



Audit Committee

NOTICE OF MEETING

Notice is hereby given that a meeting of the Audit Committee will be held in the

**Kingston Room, Civic Centre
24 Jetty Road, Brighton**

Wednesday 17 October 2018 at 6.30pm

Justin Lynch
CHIEF EXECUTIVE OFFICER

AGENDA

Please note: This agenda contains Officers' reports and recommendations that will be considered by the Committee. Any confidential items listed on the agenda will be circulated to Members separately.



Audit Committee Agenda

1. OPENING

The Chairman, Councillor Smedley will declare the meeting open at 6.30 pm.

2. APOLOGIES

2.1 Apologies received

2.2 Absent

3. DECLARATION OF INTEREST

If a Member has an interest (within the terms of the Local Government Act 1999) in a matter before the Committee they are asked to disclose the interest to the Committee and provide full and accurate details of the relevant interest. Members are reminded to declare their interest before each item.

4. CONFIRMATION OF MINUTES

Motion

That the minutes of the Audit Committee held on 18 September 2018 be taken as read and confirmed.

Moved _____, Seconded _____

Carried

5. ACTION ITEMS

6. REPORTS BY OFFICERS

6.1 Standing Items – October 2018 (Report No: 342/18)

6.2 2017-18 General Purpose Financial Statements (Report No: 343/18)

6.3 Long Term Financial Plan Review (Report No: 344/18)

6.4 Brighton Oval Sporting Complex – Review (Report No: 355/18) – (to be distributed under separate cover)

7. AUDIT COMMITTEE FORWARD AGENDA

8. URGENT BUSINESS – Subject to the Leave of the Meeting

9. DATE AND TIME OF NEXT MEETING

The 2019 meeting schedule of the Audit Committee will be confirmed after the Council Election and will be provided to members of the committee at that time.

10. CLOSURE

**JUSTIN LYNCH
CHIEF EXECUTIVE OFFICER**



**AUDIT COMMITTEE
ACTION ITEMS
As at 18 September 2018**

Meeting	Agenda Item	Action Required	Responsibility	Estimated Completion Date	Current Status
29 August 2018	6.1 Standing Items	Discuss with Bentley's whether their scope of the control-trak assessment be expanded to include some sample testing of the self-assessment for the 2018-19 assessment.	R. Bria	30 March 2019	This action will need to be balanced with the work that the external auditor does as part of their internal controls audit as part of the end of year audit.
29 August 2018	6.2 AC self-assessment	Investigate the possibility of undertaking a tour of Council facilities and projects as part of the new Council induction program with Audit Committee members invited to attend.	R. Bria	15 November 2018	
29 August 2018	6.2 AC Self- Assessment	Investigate the possibility of including in the new Council induction program a session that covers the role of the Audit Committee.	R. Bria	15 November 2018	
29 August 2018	6.2 AC Self-Assessment	Forward financial and risk based LGA Circulars to the independent members to provide information on current LG matters.	R. Bria	11 October 2018	
29 August 2018	6.4 Brighton Oval Redevelopment	That an Audit Committee meeting be held within three weeks to further consider the report	R. Bria	Completed	Special Audit Committee meeting held
18 Sept 2018	5.1 Brighton Oval Redevelopment	That a report be provided to the next Audit Committee meeting covering learnings from the discussion and proposed actions.	R. Bria/H. Lacy	17 October 2018	Report on this Agenda – distributed under separate cover.

Item No: **6.1**
Subject: **STANDING ITEMS – OCTOBER 2018**
Date: 17 October 2018
Written By: Manager Finance
General Manager: Business Services, Mr R Bria

SUMMARY

The Audit Committee is provided with a report on standing items at each ordinary meeting.

RECOMMENDATION

That the Audit Committee advises Council it has received and considered a Standing Items Report addressing:

- **Monthly financial statements**
 - **Internal control**
 - **Risk management**
 - **Whistleblowing**
 - **Internal audit**
 - **Economy and efficiency audits**
-

COMMUNITY PLAN

Culture: Enabling high performance
Culture: Being financially accountable
Culture: Supporting excellent, efficient operations

COUNCIL POLICY

Not applicable

STATUTORY PROVISIONS

Local Government Act 1999, Sections 41 and 126
Whistleblowers Protection Act 1993

BACKGROUND

At its meeting on 23 January 2008, the Audit Committee resolved that a report be included in the agenda of each meeting of the Committee addressing the following standing items:

- Monthly financial statements
- Internal control and risk management
- Whistle blowing
- Internal audit
- Economy and efficiency audits

Also included in this Standing Items report is an item to formally advise the Committee of the outcomes of its recommendations and advice to Council. This is aimed at 'closing the communication loop' between the Committee and Council.

REPORT

Monthly Financial Reports

Members of the Committee receive copies of the monthly financial reports as soon as practical after they are provided to Council.

Financial reports for Municipal and Alwyndor operations for the month ended 31 August 2018 were considered by Council at its meeting on 25 September 2018. Members of the Committee have received copies of the May report.

The preliminary 30 June 2018 report was presented to Council on 14 August 2018 and members of the Committee received a copy of this report.

The 2017/18 financial statements report is contained within this agenda and is yet to be considered by Council.

Risk Management

Administration is not aware of any material changes to Council's risk profile not otherwise disclosed since the previous Standing Items Report on 29 August 2018.

Internal Controls

Administration is not aware of any material changes to Council's internal controls not otherwise disclosed since the previous Standing Items report on 29 August 2018.

Internal Audit

As part of the 3 year internal audit plan Council's internal auditor, Bentleys, conducted an internal audit of Alwyndor – Care Systems Post Implementation during August 2018. A report on the outcome is attached.

Refer Attachment 1

External Audit

Council's external auditor, BDO, will be attending this Audit Committee to present their 2017/18 audit completion report. This report is included as part of this agenda.

Whistle-Blowing

There have been no whistleblower complaints made to Council since the previous standing items report on 29 August 2018.

Sec 130A Economy and Efficiency Audits

Council has not initiated any review pursuant to section 130A of the *Local Government Act* since the previous Standing Items Report on 29 August 2018.

Council Recommendations

At its meeting on 11 September 2018 Council received the minutes and endorsed the recommendations of the meeting of the Audit Committee held on 29 August 2018.

At its meeting on 18 September 2018 Council received the minutes and endorsed the recommendations of the meeting of the Audit Committee held on 18 September 2018.

BUDGET

This report does not have any budget implications.

LIFE CYCLE COSTS

This report does not have any full life cycle costs implications.

Where you want to be.



October 2018

Alwyndor Aged Care

Care Systems Post Implementation Internal Audit Report

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▶ Advisors

▶ Accountants

▶ Auditors

4 October 2018

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Dear Rick

Internal Audit Report – Care Systems Post Implementation

Please find attached our report on the Care Systems Post Implementation for Alwyndor Aged Care.

We would like to take this opportunity to thank management and staff for the assistance provided to us during the course of our audit.

If you have any queries, please feel free to contact me on 08 8372 7900 at any time.

Yours sincerely



David Papa
Partner

Enclosure

Contents

Executive summary	4
<i>Background</i>	4
<i>Audit objectives</i>	4
<i>Audit scope and approach</i>	4
<i>Good practices observed</i>	5
<i>Key findings and observations</i>	5
<i>Acknowledgement</i>	7
Appendix 1 Detailed findings and agreed action plan	8
Appendix 2 Improvement opportunities	12
Appendix 3 Documents accessed and consultation	15
Appendix 4 Care Systems access	16
Appendix 5 Control assessment	17
Appendix 6 Risk framework	18

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Inherent Limitations

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to this review operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. This review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by Alwyndor Aged Care management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed. The findings expressed in this report have been formed on the above basis.

Third Party Reliance

This report is solely for the purpose set out in the Official Order and for Alwyndor Aged Care information, and is not to be used for any other purpose or distributed to any other party without Bentleys (SA) Pty Ltd's prior consent.

This summary report has been prepared at the request of Alwyndor Aged Care management or its delegate. Other than our responsibility to the management of Alwyndor Aged Care, neither Bentleys (SA) Pty Ltd nor any member or employee of Bentleys (SA) Pty Ltd undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to Alwyndor Aged Care external advisors, on this summary report. Any reliance placed is that party's sole responsibility. Liability limited by a scheme approved under Professional Standards Legislation.

