: Financial Indicators

Financial Ratio	22/23	21/22	20/21	19/20	18/19
Operating Surplus/(Deficit) - \$'000	0.986	1.054	0.603	0.651	0.134
Operating Surplus Ratio - %	(6.1)	7.0	4.2	4.80	1.10
Adjusted Operating Surplus/(Deficit) - \$'000	1.585	0.551	0.600	0.621	(0.143)
Adjusted Operating Surplus Ratio - %	(10.0)	4.00	4.00	5.00	(1.00)
Net Financial Liabilities Ratio - %	70	29	24	31	38
Adjusted Net Financial Liabilities Ratio - %	85	39	30	37	47
Asset Renewal Funding Ratio - %	68	113	83	85	41

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 deficit of \$0.986m from its operations in the 2022/2023 Financial Year against an Operating surplus of \$1.054m reported in 2022/2023, a reduction of \$2.040m.

Council's external Auditor, Mr Tim Muhlhausler of Galpins Accountants, Auditors & Business Consultants, has completed the audit of the 2022/2023 Financial Statements and has issued draft audit report with an unqualified audit opinion on the financial statements and internal financial controls of the Council.

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 2023/2024

9 November 2023

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 Adelaide Plains Council (the Council) for the year ended 30 June 2023 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

ADELAIDE PLAINS COUNCIL
General Purpose Financial Reports
for the year ended 30 June 2023

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ADELAIDE PLAINS COUNCIL

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2023

	Notes	2023 \$	2022 \$
INCOME			
Rates	2	12,194,544	11,206,407
Statutory charges	2	567,060	525,371
User charges	2	214,732	240,693
Grants, subsidies and contributions - Operating	2	2,629,381	2,573,232
Grants, subsidies and contributions - Capital	2	263,364	263,364
Investment income	2	4,296	992
Reimbursements	2	110,431	48,090
Other income	2	131,966	164,647
Total Income		16,115,774	15,022,796
EXPENSES			
Employee costs	3	6,496,997	5,665,785
Materials, contracts & other expenses	3	6,395,516	4,934,658
Depreciation, amortisation & impairment	3	3,746,404	3,196,571
Finance costs	3	360,317	105,636
Net loss - equity accounted Council businesses	18	103,039	66,040
Total Expenses		17,102,273	13,968,690
OPERATING SURPLUS / (DEFICIT)		(986,499)	1,054,106
Asset disposal & fair value adjustments	4	(542,773)	(394,064)
Amounts received specifically for new or upgraded assets	2	500,998	755,462
Physical resources received free of charge	2	3,734,116	4,674,028
NET SURPLUS / (DEFICIT)		2,705,842	6,089,532
transferred to Equity Statement			
Other Comprehensive Income			
Changes in revaluation surplus - infrastructure, property, plant & equipment	9	15,789,217	2,817,240
Share of other comprehensive income - equity accounted Council businesses	18	(49,014)	(59,054)
Total Other Comprehensive Income		15,740,203	2,758,186
TOTAL COMPREHENSIVE INCOME		18,446,045	8,847,718

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

ADELAIDE PLAINS COUNCIL
STATEMENT OF FINANCIAL POSITION
as at 30 June 2023

ASSETS	Notes	2023	2022
		\$	\$
Current Assets			
Cash & cash equivalents	5	170,414	215,791
Trade & other receivables	5	1,634,901	1,469,508
Inventories	5	180,807	779,431
Total Current Assets		<u>1,986,122</u>	<u>2,464,730</u>
Non-current Assets			
Equity accounted investments in Council businesses	6	5,540,733	5,692,786
Infrastructure, property, plant & equipment	7	156,381,559	130,807,427
Other non-current assets	6	1,518,524	941,431
Total Non-current Assets		<u>163,440,816</u>	<u>137,441,644</u>
Total Assets		<u>165,426,938</u>	<u>139,906,374</u>
LIABILITIES			
Current Liabilities			
Trade & other payables	8	1,625,753	1,652,373
Borrowings	8	24,287	23,241
Provisions	8	1,443,490	1,327,943
Total Current Liabilities		<u>3,093,530</u>	<u>3,003,557</u>
Non-current Liabilities			
Borrowings	8	9,690,235	2,763,280
Provisions	8	334,921	277,330
Total Non-current Liabilities		<u>10,025,156</u>	<u>3,040,610</u>
Total Liabilities		<u>13,118,686</u>	<u>6,044,167</u>
NET ASSETS		<u>152,308,252</u>	<u>133,862,207</u>
EQUITY			
Accumulated Surplus		52,042,081	49,336,239
Asset Revaluation Reserves	9	98,199,253	82,410,036
Other Reserves	9	2,066,918	2,115,932
Total Council Equity		<u>152,308,252</u>	<u>133,862,207</u>
TOTAL EQUITY		<u>152,308,252</u>	<u>133,862,207</u>

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 2023

2023	Notes	Accumulated Surplus \$	Asset Revaluation Reserve \$	Other Reserves \$	TOTAL EQUITY \$
Balance at end of previous reporting period		49,336,239	82,410,036	2,115,932	133,862,207
Net Surplus / (Deficit) for Year		2,705,842	-	-	2,705,842
Other Comprehensive Income					
Gain on revaluation of infrastructure, property, plant & equipment		-	15,789,217	-	15,789,217
Share of other comprehensive income - equity accounted Council businesses		-	-	(49,014)	(49,014)
Balance at end of period		52,042,081	98,199,253	2,066,918	152,308,252
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
Other Comprehensive Income					
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)
Balance at end of period		49,336,239	82,410,036	2,115,932	133,862,207

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 2023

	Notes	2023 \$	2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Rates - general & other		12,020,889	11,334,218
Fees & other charges		562,216	515,399
User charges		272,486	183,162
Investment receipts		3,824	948
Grants utilised for operating purposes		2,892,710	2,836,631
Reimbursements		110,431	48,090
Other revenues		131,966	164,647
<u>Payments</u>			
Employee costs		(6,331,536)	(5,482,904)
Materials, contracts & other expenses		(5,948,762)	(5,147,082)
Finance payments		(240,110)	(150,906)
Net Cash provided by (or used in) Operating Activities		3,474,114	4,302,203
 CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		469,577	1,485,281
Sale of replaced assets		358,484	70,091
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(3,132,378)	(3,875,502)
Expenditure on new/upgraded assets		(8,143,175)	(1,973,646)
Net Cash provided by (or used in) Investing Activities		(10,447,492)	(4,293,776)
 CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Receipts</u>			
Proceeds from borrowings		19,983,358	10,068,912
<u>Payments</u>			
Repayments of borrowings		(13,055,357)	(10,118,330)
Net Cash provided by (or used in) Financing Activities		6,928,001	(49,418)
Net Increase (Decrease) in cash held		(45,377)	(40,990)
Cash & cash equivalents at beginning of period	11	215,791	256,781
Cash & cash equivalents at end of period	11	170,414	215,791

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 2023

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 27 November 2023.

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.

1.4 Estimates and assumptions

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.

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 :

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2023

Note 1 (cont) - SIGNIFICANT ACCOUNTING POLICIES

Financial Year	Cash Payment Received	Annual Allocation		Difference
2020/2021	1,467,802	1,462,155	+	5,647
2021/2022	2,204,205	1,545,413	+	658,792
2022/2023	2,466,465	1,654,461	+	812,004

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 2023

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 invoice. No interest is payable on these amounts.

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2023

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 2023****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 accounting standards, amendments to existing standards and UIG Interpretations

Council applied for the first time certain new standards and amendments to existing standards, which are effective for annual periods beginning on or after 1 January 2022. Council has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to Australian Accounting Standards – AASB 2020-3: Annual Improvement 2018-2020 and Other Amendments

Council adopted AASB 2020-3 which makes some small amendments to a number of standards including the following: AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 and AASB 141.

The adoption of the amendment did not have a material impact on the financial statements.

AASB 2020-6: Amendments to Australian Accounting Standards – Classification of Liabilities as Current and Non-Current

AASB 2020-6 defers the effective date for applying the requirements added to AASB 101 in AASB 2020-1 from annual reporting periods beginning on or after 1 January 2022 to annual reporting periods beginning after 1 January 2023, with earlier application permitted.

The adoption of the amendment did not have a material impact on the financial statements.

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 2023

Note 2 - INCOME

	Notes	2023 \$	2022 \$
RATES			
<u>General Rates</u>		10,999,478	10,093,645
Less: Discretionary rebates, remissions & write offs		<u>(106,062)</u>	<u>(101,119)</u>
		10,893,416	9,992,526
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		196,850	192,070
Waste collection		723,416	660,479
Community wastewater management systems		<u>262,452</u>	<u>250,391</u>
		1,182,718	1,102,940
<u>Other Charges</u>			
Penalties for late payment		105,756	92,482
Legal & other costs recovered		<u>22,126</u>	<u>22,946</u>
		127,882	115,428
Less: Discretionary rebates, remissions & write offs		<u>(9,472)</u>	<u>(4,486)</u>
		12,194,544	11,206,407
STATUTORY CHARGES			
Development Act fees		249,513	244,070
Health & Septic Tank Inspection fees		75,042	69,661
Animal registration fees & fines		211,935	193,085
Parking fines / expiation fees		766	444
Other licences, fees, & fines		<u>29,804</u>	<u>18,111</u>
		567,060	525,371
USER CHARGES			
Cemetery/crematoria fees		48,957	37,776
Museum Admission Fees		2,666	2,481
Hall & equipment hire		8,077	20,055
Rubbish/Recycling Collection Fees		76,968	65,794
Sales - general		1,130	1,158
Sundry		<u>76,934</u>	<u>113,429</u>
		214,732	240,693
INVESTMENT INCOME			
Interest on investments			
Local Government Finance Authority		4,296	991
Banks & other		-	1
		<u>4,296</u>	<u>992</u>

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2023

NOTE 2 - INCOME (continued)