Executive summary

Background

Alwyndor Aged Care (Alwyndor) has engaged Bentleys SA Pty Ltd to conduct an internal audit project – Care Systems Post Implementation in August 2018 in line with the Audit Committees request.

The new financial Care Systems have been implemented and rolled out in Alwyndor. The systems were assessed and chosen for the ease of use, system functionality, cost of implementation and ongoing licence fees, implementation and training experience, support and reporting.

The Care Systems LedgiCare (General Ledger), ClientCare (debtors) and CrediCare (creditors) modules went live on 1 April 2018 and PayCare (payroll) and RostCare (rostering) modules went live on 1 July 2018. These modules of the Care Systems are currently in the post-implementation stage, which is within six months after roll-out.

This report outlines findings and recommendations in respect of Care Systems post implementation.

Audit objectives

The overall objective of the audit was to assess the quality of the data being transferred across and determine whether the system effectively supports internal controls. Specifically, the audit scope included the following:

- Gain an understanding of data migration processes and assess the outcomes;
- Test the key controls over the data security and system operations in the post implementation stage; and
- If necessary, agree action plans to improve control effectiveness, and where appropriate, to improve process performance.

Governance objectives, where relevant, were considered. This included an assessment of whether governance processes were in place, including:

- Defined roles and responsibilities;
- Segregation of duties;
- Appropriate levels of delegated authority;
- Monitoring and reporting of abnormal activity; and
- Records management and documented audit trails.

Audit scope and approach

The audit scope included:

Data Migration and Integrity

- Review and assess the key processes undertaken to migrate data, including design, extraction, cleansing, load, and verification;
- Perform sample testing to determine whether data was accurately migrated, is complete, and supports processes in the new system; and
- Review accuracy of data processing compared to historical processes.

Data Security

- Determine whether the system data security, backup, recovery, and restart capabilities adequately safeguard data, including master, transaction and source;
- Determine whether appropriate files, programs, and procedures are established to enable recovery from a disaster resulting in the loss of data;
- Review the ability to trace transactions through the system; and
- Evaluate the adherence to restriction of access to data.

System Operations

- Verify the effectiveness of the system processing activities, including the submittal of source material, and the receipt of outputs;
- Determine the ability of system to schedule tasks according to user needs and to complete scheduled tasks;
- Analyse the usability of the system including the transaction throughput and error rate;
- Assess the ability of the system to handle peak loads and to resolve backlogs when they occur; and
- Evaluate whether adequate maintenance activities are scheduled and implemented or major enhancement/revisions is required to ensure operations.

Risk Management and Controls

- Identify internal controls delivered in the previous system and the associated risks mitigated;
- Identify internal controls delivered in the new system and the associated risks mitigated;
- Compare the risk management and controls between the previous and new systems to identify gaps if any; and
- Determine whether the new system conducts the sufficient control activities to mitigate the associated risks.

Limitation of scope – This audit did not assess whether the project objectives were met. Therefore, stakeholder engagement, functional requirements, and cost-benefit analysis were excluded from the audit scope.

Our approach involved reviewing the process, procedures, policies and documentation; interviewing key staff; observation, walkthrough and substantive testing where possible.

Our audit reviewed the key processes and documents which drive the Care Systems post implementation. Refer to Documents Accessed and Consultation (Appendix 3) for detailed information.

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

Good practices observed

The following good practices were observed during the audit:

- The General Ledger, Debtors, employees and pay rates information were accurately and completely migrated to the Care Systems as the migration processes of design, extraction, cleansing and load were effective.
- The Care Systems access is designed and authorised appropriately according to the users' duties and segregation exists.
- The system data security and backup are in place to adequately safeguard data and the operation of the system effectively supports data processing.
- Monthly and end of financial year reporting and budget reports are generated based on the data in the Care Systems. Manual signoff on these reports after review is in place.

Key findings and observations

A summary of the risk rated findings based on the Risk Management Framework of the City of Holdfast Bay are provided below (as Alwyndor has no such framework):

Inherent risks

Key inherent risks before controls include:

- Lack of data cleansing results in misstatement of information or data integrity problems;
- Incorrect data mapping resulting in processing data error;
- Error and fraud occur until the control environment matures on the new system;
- Segregation of duties is not adequate designed or considered;
- Inappropriate access granted to functional users and implementers; and
- Unauthorised changes to the system.

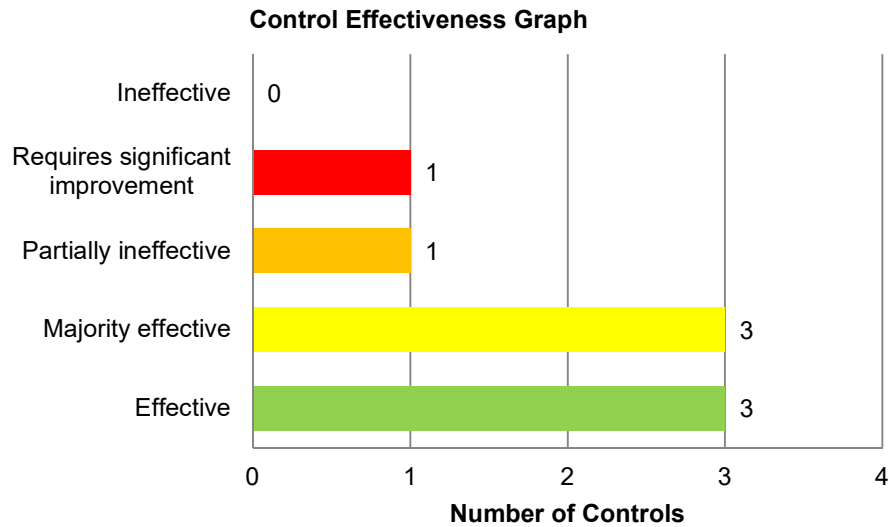
Controls assessment

The control effectiveness assessment below is an indicator of the current state of the control environment within business operations and its ability to mitigate against the risk exposures.

Given Alwyndor does not have its control effective ratings in the risk management policy, we adopted the definitions of control effectiveness ratings from the Better Practice Model – Internal Financial Control developed by the South Australian Local Government Financial Management Group Inc (SALGFMG).

Key controls were identified during the audit. Refer to Controls Assessment (Appendix 5) for detailed information.

Based on the internal audit work completed, documents inspected, surveys conducted and interviews with key stakeholders, it is the view of Bentleys SA that the control environment of Care Systems post implementation is **Majority Effective**.



Overall Controls Assessment ⁽¹⁾				
Effective	Majority Effective	Partially Ineffective	Requires Significant Improvement	Ineffective

(1) Limited to audit scope and based on test results.

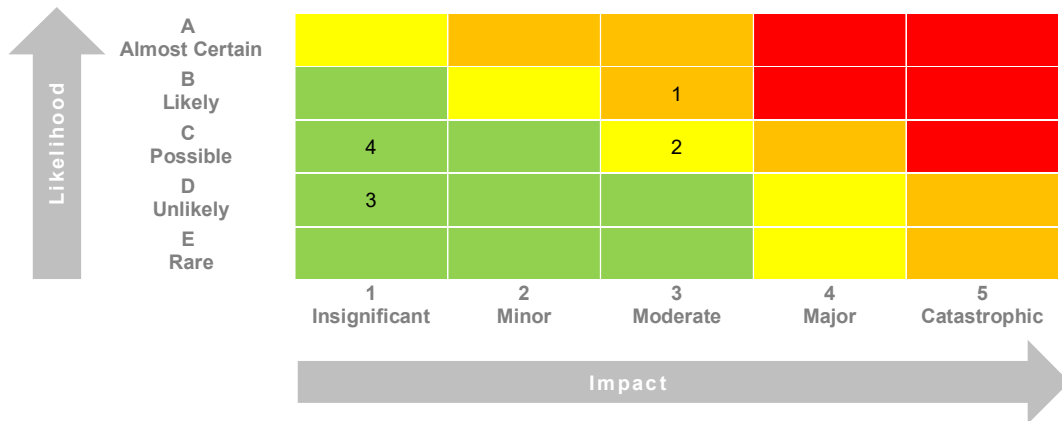
Residual risk assessment

Provided below is an audit assessment of the residual risk in respect of the process reviewed, having regard to the issues identified by the audit.