	Notes	2023 \$	2022 \$
REIMBURSEMENTS			
- by joint undertakings		44,402	33,960
- other		66,029	14,130
		110,431	48,090
 OTHER INCOME			
Rebates received		103,966	127,785
Sundry		28,000	36,861
		131,966	164,647
 GRANTS, SUBSIDIES AND CONTRIBUTIONS			
Amounts received specifically for new or upgraded assets		500,998	755,462
Other grants, subsidies and contributions			
Untied - Financial Assistance Grant		2,466,465	2,204,205
Local Roads and Community Infrastructure Program		0	-
Roads to Recovery		263,364	263,364
NRM Board		100,961	101,716
Coastal Protection		-	139,400
Library & Communications		33,430	31,366
Mosquito Management		9,066	-
Sundry		19,459	96,545
		2,892,745	2,836,596
		3,393,743	3,592,058
 <i>The functions to which these grants relate are shown in Note 12.</i>			
 Sources of grants			
Commonwealth government		439,057	838,358
State government		2,841,891	2,660,187
Other		112,795	93,513
		3,393,743	3,592,058
 Individually Significant Item			
PHYSICAL RESOURCES RECEIVED FREE OF CHARGE			
Landscaping & Open Space		-	1,405,866
Roads, Bridges & Footpaths		2,446,425	2,631,092
Stormwater Drainage		1,287,691	637,070
TOTAL PHYSICAL RESOURCES RECEIVED		3,734,116	4,674,028

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2023

Note 3 - EXPENSES

	Notes	2023 \$	2022 \$
EMPLOYEE COSTS			
Salaries and Wages		5,305,405	4,714,070
Employee leave expense		835,616	688,034
Superannuation - defined contribution plan contributions	17	551,384	441,524
Superannuation - defined benefit plan contributions	17	43,445	56,177
Workers' Compensation Insurance		273,987	233,843
Less: Capitalised and distributed costs		<u>(512,840)</u>	<u>(467,863)</u>
Total Operating Employee Costs		<u>6,496,997</u>	<u>5,665,785</u>
Total Number of Employees		65	63
<i>(Full time equivalent at end of reporting period)</i>			
MATERIALS, CONTRACTS & OTHER EXPENSES			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		14,500	14,200
Elected members' expenses		144,921	142,931
Election expenses		55,996	-
Operating Lease Rentals - cancellable leases		<u>62,821</u>	<u>51,284</u>
Subtotal - Prescribed Expenses		<u>278,238</u>	<u>208,415</u>
<u>Other Materials, Contracts & Expenses</u>			
Contractors		978,563	846,982
Energy		551,637	407,724
Repairs & Maintenance		433,952	426,210
Parts, accessories & consumables		555,155	364,315
Waste Collection & Disposal		820,026	768,546
Information Technology - Software & Licensing		500,555	521,993
Rubble		132,950	112,910
Contributions & Donations		120,121	18,788
Legal Expenses		120,665	87,328
Levies paid to government - NRM levy		196,863	192,061
- Other Levies		11,377	11,214
Professional services		902,350	393,605
Memberships & Subscriptions		184,358	152,745
Insurance		339,546	273,637
Grading		121,000	100,677
Sundry		1,063,017	925,836
Less: Capitalised and distributed costs		<u>(914,857)</u>	<u>(878,328)</u>
Subtotal - Other Materials, Contracts & Expenses		<u>6,117,278</u>	<u>4,726,244</u>
		<u>6,395,516</u>	<u>4,934,658</u>

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2023

Note 3 - EXPENSES (cont)

	Notes	2023 \$	2022 \$
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Landscaping		67,730	16,695
Buildings & Open Space		676,435	552,362
<u>Infrastructure</u>			
- Roads, Kerbing, Footpath, Bridges & Street Lights		2,141,468	1,945,105
Stormwater Drainage		185,904	150,848
CWMS		173,101	149,077
Plant, Machinery & Equipment		463,012	343,432
Furniture & Equipment		38,754	39,052
		<u>3,746,404</u>	<u>3,196,571</u>
 FINANCE COSTS			
Interest on overdraft and short-term drawdown		280,958	9,290
Interest on Loans		79,359	96,346
		<u>360,317</u>	<u>105,636</u>

Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

	Notes	2023 \$	2022 \$
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT			
<i>Assets renewed or directly replaced</i>			
Proceeds from disposal		358,484	70,091
Less: Carrying amount of assets sold	7	<u>901,257</u>	<u>464,155</u>
NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS		<u>(542,773)</u>	<u>(394,064)</u>

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2023

Note 5 - CURRENT ASSETS

		2023	2022
CASH AND CASH EQUIVALENTS	Notes	\$	\$
Cash on Hand and at Bank		84,369	107,101
Deposits at Call		<u>86,045</u>	<u>108,690</u>
		<u>170,414</u>	<u>215,791</u>
 TRADE & OTHER RECEIVABLES			
Rates - General & Other		1,095,687	922,032
Accrued Revenues		50,885	18,993
Debtors - general		63,142	116,334
GST Recoupment		331,280	359,216
Prepayments		<u>93,907</u>	<u>52,933</u>
		<u>1,634,901</u>	<u>1,469,508</u>
 INVENTORIES			
Stores & Materials		<u>180,807</u>	<u>779,431</u>
		<u>180,807</u>	<u>779,431</u>

Note 6 - NON-CURRENT ASSETS

		2023	2022
	Notes	\$	\$
EQUITY ACCOUNTED INVESTMENTS IN COUNCIL BUSINESSES			
Gawler River Floodplain Management Authority	18	<u>5,540,733</u>	<u>5,692,786</u>
		<u>5,540,733</u>	<u>5,692,786</u>
 OTHER NON-CURRENT ASSETS			
Capital Works-in-Progress		<u>1,518,524</u>	<u>941,431</u>
		<u>1,518,524</u>	<u>941,431</u>

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2023

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	Fair Value Level	2022 \$				2023 \$			
		AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
Land - Community	3	11,964,120	-	-	11,964,120	14,955,150	-	-	14,955,150
Land - Other	2	1,955,598	-	-	1,955,598	2,444,498	4,000,787	-	6,445,285
Landscaping	3	1,127,802	562,101	(650,648)	1,039,255	1,787,748	-	(756,237)	1,031,511
Buildings & Open Space									
Buildings - Other	2	2,462,925	-	(1,541,766)	921,159	2,660,220	-	(1,744,767)	915,453
Open Space	2	31,834	-	(12,276)	19,558	36,428	-	(17,774)	18,654
Buildings - Community	3	12,963,593	888,341	(8,072,724)	5,779,210	14,653,961	107,309	(8,846,355)	5,914,915
Open Space	3	7,105,428	448,442	(3,878,214)	3,675,656	7,773,809	801,739	(4,259,173)	4,316,375
Infrastructure									
- Roads	3	33,042,733	1,786,484	(13,820,171)	21,009,046	33,674,623	2,536,897	(13,720,462)	22,491,058
- Road Pavement	3	63,051,522	892,226	(13,262,935)	50,680,813	68,693,493	1,786,148	(14,254,790)	56,224,851
- Footpath	3	4,548,645	103,399	(670,385)	3,981,659	7,661,547	149,237	(915,117)	6,895,667
- Kerb and Spoon Drain	3	8,765,171	33,155	(1,163,468)	7,634,858	12,311,696	29,664	(1,628,746)	10,712,614
- Pram Ramps	3	361,620	22,964	(33,790)	350,794	403,174	14,888	(44,188)	373,874
- Car Parks	3	49,468	-	(2,472)	46,996	52,333	-	(5,230)	47,103
- Street Lighting	3	44,869	-	(2,242)	42,627	47,468	-	(4,743)	42,724
Bridges	3	5,044,210	-	(2,749,572)	2,294,638	5,312,639	-	(2,948,981)	2,363,658
Stormwater Drainage	3	13,411,241	90,783	(3,055,885)	10,446,139	17,397,757	50,881	(3,827,347)	13,621,290
CWMS	3	6,720,663	-	(956,120)	5,764,543	7,599,886	81,480	(1,293,099)	6,388,267
Plant, Machinery & Equipment		-	5,789,488	(2,854,138)	2,935,350	-	6,027,468	(2,631,012)	3,396,456
Furniture & Equipment		-	761,171	(495,763)	265,408	-	761,171	(534,517)	226,654
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT		172,651,442	11,378,554	(53,222,569)	130,807,427	197,466,430	16,347,669	(57,432,540)	156,381,559
<i>Comparatives</i>		162,785,302	9,202,720	(50,909,780)	121,078,242	172,651,442	11,378,554	(53,222,569)	130,807,427

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 2023

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2022	CARRYING AMOUNT MOVEMENTS DURING YEAR							2023
	\$	\$							CARRYING AMOUNT
	CARRYING AMOUNT	Additions		Disposals	Depreciation	Transfers		Net Revaluation	
	New/Upgrade	Renewals	In			Out			
Land - Community	11,964,120	-	-	-	-	-	-	2,991,030	14,955,150
Land - Other	1,955,598	4,000,787	-	-	-	-	-	488,900	6,445,285
Landscaping	1,039,255	-	-	-	(67,730)	-	-	59,986	1,031,511
<u>Buildings & Open Space</u>									
Buildings - Other	921,159	-	-	-	(58,884)	51,698	(51,698)	53,178	915,453
Open Space	19,558	-	-	-	(2,027)	-	-	1,123	18,654
Buildings - Community	5,779,210	107,309	-	-	(286,538)	-	-	314,934	5,914,915
Open Space	3,675,656	513,567	288,172	(43,995)	(328,986)	47,508	(47,508)	211,961	4,316,375
<u>Infrastructure</u>									
- Roads	21,009,046	1,432,035	1,789,896	(606,549)	(1,410,737)	-	-	277,367	22,491,058
- Road Pavement	50,680,813	2,317,418	-	-	(427,351)	-	-	3,653,971	56,224,851
- Footpath	3,981,659	705,443	-	(18,439)	(151,052)	-	-	2,378,055	6,895,667
- Kerb and Spoon Drain	7,634,858	683,298	-	-	(88,957)	-	-	2,483,414	10,712,614
- Pram Ramps	350,794	35,168	-	(1,563)	(5,453)	-	-	(5,072)	373,874
- Car Parks	46,996	-	-	-	(2,608)	-	-	2,715	47,103
- Street Lighting	42,627	-	-	-	(2,365)	-	-	2,462	42,724
					-	-	-	-	
Bridges	2,294,638	-	-	-	(52,945)	-	-	121,965	2,363,658
Stormwater Drainage	10,446,139	1,328,272	10,300	-	(185,904)	-	-	2,022,484	13,621,290
CWMS	5,764,543	67,445	14,035	(15,399)	(173,101)	-	-	730,744	6,388,267
Plant, Machinery & Equipment	2,935,350	85,607	1,053,823	(215,312)	(463,012)	-	-	-	3,396,456
Furniture & Equipment	265,408	-	-	-	(38,754)	-	-	-	226,654
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT	130,807,427	11,276,349	3,156,227	(901,257)	(3,746,404)	99,206	(99,206)	15,789,217	156,381,559
<i>Comparatives</i>	121,078,242	8,608,874	1,963,797	(464,155)	(3,196,571)	99,208	(99,208)	2,817,240	130,807,427

ADELAIDE PLAINS COUNCIL**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2023****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 2023****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 Brooke Smith of AssetVal Pty Ltd as at 1 July 2022.

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 Brooke Smith of AssetVal Pty Ltd as at 1 July 2022.

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 2022 using rates from Rawlinsons Australian Construction Handbook which provides the latest information for 2022 and where available contract rates provided by Council. All acquisitions made after 1 July 2022 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 2022.

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 2022.

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 2022 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 2023

Note 8 - LIABILITIES

	Notes	2023		2022	
		Current	Non-current	Current	Non-current
		\$		\$	
TRADE & OTHER PAYABLES					
Goods & Services		1,209,638	-	1,430,627	-
Payments received in advance		-	-	35	-
Accrued expenses - employee entitlements		67,975	-	75,935	-
Accrued expenses - other		150,346	-	83,386	-
Other		197,794	-	62,390	-
		<u>1,625,753</u>	<u>-</u>	<u>1,652,373</u>	<u>-</u>
BORROWINGS					
Loans		24,287	9,690,235	23,241	2,763,280
		<u>24,287</u>	<u>9,690,235</u>	<u>23,241</u>	<u>2,763,280</u>
<i>All interest bearing liabilities are secured over the future revenues of the Council.</i>					
PROVISIONS					
Employee entitlements (including oncosts)		1,443,490	334,921	1,327,943	277,330
		<u>1,443,490</u>	<u>334,921</u>	<u>1,327,943</u>	<u>277,330</u>

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2023

Note 9 - RESERVES

ASSET REVALUATION RESERVE	1/7/2022	Net Increments (Decrements)	30/6/2023
Notes	\$	\$	\$
Land - Community	9,807,369	2,991,030	12,798,399
Land - Other	2,638,555	488,900	3,127,455
Land Improvements	6,904,502	59,986	6,964,488
Buildings & Other Structures Infrastructure	1,051,929	581,196	1,633,125
- Roads, Kerbing & Footpaths	62,007,681	11,668,105	73,675,786
TOTAL	82,410,036	15,789,217	98,199,253
<i>Comparatives</i>	<i>79,592,796</i>	<i>2,817,240</i>	<i>82,410,036</i>

OTHER RESERVES	1/7/2022	Transfers to Reserve	30/6/2023
CWMS Reserve - Middle Beach	48,917	-	48,917
Footpath Construction Reserve	31,419	-	31,419
Joint Ventures - Other Comprehensive Income	2,035,596	(49,014)	1,986,582
TOTAL OTHER RESERVES	2,115,932	(49,014)	2,066,918
<i>Comparatives</i>	<i>2,174,986</i>	<i>(59,054)</i>	<i>2,115,932</i>

PURPOSES OF RESERVES

Asset Revaluation Reserve

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

Other Reserves

The CWMS Reserve is rate revenue received in excess of annual expenditure held for future maintenance of the scheme

Footpath Construction Reserve is funds received from developers and held for future footpath construction.

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2023

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.

	Notes	2023 \$	2022 \$
CASH & FINANCIAL ASSETS			
Developer Contributions		33,464	32,523
Two Wells Community Fund		<u>50,445</u>	<u>76,083</u>
TOTAL ASSETS SUBJECT TO EXTERNALLY IMPOSED RESTRICTIONS		<u>83,909</u>	<u>108,606</u>

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 2023

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	2023 \$	2022 \$
Total cash & equivalent assets	5	170,414	215,791
Balances per Cash Flow Statement		<u>170,414</u>	<u>215,791</u>

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

Net Surplus (Deficit)	2,705,842	6,089,532
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	3,746,404	3,196,571
Equity movements in equity accounted investments	103,039	66,040
Net increase (decrease) in unpaid employee benefits	165,178	182,881
Non-cash asset acquisitions	(3,734,116)	(4,674,028)
Grants for capital acquisitions treated as Investing Activity	(500,998)	(755,462)
Net (Gain) Loss on Disposals	542,773	394,064
	<u>3,028,122</u>	<u>4,499,598</u>
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	(133,972)	187,152
Net (increase) decrease in inventories	598,624	(540,821)
Net increase (decrease) in trade & other payables	(18,660)	156,274
Net Cash provided by (or used in) operations	<u>3,474,114</u>	<u>4,302,203</u>

(c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:		
- Physical resources received free of charge	2	3,734,116
		<u>4,674,028</u>
		<u>3,734,116</u>
		<u>4,674,028</u>

(d) Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit:		
Corporate Credit Cards	25,000	25,000
LGFA Cash Advance Debenture Facility	14,973,000	6,500,000

Council has access to cash facilities of \$14,973,000 and minimises interest expense by transferring funds between cash at bank and LGFA Cash Advance Debenture Facility

ADELAIDE PLAINS COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2023**

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	ACTUAL	ACTUAL				
2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Business Undertakings	251,290	441,993	387,215	(178,460)	(135,926)	-	-	1,595,207	1,349,113
Community Services	134,859	564,884	512,052	(459,647)	(377,194)	1,500	4,770	17,297,474	14,628,977
Culture	37,890	424,597	405,483	(367,597)	(367,593)	49,270	27,936	2,443,241	2,066,320
Economic Development	-	472,691	212,417	(472,691)	(212,417)	-	-	-	-
Environment	974,119	1,693,796	1,501,467	(776,801)	(527,348)	112,146	249,516	21,325,091	18,035,250
Recreation	8,405	782,304	624,069	(782,294)	(615,664)	-	4,305	14,654,729	12,393,931
Regulatory Services	578,107	1,736,207	1,557,892	(1,180,122)	(979,785)	-	60,000	361,047	305,348
Transport	28,545	3,510,023	2,904,546	(3,447,250)	(2,876,001)	263,364	285,864	91,357,663	77,263,835
Plant Hire & Depot/Indirect	11,565	1,513,884	1,176,043	(1,493,232)	(1,164,476)	-	-	9,005,264	7,616,013
Council Administration	12,998,016	5,858,858	4,621,466	8,274,632	8,376,550	2,466,465	2,204,205	7,387,220	6,247,587
TOTALS	15,022,796	16,999,237	13,902,650	(883,462)	1,120,146	2,892,745	2,836,596	165,426,936	139,906,374

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 2023****Note 12 (cont) - COMPONENTS of FUNCTIONS**

The activities relating to Council functions are as follows:

Business Undertakings

Camping facilities, operation of Gravel Pits/Quarries and CWMS.

Community Services

Public Order and Safety, Crime Prevention, Emergency Services, Other Fire Protection, Other Public Order and Safety, Pest Control, Community Support, Elderly Citizens Facilities, Other Services for the Aged and Disabled, Youth Services, Community Assistance, Community Transport, Other Community Support, Community Amenities, Cemeteries, Public Conveniences, Car Parking – non-fee-paying and Other Community Amenities.

Culture

Provision of two static facilities in Two Wells and Mallala. 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

Domestic Waste, Green Waste, E-Waste, Recycling, Transfer Stations, Waste Disposal Facility, Other Waste Management, Coastal Protection, Stormwater and Drainage, Street Cleaning, Street Lighting, Streetscaping, Landscape 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

Council Administration

Governance, Administration n.e.c., Elected Members, Organisational, Support Services, Accounting/Finance, Payroll, Housing for Council Employees, Human Resources, Information Technology, Communication, Rates Administration, Records, Occupancy,

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2023

Note 13 - FINANCIAL INSTRUMENTS

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

Accounting Policies - Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits	<p>Accounting Policy Initially recognised at fair value and subsequently measured at amortised cost, interest is recognised when earned.</p> <p>Terms & conditions: Short term deposits have an average maturity of 30 days and an average interest rates of 3.03% (2021-22: 30 days, 0.30%).</p> <p>Carrying amount approximates fair value due to the short term to maturity.</p>
Receivables - Rates & Associated Charges (including legals & penalties for late payment)	<p>Accounting Policy Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.</p> <p>Terms & conditions: Secured over the subject land, arrears attract interest of 5.80% per annum (2021-22: 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>Carrying amount approximates fair value (after deduction of any allowance).</p>
Receivables - Fees & other charges	<p>Accounting Policy Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.</p> <p>Terms & conditions 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>Carrying amount approximates fair value (after deduction of any allowance).</p>
Receivables - other levels of government	<p>Accounting Policy Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.</p> <p>Terms & conditions Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of State and Federal Governments.</p> <p>Carrying amount approximates fair value.</p>
Liabilities - Creditors and Accruals	<p>Accounting Policy Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.</p> <p>Terms & conditions Liabilities are normally settled on 30 day terms.</p> <p>Carrying amount approximates fair value.</p>
Liabilities - Interest Bearing Borrowings	<p>Accounting Policy Initially recognised at fair value and subsequently at amortised cost. Interest is charged as an expense using the effective interest rate.</p> <p>Terms & conditions: 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 (2021-22: 4.45%) and the cash advances at variable rates between 5.30% and 6.05% as at 30 June 2023 (2021-22: 2.05% as at 30 June 2022).</p> <p>Carrying amount approximates fair value.</p>
Liabilities - Leases	<p>Accounting Policy 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 2023