Ref #	Description of Findings	Risk Rating
1	Care Systems controls	High
2	Disaster recovery and data backup policy	Moderate
3	Segregation of duties	Low
4	Suppliers ABN and entity name information	Low
Ref #	Improvement Opportunities	
1	Excel template for financial reporting	n/a
2	Formalising the requirements of leave records storage	n/a
3	Use of PayCare Age/Experience Table Audit Report	n/a

Refer to Detailed Findings and Agreed Action Plan (Appendix 1) and Improvement Opportunities (Appendix 2) for detailed information.

Each key finding is rated based on the impact to the process considered. Refer to Risk Framework (Appendix 6) for detailed information.



Acknowledgement

We appreciate the assistance and cooperation received from management and staff of Alwyndor Aged Care in completing this review.

Appendix 1

Detailed findings and agreed action plan

Finding 1. Care Systems controls	Risk Category	A,E
	Impact:	Moderate
	Likelihood:	Likely
	Risk Rating:	High
Finding(s)		
<p>The Care Systems do not have controls over tracking and monitoring the operators' activities including the Administrators' activities. There are risks of lack of audit trail, visibility into database activity and breach of data security.</p> <p>Care Systems currently has three Administrators and ten other users from the Finance Unit and the Customer Liaison Unit managed by the Chief Financial Officer (CFO) (for details refer to Appendix 4), additionally, there are four external and default users with Administrators access to the system. Although the level of access is commensurate with the system users' duties and suitable segregation exists for an operation of this size, the Care Systems do not record the operators' names (or other identifier) in General Ledgers and there is no audit trail to trace who has made what changes in the system.</p> <p>The risks are heightened as there is no tracking or monitoring of the Care Systems Administrators' activities, including external and default users. Administrators are the most powerful identities because they are required to access all sensitive financial and personal information and security functions in the system. Therefore, monitoring and controlling privileged user access is a necessary part of any reliable system security management.</p>		
Risk		
<ul style="list-style-type: none"> • Lack of visibility into database activity; • Error and fraud can occur unnoticed; • Breach of data security; and • Reputational damage. 		
Recommendation	Management Response and Agreed Action Plan	
<p>We recommend management communicate with the Care Systems Technical Support to resolve the issues regarding no tracking and monitoring of the operators' activities including the Administrators' activities.</p>	<ul style="list-style-type: none"> • Log an enhancement request with Care Systems Technical Support to include operator details against all transactions. • As at the 27th August, Care Systems had advised that they were in the process of developing testing audit trail reports. Follow up with Care Systems on release date. 	
	Responsible Officer	Target Date
	Chief Financial Officer	31 October 2018

Finding 2. Disaster recovery and data backup policy	Risk Category	A,B,E
	Impact:	Moderate
	Likelihood:	Possible
	Risk Rating:	Moderate
Finding(s)		
<p>There has been no disaster recovery test performed to cover Care Systems. This has exposed Care Systems to significant risks of data loss and business continuity in the event of an emergency situation. The gap identified was due to Care Systems being currently at the infancy stage. It was advised by management that Care Systems will be added to the next scheduled disaster recovery test.</p> <p>Further, there is no Information Technology (IT) Disaster Recovery Policy within Alwyndor. A formalised policy can ensure that sufficient resources are available for consistent implementation.</p> <p>It should be noted that the Alwyndor outsourced services provider, Subnet, covers IT disaster recovery according to the Subnet Service Level Agreement dated 28 March 2018. In the absence of the disaster recovery, the daily data backup to network storage and back retention are set up in the software to protect data in Care Systems.</p>		
Risk		
<ul style="list-style-type: none"> • Data loss; • Key services may not be restored in a timely manner; • Ongoing service delivery may be adversely affected; • Financial loss; and • Reputational damage. 		
Recommendation	Management Response and Agreed Action Plan	
<p>We recommend management:</p> <ul style="list-style-type: none"> • Document the backup processes and requirements into a policy to ensure sufficient resources are available for consistent implementation; • Prioritise resources to formalise an IT Disaster Recovery Policy according to best practice that works through the critical scenario based on priority and impact to the business, outage length, work around measures, activation triggers and task lists; • Ensure the policy includes the disaster recovery tests schedule for all major systems including Care Systems; • Conduct regular tests (at least every six months) according to the policy schedule to make sure everything will go according to plan, including tests offline to get a feeling for timings and any issues that may arise; and • Continue regular quarterly reviews of Subnet's performance including disaster recovery test outcomes and keep the document up to date. 	<ul style="list-style-type: none"> • Alwyndor has a full-service managed service agreement with Subnet which covers the management of our entire ICT environment, including production, backups and disaster recovery. • Backups occur daily, weekly, monthly and yearly to both tape and SAN disk. Server is replicated daily to the disaster recovery server. Tests are conducted on a quarterly basis. • Alwyndor, in partnership with the new Managed Service Providers will develop a procedure, "Work Instruction" documenting the IT Disaster Recovery procedure. 	
	Responsible Officer	Target Date
	Chief Operating Officer	31 December 2018

Finding 3. Segregation of duties	Risk Category	A,B
	Impact:	Insignificant
	Likelihood:	Unlikely
	Risk Rating:	Low
Finding(s)		
<p>The segregation of duties is not formalised in policy or procedure to avoid any violation in practice. We do note that Care Systems access has been setup to avoid users processing any incompatible duties of a user's typical day to day duties (for details refer to Appendix 4).</p> <p>During the time of audit on 28 August 2018, a violation of ideal segregation of duties was observed. The Manager – Finance & Administration (MFA) is one of the Care Systems Administrators and has full access right. In this occurrence identified, she worked as relief staff for an hour at the front counter and received \$50. This assignment was due to all other employees from the Finance Unit and the Customer Liaison Unit being in a team meeting.</p> <p>It should be noted that the CFO took on this feedback immediately at the time of the audit and agreed that it would not occur again.</p>		
Risk		
<ul style="list-style-type: none"> • Fraudulent activities; • Financial loss; and • Reputational damage. 		
Recommendation	Management Response and Agreed Action Plan	
<p>We recommend management:</p> <ul style="list-style-type: none"> • Formalise the duties of Care Systems users including the staff from the Finance Unit and the Customer Liaison Unit, and the associated segregation of duties requirements into a policy; • Ensure consistent implementation of the policy requirements; and • Review the Care Systems users access and their duties regularly (at least every six months) to ensure segregation of duties exists. 	Develop a Work Instruction (Procedure) to address any concerns around segregation of duties.	
	Responsible Officer	Target Date
	Chief Financial Officer	31 December 2018

Finding 4. Suppliers ABN and entity name information	Risk Category	B
	Impact:	Insignificant
	Likelihood:	Possible
	Risk Rating:	Low
Finding(s)		
<p>The suppliers Australian Business Number (ABN) and entity name information were not completely accurate in the ClientCare module within the Care Systems.</p> <p>As at 31 March 2018, the detailed information of 120 active suppliers was extracted from the old TechOne system and entered into the ExtraCare spreadsheet template, including ABN, bank account numbers, and contact details. The ExtraCare spreadsheet was rolled into the ClientCare System by the external Care Systems Project Manager. However, the sample testing of 30 suppliers' information found that</p> <ul style="list-style-type: none"> • Four out of the 30 suppliers sampled (13%) had the wrong ABN recorded and two were corrected immediately at the time of the audit on 30 August 2018; and • One out of the 30 suppliers sampled (3%) had the old entity name (effective up to 8 December 2014) recorded. <p>The reason is that wrong information retained in the old TechOne was not checked against external data sources (such as tax invoices and/or the ABN Lookup website) when data migration occurred between the new system and legacy system.</p> <p>ABN is a key business credential, enabling businesses to register a business name, open a business bank account, register for GST and claim GST credits, etc. ABN can also be used as a PayID for the New Payments Platform Australia. Entity name is also an important identity. Therefore, the correct ABN and entity name should be retained in the Care Systems.</p>		
Risk		
<ul style="list-style-type: none"> • Data integrity; and • Payment made to the wrong suppliers. 		
Recommendation	Management Response and Agreed Action Plan	
<p>We recommend management review all suppliers' information in the ClientCare module within the Care Systems against external data sources (such as tax invoices and/or the ABN Lookup website) to ensure accuracy, especially ABN and entity name.</p>	Review all suppliers and update information in Care Systems.	
	Responsible Officer	Target Date
	Chief Financial Officer	31 December 2018

Appendix 2

Improvement opportunities

1. Excel template for financial reporting		
Observation(s)		
<p>Improvement opportunities exist in enforcing data security controls when using the excel template for financial reporting.</p> <p>An excel template is developed by Care Systems for Alwyndor to populate the monthly financial report. The excel template links to the system and the template updates whenever the refresh function is activated. There is a risk of incorrect financial data is used if no checking of the data in the excel template is performed against the financial data in the Care Systems as spreadsheets are inherently risky with regards to formula and data integrity.</p> <p>The current practice is that the template is saved in a folder called “Finance” on intranet and only Finance staff can access it. The monthly financial report is verified and saved in a pdf format by the CFO and/or Manager – Finance & Administration. We recommend that management set up an editing password protection and document the process when using the excel template for financial reporting.</p>		
Opportunity(ies)	Management Response	
<p>We recommend management</p> <ul style="list-style-type: none"> Set up an editing password protection and document the process when using the excel template for financial reporting; and Further communicate with the Care Systems Technical Support to build up a reporting function within the Care Systems to replace the current excel template. 	<ul style="list-style-type: none"> Keep a template copy of the original document and add an editing password. Request better reporting options from Care Systems. 	
	Responsible Officer	Target Date
	Chief Financial Officer	31 October 2018

2. Formalising the requirements of leave records storage

Observation(s)

Improvement opportunities exist in formalising and documenting the requirements of leave records storage in the rostering process.

The leave applications are received via the Rostering email account, but all applications have the same title of “Employee Portal – Leave Request”. This is difficult for record management as there is no employee’ name or number in the title and the email is not a record management database.

The current practice is that once a leave approval is received, the email is saved to the employee’s personal file in “M drive/HR Confidential/Employee Files/Current – Employee E – Files”. However, the practice is not documented into a procedure. There is an increased risk of inconsistent implementation as the rostering process involves many different stakeholders. Leave data is entered by four officers and used by many areas of the organisation, including operational, human resources and financial areas.

Opportunity(ies)	Management Response	
We recommend management <ul style="list-style-type: none"> • Formalise and document the requirements of leave records storage to ensure consistent implementation; and • Further investigate an option of using a database to retain the employee’s personal files including leave records. 	Develop Work Instruction documenting the leave request procedure.	
	Responsible Officer	Target Date
	Chief Financial Officer	31 December 2018

3. Use of PayCare Age/Experience Table Audit Report

Observation(s)

There are three audit reports available in the PayCare module, which can be used to assist monitoring and verification of pay rates change activities. However, the Senior Accounting Officer was not aware of their existence prior to this audit, especially the PayCare Age/Experience Table Audit Report. They advised that the PayCare Age/Experience Table Audit Report will be used in checking the rates for the next financial year 2019-20 to improve efficiency.

Opportunity(ies)

We recommend management

- Use the Care Systems PayCare Age/Experience Table Audit Report in checking the rates for the next financial year 2019-20; and
- Investigate other monitoring and reporting functions within the Care Systems to be used to improve efficiency for financial transaction processing and reporting where possible.

Management Response

- Recommendation regarding the audit report for checking rates was implemented immediately.
- Care Systems to provide post implementation training across all modules. This will identify any gaps in the way we are using the system and ensure that we fully utilising the system. Any further training requirements will also be uncovered through this process.

Responsible Officer

Chief Financial Officer

Target Date

30 November 2018

Appendix 3

Documents accessed and consultation

Documents provided by Alwyndor Aged Care and accessed include:

- Alwyndor Financial Report as at 31 March 2018
- Alwyndor Financial Report as at 31 July 2018
- Alwyndor Budget Report as at 31 July 2018
- PayCare Working Journal Report
- ClientCare Debtors Account Balance and Reconciliation 30 March 2018 and 30 June 2018
- City of Holdfast Bay (Alwyndor Aged Care) Enterprise Agreement 2016 – 2019
- Alwyndor Sub-Delegations - Approved February 2018
- Payroll process manual
- Rostering policy and procedure
- Rostering rules for Community Staff
- Care Systems training schedule
- Audit Report – PayCare Age Experience Table Audit Report
- Audit Report – PayCare Last Pay Item Rate Difference Report by Employee
- Audit Report – PayCare Payitem Audit Report
- Care Systems Software License and Services Agreement
- Care Systems User Access
- Finance Team Duties
- Subnet Scope - Alwyndor Infrastructure Migration
- Managed Services Report - Alwyndor Feb - Apr 2018
- Data Loss Prevention Policy Breach

We would like to extend our appreciation to the following individuals who participated in, and provided information during this internal audit review.

- Nadia Andjelkovic, Chief Financial Officer
- Pam Warburton, Manager – Finance & Administration
- Amy Klenk, Senior Accounting Officer
- Travis Hill, Chief Operating Officer
- Judith Williams, Admin Assistant/Receptionist
- Bernie Parker, Admin Officer
- Julie Lawson, Admin Assistant

Appendix 4

Care Systems access

The Care Systems users' access levels and duties are listed below:

Full names	Care Systems access level	Positions	Duties
Rick Kluge	ALL ALL	General Manager – Alwyndor	Ultimate responsible person
Naida Andjelkovic	ALL ALL	Chief Financial Officer	2nd review & authorise payment; Review Journals & End of Month reports, Dashboard preparation, AMC reports & Analysis; Budget Preparation
Pam Warburton	ALL ALL	Manager – Finance & Administration	Review & 1st authorise payment; Bank Reconciliation, Journals, End of Month Reports & reconciliation of balance sheet; Business Activity Statements, Investments and cashflow
Amy Klenk	FINANCE FINANCE	Senior Accounting Officer	Process fortnightly Payroll, Residential Debtors; Reconcile medicare claim income; Record capital purchases in asset register (spreadsheet)
Bernadette Parker	FINANCE FINANCE	Admin Officer	Process Homecare Debtors
Julie Lawson	FINAP Accounts Payable	Admin Assistant	Process Creditor, Credit Card
Margaret Miatke	HRROST Rostering/TimeAttendance only	Admin Finance Officer	Residential, Therapy & Corporate Rosters
Ann Rice	HRROST Rostering/TimeAttendance only	Finance Officer	Residential, Therapy & Corporate Rosters (support)
Judith Williams	HRROST Rostering/TimeAttendance only	Admin Assistant/Receptionist	Residential, Therapy & Corporate Rosters (support)
Traci White	HRROST Rostering/TimeAttendance only	Community Rostering Officer	Home Care Rosters
Kim Subing	ARCSH CashCare and Statement Printing only	Receptionist	Cash receipting
Sarah Wilson	ARCSH CashCare and Statement Printing only	Receptionist	Cash receipting
Susan Egarr	ARCSH CashCare and Statement Printing only	Receptionist	Cash receipting
Kim Harnett	ALL ALL	Care Systems Project Manager (external)	Not applicable
Care Systems End User	ALL ALL	Default	Not applicable
CARE	Default System Generated Super User	Default	Not applicable
SysTimeProcessor	Default Account for importing Attendance Record	Default	Not applicable

Appendix 5

Controls assessment

Key controls

Key controls identified during the audit include:

No.	Control name	Control effectiveness
1	Data migration and integrity	Majority effective
2	Financial and managerial reporting	Effective
3	Data logic and access security	Partially ineffective
4	Backup and Disaster Recovery procedures	Requires significant improvement
5	System operations	Effective
6	Risk management	Partially ineffective
7	Roles and responsibilities	Effective
8	Segregation of duties	Majority effective

Control Assessment Table

Control / Mitigating Factor	Description
Effective	Controls are properly designed and operating as intended.
Majority effective	Controls are properly designed and operating, with opportunities for improvement identified.
Partially ineffective	Key controls are in place, with significant opportunities for improvement identified.
Requires significant improvement	Limited controls are in place, high level of risk remains.
Ineffective	Controls are non-existent, or have major deficiencies and don't operate as intended.