Note 13 (cont) - FINANCIAL INSTRUMENTS

Liquidity Analysis

2023	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$	\$	\$	\$	\$
Financial Assets					
Cash & Equivalents	170,414	-	-	170,414	170,414
Receivables	1,540,995	-	-	1,540,995	1,540,995
Total	1,711,409	-	-	1,711,409	1,711,409
Financial Liabilities					
Payables	1,557,778	-	-	1,557,778	1,557,778
Current Borrowings	102,646	-	-	102,646	24,287
Non-Current Borrowings	-	6,750,585	3,778,938	10,529,523	9,690,235
Total	1,660,424	6,750,585	3,778,938	12,189,947	11,272,300
2022					
	\$	\$	\$	\$	\$
Financial Assets					
Cash & Equivalents	215,791	-	-	215,791	215,791
Receivables	1,416,575	-	-	1,416,575	1,416,575
Total	1,632,366	-	-	1,632,366	1,632,366
Financial Liabilities					
Payables	1,576,403	-	-	1,576,403	1,576,403
Current Borrowings	102,646	-	-	102,646	23,241
Non-Current Borrowings	-	410,585	3,270,342	3,680,927	2,763,280
Total	1,679,049	410,585	3,270,342	5,359,976	4,362,924

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

	30 June 2023		30 June 2022	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$	%	\$
Other Variable Rates	5.87	7,947,642	2.05	996,400
Fixed Interest Rates	4.45	1,766,880	4.45	1,790,121
		9,714,522		2,786,521

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 (LGFA) 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 cash advance facilities with LGFA 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 2023

Note 14 - COMMITMENTS FOR EXPENDITURE

	2023	2022
<u>Notes</u>	\$	\$
Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Road	12,718	-
Buildings	-	55,569
Plant & Equipment	-	10,740
	12,718	66,309
These expenditures are payable:		
Not later than one year	12,718	66,309
	12,718	66,309
Expenditure Commitments		
Other non-capital expenditure commitments:		
Other Contracts	2,686,099	4,848,348
	2,686,099	4,848,348
These expenditures are payable:		
Not later than one year	1,831,735	1,985,738
Later than one year and not later than 5 years	854,364	2,862,610
	2,686,099	4,848,348

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2023

Note 15 - FINANCIAL INDICATORS

	2023	2022	2021
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These Financial Indicators have been calculated in accordance with *Information Paper 9 - Local Government Financial Indicators* prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia.

Operating Surplus Ratio

<u>Operating Surplus</u>	(6.1%)	7.0%	4.2%
Total Operating Revenue			

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

Net Financial Liabilities Ratio

<u>Net Financial Liabilities</u>	70%	29%	24%
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.

Adjusted Operating Surplus Ratio	(10.0%)	4.0%	4.0%
Adjusted Net Financial Liabilities Ratio	85%	39%	30%

Asset Renewal Funding Ratio

<u>Asset Renewals</u>	68%	113%	83%
Infrastructure & Asset Management Plan required expenditure			

Asset renewals expenditure is defined as capital expenditure on the renewal and replacement of existing assets relative to the optimal level planned, 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 2023

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 modified Uniform Presentation Framework basis, adjusted for timing differences associated with prepaid Federal assistance Grants required to be recognised as revenue on receipt in accordance with Australian Accounting Standards.

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

	2023	2022
	\$	\$
Income		
Rates	12,194,544	11,206,407
Statutory charges	567,060	525,371
User charges	214,732	240,693
Grants, subsidies and contributions - Operating	2,629,381	2,573,232
Grants, subsidies and contributions - Capital	263,364	263,364
Investment income	4,296	992
Reimbursements	110,431	48,090
Other income	131,966	164,647
	<u>16,115,774</u>	<u>15,022,796</u>
Expenses		
Employee costs	6,496,997	5,665,785
Materials, contracts & other expenses	6,395,516	4,934,658
Depreciation, amortisation & impairment	3,746,404	3,196,571
Finance costs	360,317	105,636
Net loss - equity accounted Council businesses	103,039	66,040
	<u>17,102,273</u>	<u>13,968,691</u>
Operating Surplus / (Deficit)	<u>(986,499)</u>	1,054,106
<i>Timing adjustment for grant revenue</i>	<u>(812,004)</u>	<u>(658,792)</u>
Adjusted Operating Surplus (Deficit)	<u>(1,798,503)</u>	395,314
Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	3,132,378	3,875,502
Add back Depreciation, Amortisation and Impairment	(3,746,404)	(3,196,571)
Proceeds from Sale of Replaced Assets	<u>(358,484)</u>	<u>(70,091)</u>
	<u>(972,510)</u>	608,840
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets	8,143,175	1,973,646
Amounts received specifically for New and Upgraded Assets	<u>(469,577)</u>	<u>(1,485,281)</u>
	<u>7,673,598</u>	488,365
Annual Net Impact to Financing Activities (surplus/(deficit))	<u>(8,499,590)</u>	<u>(701,891)</u>

ADELAIDE PLAINS COUNCIL**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2023****Note 17 - SUPERANNUATION**

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

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (10.50% in 2022/23; 10% in 2021/22). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2021/22) of "superannuation" salary.

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

The Salarylink section is a multi-employer sponsored plan. As the Salarylink section's assets and liabilities are pooled and are not allocated by each employer, and employees may transfer to another employer within the local government sector and retain membership of the Fund, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.34(a), Council does not use defined benefit accounting for these contributions.

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willie Towers Watson as at 30 April 2022. 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 2023

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 2022-23 year Council Subsidiary contribution was \$12,749 (\$12,496 in 2021-22).

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 2022-23 year Council contribution to GRFMA was \$60,536 (\$59,363 in 2021-22).

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 2023

Note 18 (cont) - INTERESTS IN OTHER ENTITIES

	2023	2022
Gawler River Floodplains Management Authority	\$	\$
Council's respective interests are:		
- share of maintenance of assets	28.91%	28.91%
- share of operating costs	16.67%	16.67%
- share of capital works	28.91%	28.91%
- the proportion of voting power	16.67%	16.67%
<u>Movements in Investment in Joint Operation</u>	<u>\$</u>	<u>\$</u>
Opening Balance	5,692,786	5,817,880
Share in Operating Result	(103,039)	(66,040)
Adjustment to Equity Share	(49,014)	(59,054)
Share in Equity of Joint Operation	<u>5,540,733</u>	<u>5,692,786</u>
Summarised financial information of the equity accounted business		
<u>Statement of Financial Position</u>		
<i>Cash and cash equivalents</i>	29,496	126,130
<i>Other current assets</i>	91,125	98,664
<i>Non-current assets</i>	<u>21,613,696</u>	<u>21,959,256</u>
<i>Total assets</i>	<u>21,734,317</u>	<u>22,184,050</u>
<i>Current trade and other payables</i>	67,733	61,003
<i>Borrowings</i>	<u>440,409</u>	<u>502,136</u>
<i>Total liabilities</i>	<u>508,142</u>	<u>563,139</u>
Net Assets	<u>21,226,175</u>	<u>21,620,911</u>
<u>Statement of Comprehensive Income</u>		
<i>Other income</i>	100	100
<i>Contributions from constituent Councils</i>	260,321	261,256
<i>State Government Grants</i>	-	70,518
<i>Interest income</i>	<u>1,278</u>	<u>1,132</u>
<i>Total Income</i>	<u>261,699</u>	<u>333,006</u>
<i>Materials, contracts & other expenses</i>	291,950	258,251
<i>Depreciation, amortisation & impairment</i>	328,561	322,298
<i>Finance costs</i>	<u>18,926</u>	<u>3,275</u>
<i>Total expenses</i>	<u>639,437</u>	<u>583,824</u>
Total Comprehensive Income	<u>(377,738)</u>	<u>(250,818)</u>

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2023

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 *Planning, Development and Infrastructure Act 2016*. 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 did not have any notice of 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 2023

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	2023 (\$)
Salaries, allowances & other short term benefits	1,528,870
Total	1,528,870

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 Director - Corporate Service are the proxy board member of the GRFMA.

During the 2022-23 year Council's contribution to GRFMA was \$60,536 (incl. GST)

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, Two Wells Regional Action Team Incorporated, The Plains Community Group Incorporated and Two Wells Melodrama Group incorporated.

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 and grants income from Two Wells Community Fund.

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

2022/23 Audit Completion Report

Adelaide Plains Council



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Adelaide Plains Council

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 2023. 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 2023 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 2023



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"> ▪ components of assets that are replaced at different times in the asset lifecycle ▪ costs required to replace these components using current prices for materials, labour, and plant costs ▪ indices for measuring subsequent changes in unit rates. <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"> ▪ reconciled closing balances to the asset registers ▪ reconciled the movements in note 7 to the asset register ▪ reviewed the basis for valuation used by external valuers ▪ assessed the competence of external valuers (experts) in accordance with Australian Accounting Standards ▪ reviewed the fair value hierarchy provided in note 7 for each category of asset ▪ reconciled the useful lives used to calculate the accumulated depreciation and the depreciation for the period to the revaluation reports ▪ reviewed the useful lives mentioned above for different components and compared them to other local government entities ▪ performed a recalculation of depreciation ▪ 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 ▪ reconciled the unit rates used for different components of infrastructure assets to the unit rates provided in the valuer's report ▪ reviewed the unit rates mentioned above and compared them to different local government entities ▪ assessed the adequacy of disclosures in the financial report.