Appendix 6

Risk framework

The following framework for risk ratings was developed by Council to prioritise findings according to their relative significance depending on their impact to the process.

LIKELIHOOD	CONSEQUENCES				
	Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
Almost Certain (E)	Moderate	High	High	Extreme	Extreme
Likely (D)	Low	Moderate	High	Extreme	Extreme
Possible (C)	Low	Low	Moderate	High	Extreme
Unlikely (B)	Low	Low	Low	Moderate	High
Rare (A)	Low	Low	Low	Moderate	High

Measures of corporate risk likelihood

The likelihood of a risk eventuating must be identified in the context of existing controls using the following as a reference:

LIKELIHOOD RATING	DESCRIPTION
Almost Certain (E)	Event is expected to occur in most circumstances – 95% to 100% probability over next 5 years or had occurred in the last 12 months.
Likely (D)	Event could occur in most circumstances – 76% to 94% probability over next 5 years or had occurred in the last 12 -24months.
Possible (C)	Event could occur at some time – 26% to 75% probability over next 5 years or had occurred in the last 2-10years.
Unlikely (B)	Event could occur in circumstances – 6% to 25% probability over next 5 years or had occurred in the last 10-100 years.
Rare (A)	Event may only occur in exceptional circumstances – 0% to 6% probability over next 5 years or had occurred in over 100 years.

Measures of corporate risk consequence or impact

Where a risk has implications across a number of areas of impact, the highest rating should be used to determine the overall level of risk. However, each identified risk should be assessed from a mitigation/action.

IMPACT SCALE	REPUTATION (A)	BUSINESS IMPACT (B)	PUBLIC SAFETY (C)	ENVIRONMENT (D)	SERVICE DELIVERY (E)
1. Insignificant	<ul style="list-style-type: none"> No adverse effect on public image No media interest Insignificant level of community concern. A slight but manageable increase in the number of adverse resident complaints Negligible adverse impact upon social health and wellbeing of the community which has little or no impact upon established community relationships and links. 	<ul style="list-style-type: none"> Low financial loss – impact of less than \$5k Operational issues manageable within normal activities 	<ul style="list-style-type: none"> No injuries Minor repairs required of an insignificant nature to property / infrastructure. 	<ul style="list-style-type: none"> "Nuisance" category under the SA Environment Protection Act (1993) met Short term, immediately reversible effects on ecosystem 	<ul style="list-style-type: none"> Insignificant impact on Council's ability to achieve strategic outcomes
2. Minor	<ul style="list-style-type: none"> Minor adverse effect on public image Minor media coverage in paper distributed within the local area (small scale single article). Minor level of community concern, an increase in the number of resident complaints requiring direct effort to resolve/attend to. Minor adverse impact upon social health and wellbeing of the community that may have a minor impact upon established community relationships & links. 	<ul style="list-style-type: none"> Medium financial loss – impact of between \$5k and \$20k Minor impact in undertaking routine activities 	<ul style="list-style-type: none"> Only First Aid treatment required Minor loss or infrastructure damage. Normal seasonal illness leading to minor disruption to activities 	<ul style="list-style-type: none"> "Nuisance" category under SA Environment Protection Act (1993) Some minor adverse effects to few species/ ecosystem parts that are short term and immediately reversible. Contamination – on-site release immediately contained 	<ul style="list-style-type: none"> Some delays in delivery of strategic initiatives, but only minor aspects impacted. Overall strategic intent still achievable
3. Moderate	<ul style="list-style-type: none"> Moderate adverse effect on public image Adverse media campaign in Messenger over two or more issues, supported by uptake of issue in Advertiser and/or local electronic media Moderate level of community concern, large number of complaints and letters to editor in Messenger Paper Minor common law action or ombudsman investigation threatened/ initiated. 	<ul style="list-style-type: none"> Moderate financial loss – impact of between \$20k and \$50k Impaired ability to maintain normal operations. Reprogramming required. Minor legal issues, non-compliances and breaches of regulation. 	<ul style="list-style-type: none"> Medical treatment required which may include short term admission to hospital Moderate loss/or infrastructure damage Local epidemic leading to noticeable disruption of activities 	<ul style="list-style-type: none"> "Material" category under the SA Environment Protection Act (1993) Contamination – on-site release contained with outside assistance Ecosystems- temporary, reversible damage, loss of habitat and migration of animal populations, some reduction in numbers and die back of plants. Pollution requires physical removal, air quality constitutes potential long term health problems. Manageable restrictions in resource usage 	<ul style="list-style-type: none"> Some key components of the Strategic Plan cannot be achieved within expected timeframes. Additional funding/resources or some strategies reprioritisation is required
4. Major	<ul style="list-style-type: none"> Significant adverse effect on public image Widespread adverse media campaign including electronic local and national media. Social media going viral requiring management intervention. Pressure on State Government and Agencies to intervene Significant level of community concern Social health and wellbeing of the community seriously affected by major community unrest and/or significant breakdown of established community relationships and links. Significant Common Law Action threatened, major ombudsman investigation initiated 	<ul style="list-style-type: none"> Major financial loss - impact of between \$50k and \$100k Significant effects loss of ability to complete programs, major restrictions to services and project delivery Serious breach of regulation with investigation or report to authority with prosecution and/or moderate fine possible. 	<ul style="list-style-type: none"> Serious & extensive injuries Serious structural damage to infrastructure or serious loss of assets. Widespread epidemic that causes significant disruption to activities 	<ul style="list-style-type: none"> "Serious" category under the SA Environment Protection Act (1993) Contamination – off-site release with no detrimental effects Ecosystems – recoverable damage, death of animals in large numbers, widespread habitation destruction, significant air quality issues. Pollution issues requiring long term management, serious introduction of invasive species Restrictions on resource usage threatening viability of accepted lifestyle 	<ul style="list-style-type: none"> Key Strategic Objectives unable to be achieved; review of Strategic Plan is required
5. Catastrophic	<ul style="list-style-type: none"> Major effect on public image Widespread adverse media campaign including electronic local, national and international media. Widespread community outrage Social media going viral, unable to be contained. State Government and Agencies to intervene. Social health & wellbeing of the community severely affected resulting in fracturing of established community relationships & links. Class Actions, Judicial Inquiries Initiated 	<ul style="list-style-type: none"> Critical financial loss/exposure – impact greater than \$100k Projects & programs failure, inability to meet minimum acceptable standards, Major breaches of regulation, sanctions imposed 	<ul style="list-style-type: none"> Fatalities Critical loss, irreversible damage property / infrastructure with a replacement cost that overwhelms the capital budget (>25%) Community movements restricted under State Emergency Plan 	<ul style="list-style-type: none"> "Serious Material harm" category under the SA Environment Protection Act (1993) and EPA actions initiated Off-site contamination requiring immediate and significant remediation actions Ecosystems – irreversible damage, widespread loss of animals, and key stone species extinctions, destruction of flora species, widespread domination of invasive species. Pollution unable to be effectively remediated. Restriction on resource usage resulting in permanent disruption of accepted life-style 	<ul style="list-style-type: none"> Goals of Strategic Plan not achievable; total and immediate re-work of Plan is required

Item No: **6.2**

Subject: **2017-18 GENERAL PURPOSE FINANCIAL STATEMENTS**

Date: 17 October 2018

Written By: Manager Finance, Chief Financial Officer - Alwyndor

General Manager: Business Services, Mr R Bria

SUMMARY

The financial statements for the year ended 30 June 2018 have been completed and audited by Council's auditor, BDO, who have indicated that an unqualified audit opinion will be provided and that there are no material issues arising from the audit. They are presented to the Audit Committee for review.

RECOMMENDATION

That the Audit Committee inform Council it has reviewed the General Purpose Financial Reports for the year ending 30 June 2018, as required under Section 126(4)(a) of the Local Government Act 1999, and found them to present fairly the state of affairs of the Council as required under the Local Government (Financial Management) Regulations 2011.

COMMUNITY PLAN

Culture: Being financially accountable

COUNCIL POLICY

Not applicable

STATUTORY PROVISIONS

Local Government Act 1999

Local Government (Financial Management) Regulations 2011

BACKGROUND

Pursuant to sub-section 126(4) of the *Local Government Act*, the Audit Committee is required to review Council's annual financial statements to ensure that they present fairly the state of affairs of Council.

The financial statements for the year ended 30 June 2018 have been completed and audited. They will be presented to an ordinary meeting of Council on 23 October 2018 for the Chief Executive Officer and the Acting Mayor to be authorised to sign the certification of the financial statements.

Preliminary 2017/18 funding statements were received by Council on 14 August 2018 (Report 277/18) and have been previously distributed to members of the Audit Committee under separate cover. The preliminary statements excluded impairment of assets and the Southern Region Waste Resource Authority result as these were yet to be finalised.

The attached 2017/18 financial statements have been prepared in accordance with The Model Financial Statements, Australian Accounting Standards, the *Local Government Act 1999*, and the *Local Government (Financial Management) Regulations 2011* and Council policies. The statements including notes and have not previously been considered by the Audit Committee.

REPORT

Independence of Council's Auditor

Regulation 22 of the *Local Government (Financial Management) Regulations 2011* details the legislative requirements for the independence of council auditor.

Regulation 22(1) states that a council must not engage its auditor to provide services to the council outside the scope of the auditors function under the Act.

Council's auditor, BDO, has not been engaged to provide any services to Council other than within the scope as auditor under the *Local Government Act*. The audit of Council includes the audit of the Alwyndor Aged Care Facility.

Regulation 22(3) requires that the Council Chief Executive Officer and presiding member of the Audit Committee execute certificates confirming that the Auditor has complied with the independence requirements. The Chief Executive Officer will sign the certificate prior to the Audit Committee meeting on 17 October 2018 under regulation 22(3) confirming the auditor's independence. A copy will be tabled at the Audit Committee meeting on 17 October 2018 for completion by the presiding member.

Regulation 22(5) requires the auditor to provide a statement to the following effect:

"I confirm that, for the audit of the financial statements of the City of Holdfast Bay for the year ended 30 June 2018, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act".

The full audit completion report including this declaration is provided at Attachment 1.

Refer Attachment 1

Regulations 22(4) and 22(6) require that copies of the above certificates must accompany the financial statements.

Financial Statements for the Year Ended 30 June 2018

Section 124 of the *Local Government Act* requires council to keep such accounting records as correctly and adequately record and explain the revenues, expenses, assets and liabilities of the council. The accounting records must be kept in a manner to enable the preparation and provision of statements that present fairly financial and other information.

Section 127 additionally requires councils to prepare for each financial year:

- Financial statements and notes in accordance with standards prescribed by the regulations; and
- Other statements or documentation relating to the financial affairs of the council required by regulation.

Regulation 13 of the *Local Government (Financial Management) Regulations 2011* further requires the financial statements of a council (other than notes and other explanatory documentation) to be in accordance with the requirements set out in the Model Financial Statements published by the Local Government Association.

Consolidated financial statements are provided at Attachment 2 and have been audited by Council's auditor, BDO, who have indicated that an unqualified audit opinion will be provided and that there are no material issues arising from the audit.

Refer Attachment 2

Audited financial statements for Alwyndor activities are provided at Attachment 3. The audit is unqualified with no material issues.

Refer Attachment 3

As part of the audit, the General Manager Business Services and Manager Finance will both sign a letter to the auditor which provides certain representations in relation to the financial statements pursuant to Australian Auditing Standard ASA580, a copy of which is provided at Attachment 4.

Refer Attachment 4

The following comments are offered with respect to Council's 2017-18 consolidated financial statements:

Consolidation

The consolidated financial statements include Alwyndor Aged Care Facility (“Alwyndor”) and Council’s equity interest in the Southern Region Waste Resource Authority (“SRWRA”).

Alwyndor is not a separate entity to Council but is operated with reasonable autonomy with oversight by a committee of Council established under section 41 of the *Local Government Act*, comprising Elected Members and independent members with relevant expertise.

SRWRA is an established regional subsidiary under section 43 of the *Local Government Act*. Council has a 15% equity interest in SRWRA.

Operating Result

The consolidated operating result before capital revenues is \$1,298,000 surplus comprising \$1,202,000 (deficit) from Alwyndor and \$2,500,000 surplus from Council’s municipal operations. Contained in Council’s municipal operations result is a \$267,000 surplus from Council’s equity interest in SRWRA.

The operating results vary from the preliminary result reported to Council on 14 August (Report 277/18) as indicated in the table below.

The major difference with the Council operating result was accounting for the final SRWRA surplus result, processing final invoices to 2017/18 and accounting for in-kind library grants.

Loan receivables were reviewed and considered by the Audit Committee on 29 August 2018 (Report 298/18). On 11 September Council noted the minutes of the Audit Committee (Minute C110918/1279). The loan impairment provision has been maintained in accordance with the recommendations.

The major difference with the Alwyndor result was additional depreciation on the revalued buildings of \$230,000, take up of on-costs on Long Service Leave in line with council policy of \$110,000 and processing final invoices to 2017/18.

Preliminary Report Council 277/18 operating result before net gain/loss on asset disposals/revaluations - rounded	Financial Statements Operating Result (rounded)	Difference (to Council Report 277/18)
<i>Municipal Operations</i>		
\$2,713,000 Surplus	\$2,500,000 Surplus	\$213,000 decrease in surplus
<i>Alwyndor Operations</i>		
(\$653,000) Deficit	(\$1,202,000) Deficit	\$549,000 increase in deficit

Consolidated		
\$2,060,000 Surplus	\$1,298,000 Surplus	\$762,000 decrease in surplus

Additional comments comparing the results for 2017-18 to the previous year and referenced to the notes in the financial statements are provided at Attachment 5.

Refer Attachment 5

Ratio Analysis

Financial indicators have been determined and are detailed in note 15 of the financial statements.

The ratios have been compared to the 2017-18 budget including the interest cover ratio which indicates the ability to service debt by calculating net financial interest as a percentage of overall operating revenue.

The following table provides ratio analysis for consolidated activities including comparisons to budget.

Ratio Consolidated Funds	Target – from Long Term Financial Plan	Original Budget	Revised Budget Forecast	Actual Results
Operating Result	≥ 0	\$567,015 Surplus	\$778,081 Surplus	\$1,298,000 Surplus
Operating Ratio	$\geq 0\%$	0.9%	1.2%	2%
Net Financial Liabilities Ratio	$\leq 75\%$	55%	53%	49%
Interest Cover Ratio	$\leq 5\%$	1.2%	0.5%	0.5%
Asset Sustainability Ratio	90% -110%	73%	85%	51%

Ratios - Municipal Funds

The following table provide ratio analysis for municipal activities including comparisons to budget.

Ratio – Municipal Funds	Target – from Long Term Financial Plan	Original Budget	Revised Budget Forecast	Actual Results (rounded)
Operating Result	≥ 0	\$102,540 Surplus	\$1,077,734 Surplus	\$2,500,000 Surplus
Operating Ratio	$\geq 0\%$	0.2%	2.3%	5%
Net Financial Liabilities Ratio	$\leq 75\%$	48%	42%	35%
Interest Cover Ratio	$\leq 5\%$	2.4%	1.7%	1.3%
Asset Sustainability Ratio	90% -110%	72%	86%	57%

Explanation of variances between budget and result – Municipal Funds

The contributing factors for the *operating result* budget forecast surplus increase from the original forecast have been reported to Council throughout the financial year. The most recent report on 14 August 2018 (Report 277/18) fully detailed the budget forecast variations for 2017-18. The report included comprehensive details of the business unit variances in the operating actual surplus result compared to the revised budget forecast. The report was provided to Audit Committee members under separate cover.