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"> ▪ reconciled closing balances to the asset registers ▪ reconciled the movements in note 7 to the asset registers ▪ reviewed the basis for valuation used by external valuers ▪ assessed the competence of external valuers (experts) in accordance with Australian Accounting Standards ▪ 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 ▪ reconciled the useful lives used to calculate the accumulated depreciation and the depreciation for the period to the revaluation reports ▪ reviewed the useful lives mentioned above for different components and compared them to other local government entities ▪ performed a recalculation of depreciation; and ▪ assessed the adequacy of disclosures in the financial report.

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"> ▪ 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; ▪ Inclusions and exclusions of costs at initial recognition of an asset in accordance with AASB 116; ▪ Cost involved in dismantling and removing the asset and/or restoring the site under AASB 137; ▪ Borrowing costs to be capitalised into the cost of IPPE where the asset is a "qualifying asset" as per AASB 123; and ▪ accounting for subsequent costs and defining the nature of these costs as being capital or maintenance expenditure. 	<p>Our audit included but was not limited to the following activities:</p> <ul style="list-style-type: none"> ▪ performed analytical procedures to define whether the amounts capitalised for the FY was in accordance with our expectation and our understanding of the entity; ▪ reviewed internal controls in place for capitalisation of assets; ▪ 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; ▪ 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 ▪ reviewed the WIP schedule in order to identify projects that should have been capitalised but were not.

2.4 Management Override of Controls

Why the matter is significant	How the matter was addressed
<p>Management is inherently 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, by default, considered a significant audit risk.</p>	<p>Our audit included but was not limited to the following activities:</p> <ul style="list-style-type: none"> ▪ tested the appropriateness of journal entries recorded in the general ledger ▪ reviewed accounting estimates for biases ▪ performed final analytical procedures to conclude as to whether the financial report is consistent with our understanding of the entity ▪ requested written representation from Management ▪ reviewed IT access controls rights processes in place ▪ reviewed processes in place to ensure independent reviews of exception reports generated by Council ▪ reviewed processes in place to ensure independent reviews of audit trails of changes to master files.

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"> - largest revenue item - often used as a reference point for analysing expenditure decisions - politically sensitive - reputational risk involved if rates are raised incorrectly. 	<ul style="list-style-type: none"> - walkthroughs and tests of effectiveness of controls from the Better Practice Model - analytical procedures - comparison of total capital values from the VG report to the total capital value recorded in the rates system - reconciliation of the rates modelling to the rates system and to the general ledger - recalculation of rates for a sample of rate payers.
Employee costs	<ul style="list-style-type: none"> - one of the largest expense items - high volume of transactions / data – subject to error - errors impact individuals financially. 	<ul style="list-style-type: none"> - walkthroughs and tests of effectiveness of controls from the Better Practice Model - analytical procedures - inspection of employee files (contracts, awards, EBs) - inspection of timesheets - recalculation of a sample of individual payments.
Materials, Contracts & Other expenses	<ul style="list-style-type: none"> - one of the largest expense items - high volume of transactions, inherently higher risk of error - fraud risk area (procurement, payments and credit cards) - procurement and contracting are key focus areas for ICAC and the Auditor-General's Department. 	<ul style="list-style-type: none"> - walkthroughs and tests of effectiveness of controls from the Better Practice Model - analytical procedures - inspection of supporting documents (contracts, invoices, purchase orders, subsequent payments, etc) for a sample of expenses.
Cash and cash equivalents	<ul style="list-style-type: none"> - material balance - fraud risk - if there is any instance of errors and/or fraud it will be indicative of broader errors - poor attitude to cash controls may be indicative of overall culture related to the entity's controls environment - public money. 	<ul style="list-style-type: none"> - walkthroughs and tests of effectiveness of controls from the Better Practice Model - analytical procedures - bank confirmation - inspection of bank statements - verification of outstanding reconciling items - reperformance of bank reconciliations.
Trade and other payables	<ul style="list-style-type: none"> - one of the largest liabilities - material balance - opportunity for understatements - poor use of accrual basis of accounting may be indicative of poor culture related to financial reporting - payments represent an opportunity for fraud. 	<ul style="list-style-type: none"> - walkthroughs and tests of effectiveness of controls from the Better Practice Model - analytical procedures - reconciliation between subsidiary ledgers and the general ledger - inspection of subsequent payments for a sample of creditors - inspection of a sample of subsequent payments for completeness test.



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			2023 Findings			
		2023	2022	2021	H	M	L	BP
Purch/Procur/Contracting	7	5	5	6	-	1	1	-
Fixed Assets	8	8	8	6	-	-	-	-
General Ledger	8	7	7	5	-	-	1	-
Accounts Payable	8	8	7	7	-	-	-	-
Rates / Rates Rebates	8	8	7	7	-	-	-	-
Payroll	11	11	11	10	-	-	-	-
Banking	5	5	5	5	-	-	-	-
Credit Cards	5	5	5	4	-	-	-	-
Debtors	3	3	3	3	-	-	-	-
Receipting	2	2	2	2	-	-	-	-
Total	65	62	61	55	-	1	2	-

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 (62 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 2023.

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 additions of roads					
D/C	Account at FS level	Assets	Liabilities	Surplus/Deficit	Other Comprehensive Income
		Increase/ (decrease) \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000
D	Roads	990	-	-	-
C	Road pavement	(990)	-	-	-
Description: Additions of roads (e.g. roads surface) incorrectly allocated to road pavement.					



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
6.1. Capital work completion is confirmed verbally		Moderate
Finding	Capital work completion is confirmed verbally. There is no formal documentation, such as an asset completion form signed and dated by a project manager, to substantiate that capital project expenditure is ready to be capitalised and recorded as a depreciable asset.	
Risk	Risk of errors in the classification between work in progress and capital assets and, consequently, risk of the financial statements being misstated.	
Recommendation	Management to consider adopting an asset completion form (or other formal documented confirmation) to keep a record of capital work completion.	

		Risk												
6.2. Incorrect accrual of LSL hours for the employee 349		Low												
Finding	<p>Audit noted an incorrect calculation of long service leave balance for one employee tested (employee 349).</p> <p>The employee started with local government on 2 Sept 2019 and left his prior local government employer on 25 March 2020. The employee then had some time off (from 26 March 2020 to 12 April 2020) and started with Adelaide Plains Council on 13 April 2020. The employee had a balance of 16.29 hours transferred to Council from his prior employment working for another local government entity.</p> <p>Accordingly, we are the view of that the employee should have the following balance for each completed year of service:</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Hours accrued</th> </tr> </thead> <tbody> <tr> <td>Transferred from another entity</td> <td>16.29</td> </tr> <tr> <td>From 13/04/2020 to 02/09/2020</td> <td>18.10</td> </tr> <tr> <td>02/09/2021</td> <td>49.40</td> </tr> <tr> <td>02/09/2022</td> <td>49.40</td> </tr> <tr> <td>Total hours entitled</td> <td>133.19</td> </tr> </tbody> </table> <p>The payroll system provides that the employee is entitled to 98.8 hours.</p> <p>Importantly, calculated hours for other employees selected for audit testing were correct.</p>		Date	Hours accrued	Transferred from another entity	16.29	From 13/04/2020 to 02/09/2020	18.10	02/09/2021	49.40	02/09/2022	49.40	Total hours entitled	133.19
Date	Hours accrued													
Transferred from another entity	16.29													
From 13/04/2020 to 02/09/2020	18.10													
02/09/2021	49.40													
02/09/2022	49.40													
Total hours entitled	133.19													
Risk	Risk of errors in long service leave hours accrued and, consequently, risk of the financial statements being misstated.													
Recommendation	Review the long service hours accrued each year for employee 349 and process any adjustments required.													



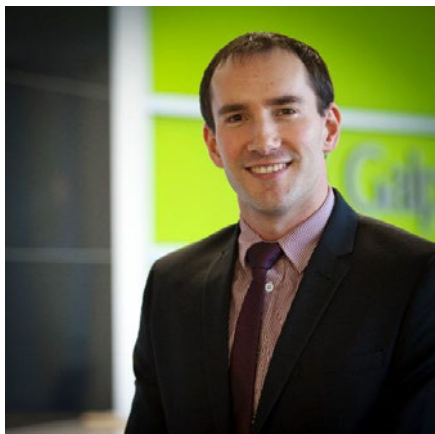
		Risk
6.3. Employees with excessive annual leave balances		Low
Finding	Audit identified 15 employees (16 employees in 2022) with annual leave balances in excess of 300 hours.	
Risk	Leave balances exceeding the allowable balances under the relevant EB. Staff not taking leave has financial implications as leave is paid at higher rates than it was accrued, and may lead to health, safety and welfare issues. Regular taking of leave also acts as a fraud prevention control.	
Recommendation	Implement strategies to systematically reduce excessive leave balances, and prevent employees from accumulating excessive 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.




Adelaide Plains Council

7. Contact Details



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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 2023, 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 2023, 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 2022 to 30 June 2023 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 2022 to 30 June 2023.

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 2022 to 30 June 2023. 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 2022 to 30 June 2023. 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
Potential Material Weaknesses	The issue described could lead to a material weakness in the council’s internal controls and non-compliance with s125 of the Local Government Act.
Moderate Weaknesses	The issue described does not represent a material weakness due to the existence of compensating controls. However, the failure of the compensating controls or the existence of any other moderate weakness within the same business cycle may lead to a material weakness in the council’s internal controls and non-compliance with s125 of the Local Government Act.
Low Risk Weaknesses	The issue described is a low risk weakness due to the existence of compensating controls and/or the failure or absence of the internal controls does not impact significantly on the council’s financial risk. However, multiple low-level risk weakness within the same business cycle may lead to a material weakness in the council’s internal controls and non-compliance with s125 of the Local Government Act.
Better Practice Weaknesses	The issue described has been included in this report as an opportunity for better practice.

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 Business Consultants



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ADELAIDE PLAINS COUNCIL

GENERAL PURPOSE FINANCIAL STATEMENTS

For the year ended 30 June 2023

Statement by Auditor

I confirm that, for the audit of the financial statements of Adelaide Plains Council for the year ended 30 June 2023, 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 2023

6.2 UPDATE ON AUDIT COMMITTEE ANNUAL WORK PROGRAM 2023/2024**Record Number:** D23/50005**Author:** Director Finance**Authoriser:** Chief Executive Officer**Attachments:** 1. **Audit Committee Annual Work Program 2023/2024 – November 2023 Update** [↓](#) **EXECUTIVE SUMMARY**

- The purpose of this report is to provide the Audit Committee (the Committee) with the progress update on the activities identified in the Committee’s Annual Works Program for 2023/2024 Financial Year.
- At the meeting held on 4 September 2023, the Committee approved its 2023/2024 Works Program and the instructed *‘the Chief Executive Officer to bring back a report to the next meeting of the Audit Committee setting out timeframes and priorities’*.
- Following reports have been included as part of the agenda of the 13 November 2023 meeting.
 - Final audit for 2022/2023 has been completed and draft audited financial statements, audit report on financial statements and internal controls;
 - Details of Council insurance policies; and
 - A report on the review of audited financial results of 2022/2023 against the adopted budget.

RECOMMENDATION

“that the Audit Committee, having considered Item 6.2 – *Update on Audit Committee Annual Work Program 2023/2024*, dated 13 November 2023, receives and notes the report and in doing so recommends to the Council that the Council acknowledges the progress made to complete the activities identified for Audit Committee during 2023/2024 Financial Year.”

BUDGET IMPACT

Estimated Cost: Not applicable

Future ongoing operating costs: Not applicable

Is this Budgeted? Not applicable

RISK ASSESSMENT

The Audit Committee must ensure that the Annual Work Program addresses the statutory obligations and focuses on the adequacy of the Councils’ systems and practices with respect to risk management, financial reporting, the internal control environment and other financial management systems. The ongoing monitoring of the Annual Work Program assist minimisation of exposure to associated risks allowing for adequate resourcing for mitigation strategies by the Council.

DETAILED REPORT

Purpose

The purpose of this report is to provide the Audit Committee with the progress update on the activities identified in the Audit Committee Works Program for 2023/2024 Financial Year.

Background

At its meeting on 4 September 2023, the Audit Committee approved the work program for 2023/2024 Financial Year and resolved as follows: -

6.4 DRAFT ANNUAL WORK PROGRAM FOR 2023/2024 FINANCIAL YEAR

COMMITTEE RESOLUTION 2023/1

Moved: Mr Fairlie-Jones

Seconded: Councillor Panella

“that the Audit Committee, having considered Item 6.4 – Draft Annual Work Program for 2023/2024 Financial Year, dated 4 September 2023, receives and notes the report and in doing so adopts Draft 2023/2024 Audit Committee Work Program and instructs the Chief Executive Officer to bring back a report to the next meeting of the Audit Committee setting out timeframes and priorities.”

CARRIED

Discussion

To ensure that the requirements of the *Local Government Act 1999* and the Terms of Reference of the Audit Committee are fulfilled, the Audit Committee must develop a Work Program each year.

A regular update on the 2023/2024 Work Program will assist the members of the committee to monitor their planned activities and the **Attachment 1** shows progress to date. Accordingly, agenda of the 13 November 2023 meeting included following reports;

- Final audit for 2022/2023 has been completed and draft audited financial statements, audit report on financial statements and internal controls;
- Details of Council insurance policies; and
- A report on the review of audited financial results of 2022/2023 against the adopted budget.

As indicated in the **Attachment 1**, some of the reports do not have a ‘target meeting’ date as emergence of particular information is not time-bound. However, as and when the information become available, the Audit Committee will be provided with relevant report as an ongoing basis.

Conclusion

This is the first progress update report since the adoption of the 2023/2024 Annual Works Program. Council management will provide further reports to future audit committee meetings (expected to be held in February, April & June 2024) to complete the activities identified in the **Attachment 1**.

References

Legislation

Section 126 of the Local Government Act 1999

Local Government (Financial Management) Regulations 2011

Council Policies/Plans

Audit Committee Terms of Reference.

Audit Committee Annual Work Program 2023/2024

Activity	Target Meeting	Current Status/Outcome	Date Completed
1. Financial Reporting - LGA Act 1999 – Section 126(4)(a)			
1.1 Review Council’s Annual Financial Statements, the application of Australian Accounting Standards and Council’s policies with Council Management and the external auditor and provide a recommendation to the Council on whether Annual Financial Statements present a true and fair view of the Council’s financial position at year end and the results of its operations and cash flows for the financial year.			
▪ Review of draft audited financial statements	November 2023	Agenda of 13-Nov meeting	13/13/2023
▪ Review of assets revaluation results – methodology, unit rates, expired assets and impact on depreciation	April 2024	Report on the results of the assets revaluation as of 1 July 2023 will be presented to April 2024 meeting	
1.2 Review and make recommendations to the Council regarding any other significant financial, accounting and reporting issues as deemed necessary by the Audit Committee, the Council or Council Administration.			
▪ Impact on new accounting standards/changes to existing standards on Council’s operations	Ongoing	Ongoing	
▪ Accounting of significant income, expenses, assets and liabilities	Ongoing	Ongoing	
1.3 Consider and provide comment on the financial and risk related issues associated with any Council business referred to it by the Council for such comment.			
▪ Financial and risk relates issues associated with GRFMA flood mitigation work	Ongoing	Ongoing	
2. Strategic Management and Annual Business Plans - LGA Act 1999 – Section 126(4)(b)			
2.1 Review and provide recommendations/comment on Council’s Strategic Management Plan, LTFP, Annual Business Plan and Infrastructure & Asset Management Plans.			
▪ Review of strategic management plan (SMP)	April & June 2024	Workshop is to be held with Elected Members early 2024 on the review of Council’s SMP, LTFP, ABP & I&	
▪ Review of infrastructure & assets management plan (I&)			
▪ Review of Long-Term Financial Plan (LTFP)			
▪ Annual Business Plan (ABP)			
2.2 Monitor and review the effective delivery of these plans.			
▪ Progress update on strategic management plan initiatives	April & June 2024		
▪ Progress update on infrastructure & assets management plan implementation			

Audit Committee Annual Work Program 2023/2024

<ul style="list-style-type: none"> ▪ Progress update on the achievement of LTFP targets 			
2.3 Review and make recommendations to the Council regarding the assumptions, financial ratios and financial targets in the Long-Term Financial Plan.	April & June 2024		
2.4 Provide commentary and advice on the financial sustainability of the Council and any risks in relation to, as part of the adoption of the Long-Term Financial Plan, Annual Budget and periodic Budget Reviews.	April & June 2024		
3. Continuous improvement - LGA Act 1999 – Section 126(4)(c)			
3.1 Monitoring the responsiveness of the Council to recommendations for improvement based on previous audits and risk assessments, including those raised by a council’s external auditor.	November 2023 August 2024		
4. Exercise of Powers under Section 130A - LGA Act 1999 – Section 126(4)(d)			
4.1 Determine whether a recommendation to the Council is required to request its auditor or some other person to examine and report on any matter considered significant relating to financial management or the efficiency and economy of the management of Council’s resources that would not be addressed or included as part of the annual audit.	Ongoing		
5. Liaising with External Auditor - LGA Act 1999 – Section 126(4)(e)			
5.1 Consider and recommend to the Council on the appointment of an external auditor including the terms of engagement and fees of the external auditor at the start of each audit contract.	September 2024		
5.2 Make recommendation to the Council on the scope of work, reports and activities of the external auditor.	November 2023		
5.3 Ensure compliance with regulation 22 (1) of the <i>Local Government (Financial Management) Regulations 2011</i> which prevent a Council from engaging its auditor to provide any services to the Council outside the scope of the auditor's functions under the Local Government Act.	November 2023		
5.4 Review the findings of the annual and interim audits with the external auditor.	November 2023		

Audit Committee Annual Work Program 2023/2024

5.5 Meet with the external auditor at least annually without the Council administration being present to enable discussion of any issues arising out of the external audit program during the year: <ul style="list-style-type: none"> ▪ assess the appropriateness of the Council's response to matters raised by the auditors; ▪ discuss any qualifications raised in the most recent audit or comments made in the accompanying management letter; ▪ assess the appropriateness of the Council's response to matters so raised. 	November 2023		
6. Internal Controls - LGA Act 1999 – Section 126(4)(f)			
6.1 Reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis.	November 2023 August 2024		
6.2 Review of self-assessment of internal financial controls.	February 2024		
7. Review of Chief Executive Officer Internal Controls Report - LGA Act 1999 – Section 126(4)(g) (ii)			
7.1 Reviewing and commenting on an annual report provided by the CEO in relation to the policies and processes adopted by the council to evaluate and improve the effectiveness of its internal control practices and procedures.	November 2024		
8. Review of strategic, financial and operational risks - LGA Act 1999 – Section 126(4)(h)			
8.1 Reviewing and evaluating the effectiveness of policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks on a regular basis.	February 2024		
8.2 Annually review Council's insurance program for adequacy having regard to business and insurable risks associated with Council's business.	November 2023		
8.3 Two Wells Town Centre Project Risk be reassessed throughout the life of the project.	Ongoing		
9. Reviewing any report obtained by the council under section 48(1) - LGA Act 1999 – Section 126 (4) (i)			
9.1 Prudential issues associated with Gawler River Floodplain Management Authority flood mitigation works.	Ongoing		
9.2 Review any other report obtained by the Council under section 48(1) of the LGA Act 1999	Ongoing		