The following table summarises the major contributing variances between the revised budget forecast and final result:

Major Municipal Operational Variances	Amount
Lower employment costs	\$63,903
Lower materials, contract, other expenditure	\$536,099
Yet to be finalised operational projects	\$231,705
Lower interest on borrowings expense	\$189,066
Lower depreciation expense	\$53,000
Timing of Financial Assistance Grant	\$63,064
Higher Caravan Park user income	\$101,341
Higher planning and hoarding fees	\$99,498
Higher contributions and reimbursement income	\$103,252
SRWRA Equity Share – adjustment	(\$116,000)
State Library Grant – in-kind lending materials	\$97,072
Total variance to forecast	\$1,422,000

The major contributing factors for the reduced *net financial liabilities ratio* are as follows:

- The 2017/18 original ratio assumed completion of the 2016/17 capital works program. However not all 2016/17 capital projects were completed and the net capital expenditure budget was increased by \$5,688,433 during 2017/18.
- A strong positive cash position due to the receipt of major grant income received in advance including \$4.35m for Minda Coast Park and \$2m for Brighton Sports Complex.
- The 2017/18 capital expenditure program was not finalised by 30 June 2018 and \$1,768,284 has been approved by Council (Report 277/18) to be carried forward into 2018/19. This is part funded by new borrowings totaling \$1,536,923.
- The above factors contributed to sufficient positive cash flow throughout 2017/18 to not require new borrowings.

The major contributing factor for the reduced *asset sustainability ratio* is the timing of capital expenditure as previously discussed.

Ratios – Alwyndor Funds

Ratio – Alwyndor Funds	Target – from Long Term Financial Plan	Original Budget	Revised Budget Forecast	Actual Results Rounded
Operating Result	≥ 0	\$464,475 Surplus	(\$299,653) Deficit	(\$1,202,000) Deficit

Additional Alwyndor Performance Indicators	Target	Actual to 30 June 2018
Bed occupancy rate – year-to-date average	98%	95.97%
Cash Liquidity Level – ability to refund bonds/refundable accommodation deposits (RAD's)	Minimum of \$2m	\$2.9m @ call
Accommodation Bond/RAD Level – to ensure it is increasing to provide financial reserves for future capital expenditure	\$30m.	@ 30/6/18 \$32.6m. 3.16% increase
Cash to total revenue	6%	3.38%
Percentage of full pension funded beds – this determines eligibility for Federal Government refurbishment supplement funding	40% - 53 beds	40% - 53 beds
Resident Financial Position – surplus/(deficit) position per resident	\$3.09 surplus per resident per day	\$42.19 deficit per resident per day

Explanation of variances between target, budget and result – Alwyndor Funds

The major contributing factors for the *operating result* actual deficit increase from the original forecast is based on numerous factors as tabled below:

Major Alwyndor Operational Variances	Amount
Additional Depreciation on revalued buildings	\$230,000
First time provision of on-costs for Long Service Leave	\$107,000
Operational Review Costs	
- Employment costs	\$380,000
- Consultant and training costs	\$77,000
Higher materials, contract, other expenditure	\$108,000
Total variance to forecast	\$902,000

BUDGET

This report has no direct budget implications.

LIFE CYCLE COSTS

This report has no direct implication for life cycle costs.

CITY OF HOLDFAST BAY

Audit Completion Report

Year ended 30 June 2018



KEY CONTACTS



Audit status



Key accounting and audit matters



Summary of misstatements



Internal control



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Appendices

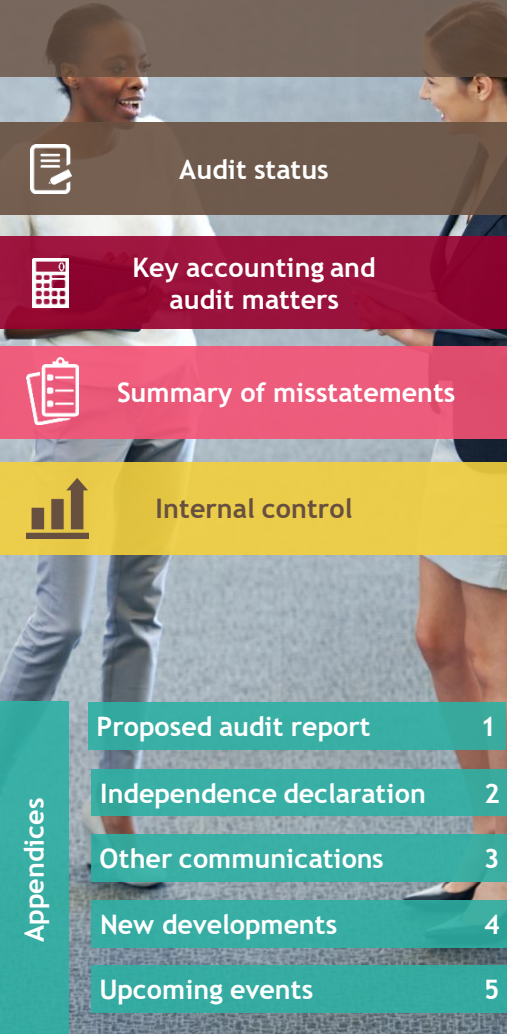
- Proposed audit report 1
- Independence declaration 2
- Other communications 3
- New developments 4
- Upcoming events 5



AUDIT STATUS



AUDIT STATUS



We have set out in this document the significant matters arising from our audit for the year ended 30 June 2018. This summary covers those matters we believe to be material in the context of our work.

Our audit was conducted in accordance with Australian Auditing Standards , the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011, and is in the process of being completed.

Our audit will be concluded once we have completed the following outstanding audit procedures:

- Review of events subsequent to 30 June 2018;
- Receipt of written management representations on various matters;
- Receipt of formally adopted financial statements and agreement of these to the drafts provided to us to date.

At the date of this completion report we anticipate issuing unqualified opinions on both the financial statements, and internal controls.



KEY ACCOUNTING AND AUDIT MATTERS



KEY ACCOUNTING AND AUDIT MATTERS

We have set out below the key accounting and audit matters that have arisen during the audit.

Significant risks of material misstatement

Our audit procedures were focused on areas that are considered to represent significant risk of material misstatement. We identified the risk areas as part of our risk assessment procedures undertaken during the planning phase and continued to be alert for risks during the course of the audit. We set out below the significant risks identified along with our findings and conclusions.

Revaluation, depreciation, useful lives and residual values of Infrastructure, Property, Plant & Equipment - Council Only

Description	Findings and conclusion
Council's infrastructure, property, plant and equipment are carried at valuation. There is a risk that these balances are misstated as a result of the application of inappropriate valuation methodologies, or incorrect underlying assumptions.	This year revaluations have been undertaken for open spaces, based on independent valuations undertaken by Jones Lang Lasalle. We have evaluated each of the firm's competence, capability and objectivity, obtained an understanding of their work, and evaluated its appropriateness. On the basis of these audit procedures we are satisfied that the financial statements are presented fairly in relation to the revaluation of these classes of infrastructure assets.



Audit status



Key accounting and audit matters



Summary of misstatements



Internal control

Proposed audit report 1

Independence declaration 2

Other communications 3

New developments 4

Upcoming events 5

Appendices

KEY ACCOUNTING AND AUDIT MATTERS

Cut-off of grant funding and accuracy of any amounts deferred at 30 June 2018 - Council Only

Description	Findings and conclusion
<p>There is a risk of error in the calculation of grant income recognised and deferred at year end by reference to grant agreements and Australian Accounting Standards.</p>	<p>Note 1.3 draws attention to an amount of \$48,710 untied Financial Assistance Grant for the year ending 30 June 2019, received in advance during the year ended 30 June 2018. This has correctly been recorded as income in the year ended 30 June 2018.</p> <p>During 2018, we noted that the Council received two significant grants in 2018 relating to the Minda Coast Park project, and the Bright Sports Centre Complex project. The unspent portions of these grants (\$4,241,684 and \$2,000,000 respectively) have been correctly deferred under <i>AASB 1004 Contributions</i>.</p> <p>We are satisfied that the financial statements are presented fairly in all material respects, in relation to financial assistance grant income.</p>

Loans made to community organisations - Council Only

Description	Findings and conclusion
<p>There is an increased risk in relation to the recoverability of the loans made to the Glenelg Football Club. Therefore, consideration needs to be given to whether any further impairment is required in 2018.</p>	<p>We have obtained and reviewed the Council's 2018 impairment assessment of the Glenelg Football Club loan, which resulted in no further impairment of the loan, and did not note any exceptions.</p>