Audit Committee Annual Work Program 2023/2024

10. Performing any other function determined by the council or prescribed by the regulations - LGA Act 1999 – Section 126 (4) (j)			
10.1 Monitor and review the governance arrangements for Council's subsidiaries and provide advice on the effectiveness of such arrangements as they pertain to financial and other risk exposures to Council.	Ongoing		
11. Public Disclosure Act 2018			
11.1 Review and comment on the adequacy of Council's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or any other matters.	Ongoing		
11.2 Ensure these arrangements allow independent investigation of such matters and appropriate follow up action.	Ongoing		
12. Governance matters			
12.1 Review the adequacy and the currency of all policies of the Council.	February 2024		
12.2 Periodic review of finance-related policies.	Ongoing		
12.3 Legislative compliance review.	TBC	LGA is currently working on developing a framework to provide guidance to support Councils achieving compliance with obligations in relevant legislation with initial focus on the Local Government Act	
13. Other Functions			
13.1 Risk Management of Major Projects.	Ongoing		
13.2 Review of Council's Investments and Borrowings.	August 2024		
13.3 Review of overdue Council rates.	August 2024		
13.4 Review of Council's leave liability.	February & August 2024		
13.5 Review Information Technology updates.	February 2024		
13.6 Annual Review of Audit Committee Terms of Reference.	February 2024		

Audit Committee Annual Work Program 2023/2024

14. Reporting			
14.1 Ensure progress of the outstanding Audit Committee resolutions are followed up regularly.	Ongoing		
14.2 Ensure that significant, urgent matters identified through the work program are formally and promptly reported to Council.	Ongoing		
14.3 Report to the Council after each Audit Committee meeting summarising the work of the committee during the period preceding the meeting and the outcomes of the meeting	November 2023, February, April & June 2024		
14.4 Provide an annual report to the council on the work of the committee during the period to which the report relates; <ul style="list-style-type: none"> ▪ outlining outputs relative to the audit committee’s Annual Work Program and the results of a self-assessment of performance for the preceding period including whether it believes any changes to its Terms of Reference are appropriate; ▪ outlining any identified training needs; ▪ Audit Committee Self-Assessment Survey ▪ advise on future work program proposals; and invite comment from the Council on all of the above. 	February 2023		

7 REPORTS FOR INFORMATION

7.1 REVIEW OF AUDITED FINANCIAL RESULTS FOR 2022/2023 AGAINST ADOPTED BUDGET

Record Number: D23/45482

Author: Director Finance

Authoriser: Chief Executive Officer

Attachments: Nil

OVERVIEW

RECOMMENDATION

“that the Audit Committee, having considered Item 7.1 – *Review of Audited Financial Results for 2022/2023 against Adopted Budget*, dated 13 November 2023, receives and notes the report.”

Purpose

The purpose of this report is to summarise 2022/2023 Audited result and provide explanation for major variations from the 2022/2023 Adopted Budget in accordance with the Section 127 of the *Local Government Act 1999* (the Act) and with Regulations 10 of the *Local Government (Finance Management) Regulations 2011* (the Regulations).

Background

Pursuant to Section 127 of the Act, Council must prepare Annual Financial Statements in accordance with the Regulations. Regulation 10 of the Regulations, requires Council to prepare and consider a report, no later than 31 December in each year, showing the audited financial results of each item shown in the statement of comprehensive income and statement of financial position of the budgeted financial statements, operating surplus ratio, net financial liabilities ratio and asset renewal ratio of the Council for the previous financial year, compared with the estimates set out in the budget presented in a manner consistent with the Model Financial Statements.

Discussion

Adelaide Plains Council has reported an operating deficit of \$0.986m for the 2022/2023 Financial Year. This has been an improvement of \$0.042m compared to the operating budget adopted for the financial year on 11 July 2022, which forecasted an operating deficit of \$1.029m.

The slight improvement in operating results was made possible due to various reasons, including:

- Higher than budgeted Financial Assistance Grant (FAG) income;
- Supplementary Local Road Funding allocated to the Council by Federal Government after the budget was adopted;
- Costs associated with the Two Wells Town Centre Market Engagement;
- Increase in interest expenses associated with short-term borrowings due to increase in market interest rates.

Total asset base and total liabilities both have increased by \$21.821m and \$1.049m respectively over the Adopted Budget for 2022/2023.

The 2022/2023 Audited Financial Statements have been finalised and a separate report on the 2022/2023 Annual Financial Statements has been provided for consideration by the Audit Committee under Agenda Item 6.1 - *Draft Audited Annual Financial Statements 2022-2023*.

Statement of Comprehensive Income

Council concluded the financial year with an operating deficit of \$0.986m compared to the Adopted Budget, which forecasted an operating deficit of \$1.029m, an improvement of \$0.042m. **Table 1** shows major variances in audited income and expenses in the 2022/2023 Statement of Comprehensive Income compared to the adopted budget.

Table 1: Statement of Comprehensive Income

Description	2022/2023	2022/2023	Variance	
	Actual \$	Budget \$	Favourable/ (Unfav.) \$	(Unfav.) %
INCOME				
Rates	12,194,544	12,145,240	49,304	0
Statutory charges	567,060	589,328	(22,268)	(4)
User charges	214,732	192,719	22,012	11
Grants, subsidies and contributions	2,892,745	1,954,704	938,041	48
Investment income	4,296	2,652	1,644	62
Reimbursements	242,397	171,412	70,985	41
Total Income	16,115,774	15,056,055	1,059,718	7
EXPENSES				
Employee costs	6,496,997	6,548,494	51,496	1
Materials, contracts & other expenses	6,395,516	6,041,715	(353,802)	(6)
Depreciation, amortisation & impairment	3,746,404	3,143,581	(602,823)	(19)
Finance costs	360,317	272,405	(87,912)	(32)
Net loss - equity accounted Council businesses	103,039	78,682	(24,357)	(31)
Total Expenses	17,102,273	16,084,877	(1,017,396)	(6)
OPERATING SURPLUS / (DEFICIT)	(986,499)	(1,028,822)	(42,322)	4
Asset disposal & fair value adjustments	(542,773)	231,000	(773,773)	(335)
Grants for new or upgraded assets	500,998	1,195,000	(694,002)	(58)
Physical resources received free of charge	3,734,116	5,300,000	(1,565,884)	(30)
NET SURPLUS / (DEFICIT)	2,705,842	5,697,178	(2,991,337)	(53)
Other Comprehensive Income				
Changes in revaluation surplus	15,789,217	1,500,000	14,289,217	953
Share of other comprehensive income	(49,014)	(55,000)	5,986	
Total Other Comprehensive Income	15,740,203	1,445,000	14,295,203	989

TOTAL COMPREHENSIVE INCOME	18,446,045	7,142,178	11,303,865	158
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The reasons for major variances in 2022/2023 income and expenses against the adopted budget are explained below.

Description	2022/2023 Actual \$	2022/2023 Budget \$	Favourable/ (Unfav.) \$
Rates	12,194,544	12,145,240	49,304
Income from Kerbside Waste collection service charge has been higher than budgeted due increase in number of services during the year with new waste service applications.			21,498
Fines and interest on overdue Council rates have been higher than budgeted.			26,588
Statutory Charges	567,060	589,328	(22,268)
Income from development applications has decreased by \$25,487 due to reduction in number of applications processed in 2022/2023.			(25,487)
User Charges	214,732	192,719	22,012
Income from Two Wells Waste Transfer Station has been higher than budgeted (Increase in income has been offset by increase in waste disposal costs at the TW Waste Transfer Station)			26,968
Grants, Subsidies and Contributions	2,892,745	1,954,704	938,041
100% of the 23/24 Financial Assistance Grant (FAG) was paid in advance in June 2023 whereas only an advance payment of 50% was budgeted for 22/23 Financial Year.			598,916
Financial Assistance Grant allocated to the Council by Federal Government for the 2022/2023 Financial Year has been higher than budgeted – Confirmed in early October 2022.			197,089
Supplementary Local Road Funding allocated to the Council by Federal Government for the 2022/2023 Financial Year – Confirmed in early October 2022			133,824
Investment Income	4,296	2,652	1,644
Reimbursements	242,397	171,412	70,985
Reimbursement received in 22/23 from the private businesses towards roads maintenance. Offset by increase in seal road maintenance under material, contract and other expenses			55,000
Special distribution from LGA Workers Compensation Scheme and bonus distribution from LGFA on Council's deposits and loans with LGFA is higher than budgeted			3,235
Reimbursement from Local Government Income Protection for actual wages adjustment in 21/22 has been higher than budgeted			15,721
INCOME	16,115,774	15,056,055	1,059,718
Employee Costs	6,496,997	6,548,494	51,496
Actual employee costs are less than budgeted due to combined impact of vacant positions, capitalisation of employee costs against various projects being higher than previous year and the revaluation of leave liability at 30 June 2023 based on new EBA rates effective from 10 July 2023.			51,496
Materials, Contracts and Other Expenses	6,395,516	6,041,715	(353,802)
Expenses approved by the Council since the adoption of 22/23 budget (Stages 1-8 of the transaction strategy in relation to Two Wells Town Centre Market Engagement)			(372,833)
Depreciation, Amortisation and Impairment	3,746,404	3,143,581	(602,823)

In 21/22 \$8.609m of new/upgraded and donated assets were added with the date of addition being 30/06/2022 (i.e., no depreciation in 21/22). Full year depreciation of those assets is accounted in 22/23 resulting significant increase in depreciation expense. Further, there was a significant increase in assets values of transport infrastructure and stormwater drainage assets due to indexation of assets as of 1 July 2022 resulting higher than budgeted depreciation for 22/23.

Finance Costs	360,317	272,405	(87,912)
Interest expense has been higher due to increase in interest rate on short-term borrowings throughout the financial year. In addition, interest on loan obtained to finance Two Wells land purchase was not included in the adopted budget as the decision for loan borrowing was made in August 2022.			(87,958)
Net Loss - Equity Accounted Council Business	103,039	78,682	(24,357)
Gawler River Floodplain Management Authority (GRFMA) made a 'Total Comprehensive Income' of negative \$394,737 in 22/23 compared to that of negative \$250,818 in 21/22. Council share of the operating result of GRFMA is 26.33%.			(24,357)
EXPENSES	17,102,273	16,084,877	(1,017,396)

Statement of Financial Position

The Audited Statement of Financial Position of the Council is shown below in comparison to the adopted budget.

Table 2: Statement of Financial Position as at 30 June 2022

Description	30 June	30 June	Variance	
	2023 Actual	2023 Budget	Favourable/	(Unfav.)
	\$	\$	\$	%
ASSETS				
Current Assets				
Cash and cash equivalents	170,414	415,395	(244,981)	(59)
Trade & other receivables	1,634,901	1,031,000	603,901	59
Inventories	180,807	154,000	26,807	17
Total Current Assets	1,986,122	1,600,395	385,728	24
Non-current Assets				
Council investment in GRFMA	5,540,733	5,794,523	(253,790)	(4)
Infrastructure, property, plant & equipment	156,381,559	136,196,074	20,185,485	15
Other non-current assets	1,518,524	15,000	1,503,524	10,023
Total Non-current Assets	163,440,816	142,005,597	21,435,219	15
Total Assets	165,426,938	143,605,992	21,820,947	15
LIABILITIES				
Current Liabilities				
Trade & other payables	1,625,753	1,353,264	(272,489)	(20)
Borrowings	24,287	7,743,973	7,719,686	100
Provisions	1,443,490	1,008,691	(434,799)	(43)
Total Current Liabilities	3,093,530	10,105,928	7,012,398	69

Non-current Liabilities				
Borrowings	9,690,235	1,742,981	(7,947,254)	(456)
Provisions	334,921	220,439	(114,482)	(52)
Total Non-current Liabilities	10,025,156	1,963,420	(8,061,736)	(411)
Total Liabilities	13,118,686	12,069,348	(1,049,338)	(9)
NET ASSETS	152,308,252	131,536,643	20,771,608	16
EQUITY				
Accumulated Surplus	52,042,081	46,565,129	5,476,952	12
Asset Revaluation Reserves	98,199,253	82,737,515	15,461,738	19
Other Reserves	2,066,918	2,234,000	(167,082)	(7)
TOTAL EQUITY	152,308,252	131,536,643	20,771,608	16

Total Assets

Council's total asset base has increased by \$22m over the Adopted Budget due to combined impact of;

- Land purchased by the Council from the State Government in Two Wells (decision was made by the Council after the adoption of the budget);
- The adopted budget estimated donated assets of \$5.300m based on prior year value of donated assets. However, Council received \$3.734m of donated assets during 2022/2023 Financial Year, a variance of \$1.566m;
- Actual depreciation expense was higher than budgeted by \$0.603m for the 2022/2023 Financial Year; and
- The impact of the revaluation of fixed assets was budgeted at \$1.5000m whereas actual revaluation impact was \$15.789m.

Total Liabilities

Total liabilities have increased by \$1.049m mainly due to new short-term borrowings made in the 2022/2023 Financial Year.

Financial Indicators

Audited actual financial indicators against that of the adopted budget are given below in **Table 3**. It shows that the Council exceeded its financial targets for all ratios.

- An improved operating results has been achieved due to reasons explained above, resulting an operating deficit ratio of 6.1% against budgeted operating deficit ratio of 7%.
- Marginal reduction in Net Financial Liabilities (NFL) Ratio has been achieved due to higher than budgeted operating income reported for the financial year. However, the financial impact of advance payment of 100% of 2023/2024 Financial Assistance Grant is removed, then the adjusted NFL ratio is higher than budgeted.

- c) Assets Renewal Funding Ratio has been less than what was budgeted mainly due to some of the renewal expenditures associated with bridge repairs have been carry over to 2023/2024 pending grant funding.

Table 3: Financial Indicators for 2022/2023 (%)

	Audited Actual 2022/2023	Adopted Budget 2022/2023
Operating Surplus/(Deficit) Ratio	(6.1)	(7)
Adjusted Operating Surplus Ratio	(10)	(7)
Net Financial Liabilities Ratio	70	72
Adjusted Net Financial Liabilities Ratio	85	72
Asset Renewal Funding Ratio	68	94

Conclusion

Adelaide Plains Council has been able to achieve a small improvement in its operating results compared to the 2022/2023 Adopted Budget approved by the Council in July 2022. This improvement was due to the combined impact of various favourable/unfavourable budget variances such as:

- Higher than budgeted grant income, depreciation expenses and interest expenses; and
- Operating expenses approved by the Council on Two Wells land purchase after the budget was adopted.

References

Legislation

Local Government Act 1999

- *Section 127 – Financial Statements*

Local Government (Financial Management) Regulations 2011

- *Regulation 10 - Report on financial results*

Council Policies/Plans

Audit Committee Terms of Reference.

Audit Committee Working Program 2022/2023

7.2 COMMITTEE RESOLUTIONS

Record Number: D23/45484

Author: Director Finance

Authoriser: Chief Executive Officer

Attachments: 1. Outstanding Audit Committee Resolutions [↓](#) 

OVERVIEW

RECOMMENDATION

“that the Audit Committee, having considered Item 7.2 – *Committee Resolutions*, dated 13 November 2023, receives and notes the report.”

Purpose

The purpose of this report is to provide an update to the Audit Committee on the outstanding Committee resolutions yet to be actioned.

Discussion

Audit Committee resolutions that require actioning by Council Management are captured in the Committee’s Resolution Register and presented to each meeting of the Audit Committee.

One (1) resolution remains outstanding from the February 2020 Audit Committee meeting which requires staff to develop a new policy framework in relation to Council’s credit card and travel expenditure.

In addition, one (1) resolution is outstanding from 3 July 2023 Council meeting in relation to ‘Review of Audit Committee Terms of Reference’.

References

Legislation

N/A

Council Policies/Plans

Audit Committee Annual Work Program 2023/2024

2020 Audit Committee Resolution Register								
D23/29063								
Meeting Date	Items No.	Title	Resolution Description	Resolution Number	Responsible Department	Status	Comment	Date Completed
10-Feb-20	9.1	Committee Resolution	"that the Audit Committee, recommend to Council that a report be prepared reviewing the adequacy of current Council policies in light of the recent Ombudsman reports on credit card and travel expenditure."	2020/016	Finance and Corporate Services	Ongoing	<p>Progress update was provided to 7 November 2022 meeting. Refer to the agenda item 7.3 titled 'Reporting of Credit Card Transactions'. Of note, are the additional annual reporting requirements included in the LG reforms in relation to credit card reporting and interstate/international travel.</p> <p>Gifts and Benefits for council employees have also been elevated directly into the LG Act (as opposed to the previous Code of Conduct) and so no policy is required for this.</p> <p>The LGA CEO network is currently looking at a unified sector approach in discussion with the LGA to develop a policy framework on credit card and travel expenditure.</p> <p>With this guidance, Council will be in a better position to consider its policy position in this regard.</p>	

2023 Audit Committee Resolution Register								
D23/29063								
Meeting Date	Items No.	Title	Resolution Description	Resolution Number	Responsible Department	Status	Comment	Date Completed
3/07/2023	6.4	Review of Audit Committee Terms of Reference	“that the Audit Committee, having considered Item 6.4 – Review of Audit Committee Terms of Reference, dated 3 July 2023, receives and notes the report and request a further report be brought back to the next meeting of the Audit Committee.”	2023/041	Finance	In Progress	LGA is currently updating 'Financial Sustainability Information Paper No. 3 – Audit Committees' to reflect the LG reforms effective from 30 November 2023. This includes a Model Terms of Reference, Model Work Program and Model Annual Report.	
4/09/2023	6.4	Draft Annual Work Program for 2023/2024 Financial Year	“that the Audit Committee, having considered Item 6.4 – Draft Annual Work Program for 2023/2024 Financial Year, dated 4 September 2023, receives and notes the report and in doing so adopts Draft 2023/2024 Audit Committee Work Program and instructs the Chief Executive Officer to bring back a report to the next meeting of the Audit Committee setting out timeframes and priorities.”	2023/054	Finance	Agenda		

8 QUESTIONS WITHOUT NOTICE

9 MOTIONS WITHOUT NOTICE

10 URGENT BUSINESS

11 CONFIDENTIAL ITEMS

11.1 ANNUAL REVIEW COUNCIL’S INSURANCE PROGRAM - 2023/2024

RECOMMENDATION**“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 Office, Director Corporate Services, Director Development and Community, Director Finance, Director Infrastructure and Environment, Director Growth and Investment, Manager Governance, Executive Assistant to the Chief Executive Officer and Mayor/Minute Taker, Information Technology Officer be excluded from attendance at the meeting of Council for Agenda Item *11.1 Annual Review Council’s Insurance Program - 2023/2024*;**
- 2. The Audit Committee is satisfied that pursuant to section 90(3)(b) of the *Local Government Act 1999*, Item *11.1 Annual Review Council’s Insurance Program - 2023/2024* concerns information of a confidential nature, the disclosure of which would involve the unreasonable disclosure of commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party.; and**
- 3. The Audit Committee is satisfied that the principle that Council 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.”**

RECOMMENDATION

“that Audit Committee, having considered the matter of Agenda Item 11.1 *Annual Review Council’s Insurance Program - 2023/2024* in confidence under sections 90(2) and 90(3)(b) of the *Local Government Act 1999*, resolves that:-

- 1. The staff report and the minutes pertaining to Agenda Item 11.1 *Annual Review Council’s Insurance Program - 2023/2024*, remain confidential and not available for public inspection until all award;**
- 2. Attachments pertaining to Agenda Item 11.1 *Annual Review Council’s Insurance Program - 2023/2024* remain confidential and not available for public inspection until further order of Council;**
- 3. Pursuant to section 91(9)(a) of the *Local Government Act 1999*, the confidentiality of the matter will be reviewed every 12 months; and**
- 4. Pursuant to section 91(9)(c) of the *Local Government Act 1999*, Council delegates the power to revoke this confidentiality order to the Chief Executive Officer.”**

12 NEXT MEETING

13 CLOSURE