Audit status



Key accounting and audit matters



Summary of misstatements



Internal control

- Proposed audit report 1
- Independence declaration 2
- Other communications 3
- New developments 4
- Upcoming events 5

Appendices

KEY ACCOUNTING AND AUDIT MATTERS



Audit status



Key accounting and audit matters



Summary of misstatements



Internal control

Proposed audit report 1

Independence declaration 2

Other communications 3

New developments 4

Upcoming events 5

Appendices

Accounting treatment of capital work in progress - Council Only

Description	Findings and conclusion
There is a risk that the accounting treatment of items captured within capital WIP may not be in accordance with Australian Accounting Standards.	<p>We have obtained the WIP Schedule and reviewed in detail a sample of projects outstanding as at the end of the year to ensure they are likely to generate assets.</p> <p>We performed sample testing of asset transfers out of capital WIP to ensure that categorisation and value allocated to assets are appropriate and we have not noted any exceptions.</p>

Management override of internal control - Both entities

Description	Findings and conclusion
Australian Auditing Standards require that we presume there is a risk that management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively.	<p>We have tested general journals posted during the year and at the end of the reporting period to consider whether they are appropriate. We considered accounting estimates for management biases or fraud. We sought to corroborate management explanations with independent supporting evidence whenever possible.</p> <p>There was no evidence of misstatement due to management override of controls.</p>

KEY ACCOUNTING AND AUDIT MATTERS



Audit status



Key accounting and
audit matters



Summary of misstatements



Internal control

Proposed audit report 1

Independence declaration 2

Other communications 3

New developments 4

Upcoming events 5

Other Matters: Refundable Accommodation Deposits at Alwyndor Aged Care

In our testing of outstanding Refundable Accommodation Deposits we noted two amounts that appeared to have been outstanding for more than six months as at 30 June 2018 (for one of the residents, the “Choice of Payment Form” is not dated so it is not completely clear whether or not the six month period during which payment of the deposit is required has elapsed).

The residents concerned are currently paying Daily Accommodation Payments, and Alwyndor’s records reflect the full amount of the refundable accommodation deposit as a liability, and the unpaid portion as a receivable.

Consideration should be given to whether this accounting treatment is appropriate under the Aged Care Act, or whether the deposit liability should only represent the amount actually paid by a resident.

Care should be taken to ensure that all Residential Care Service Agreements are appropriately completed and dated.



SUMMARY OF MISSTATEMENTS



SUMMARY OF MISSTATEMENTS

COUNCIL

Uncorrected misstatements

No uncorrected misstatements were identified during the audit that were determined by management to be immaterial, both individually and in aggregate to the financial report taken as a whole.

Misstatements have not been included if they are considered to be clearly trivial. Matters which are clearly trivial are regarded as clearly inconsequential when taken individually or in aggregate.

Corrected misstatements

We have not identified any misstatements during the course of our audit which have been adjusted.



Audit status



Key accounting and audit matters



Summary of misstatements



Internal control

Appendices

- Proposed audit report 1
- Independence declaration 2
- Other communications 3
- New developments 4
- Upcoming events 5

SUMMARY OF MISSTATEMENTS

ALWYNDOR AGED CARE

Uncorrected misstatements

No uncorrected misstatements were identified during the audit that were determined by management to be immaterial, both individually and in aggregate to the financial report taken as a whole.

Misstatements have not been included if they are considered to be clearly trivial. Matters which are clearly trivial are regarded as clearly inconsequential when taken individually or in aggregate.


Corrected misstatements

We identified the following misstatement during the course of our audit which has been corrected:

Description	Assets	(Liabilities)	Reserves	(Profit)/Loss
Reversal of accrued expenditure relating to termination benefits	-	266,000	-	(266,000)
Recognition of on-costs for the provision of long service leave	-	(107,958)	-	107,958
Net effect of corrected misstatements	-	158,042	-	(158,042)



Audit status



Key accounting and audit matters



Summary of misstatements



Internal control

Proposed audit report 1

Independence declaration 2

Other communications 3

New developments 4

Upcoming events 5



INTERNAL CONTROL



INTERNAL CONTROL

Current year

We have a responsibility to provide an audit report in which we express a conclusion on the Council's compliance with Section 125 of the Local Government Act 1999 in relation 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 have been conducted properly and in accordance with law in all material respects.

In addition, in accordance with ASA 265 *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*, we are required to communicate in writing, any other significant deficiencies in internal controls identified during the audit.

The standard defines a deficiency in internal control as follows:

1. A control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial report on a timely basis; or
2. A control necessary to prevent, or detect and correct, misstatements in the financial report on a timely basis is missing.

Significant deficiency in internal control means a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgement, is of sufficient importance to merit the attention of those charged with governance. There are no significant deficiencies identified in internal controls during the course of the Council audits.

We intend providing an unqualified audit report in relation to compliance with Section 125 of the Local Government Act 1999. Details of matters identified in our testing of internal controls that were determined not to require qualification in our audit report are set out below.



Audit status



Key accounting and
audit matters



Summary of misstatements



Internal control

Proposed audit report 1

Independence declaration 2

Other communications 3

New developments 4

Upcoming events 5

INTERNAL CONTROL

Internal control risk assessment

We have completed the testing of internal controls for the purpose of providing an audit opinion on Council's internal controls. Specifically that controls exercised by the Council in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law.

Our assessment of internal controls is based on the criteria in the Better Practice Model - Financial Internal Control for South Australian Councils as issued by the Local Government Association of South Australia.

We note that an updated version of the Better Practice Model was released during the year which emphasises a risk based approach to internal financial controls. The new version states that Council should design and implement internal financial controls activities and monitoring systems that prioritise extreme and high financial risk as identified by the Council's risk tolerance framework.

As reported in our interim management letter, we have been advised by the management that no risk assessment is performed for this financial year. Instead, self-assessment is performed over all 'core controls' that are suggested per Better Practice Model.

For the purpose of our internal control audit opinion, we have performed our own risk assessment to identify the key financial risks facing the Council, determine the inherent risk level and evaluate core controls activities to address this risk. Based on this work, we have not noted any material exceptions that would lead to a qualification to the audit report on internal controls. We will revisit the matter next year and report our findings on management's risk assessment accordingly.



Audit status



Key accounting and audit matters



Summary of misstatements



Internal control

Proposed audit report 1

Independence declaration 2

Other communications 3

New developments 4

Upcoming events 5

Appendices

INTERNAL CONTROL

Follow up on prior year findings

We have detailed below the current status of matters relating to internal control that have been raised in prior communications and are not referred to in the current year findings.

	Description of matter	Date previously communicated	Current status	Management comments
1	It was noted on one occasion that an manager approved their own expense reimbursement.	2017 Audit Completion Report	During the 2018 audit process no instances of managers approving their own expense reimbursements were noted.	Agree with BDO comments, controls strengthened in 2017/18 to ensure managers can not approve own expense.
2	During our audit it was noted that even though general ledger reconciliations are prepared on a regular basis, there is no evidence that they are being independently reviewed.	2016 Audit Completion Report	We noted during the 2018 audit that general ledger reconciliations were being reviewed as part of the month end process.	Agree with BDO comments, month end reconciliation process commenced in 2017/18.



Audit status



Key accounting and audit matters



Summary of misstatements



Internal control

Proposed audit report 1

Independence declaration 2

Other communications 3

New developments 4

Upcoming events 5

Appendices

INTERNAL CONTROL

IT General Control Review

As part of our audit we use one of our IT specialists to review the IT general controls relevant to the audit. IT general controls are policies and procedures that relate to many applications and support the effective functioning of application controls. IT general controls relevant to the audit include logical access controls, program change controls and data processing management. As a result of the review the following improvement opportunities were noted:

	Description of matter	Management comments
1	Reduce and remove the use of shared user ID's. If reusable user ID's are required, they should be allocated to one person at a time.	The sharing of user IDs is not allowed. If however usage was detected the users are educated on the correct delegation methodology required. These constraints will be reinforced via updated IT usage policy due in March 2019 quarter.
2	Periodic review of user access for accuracy every quarter is recommended	This would be facilitated by the business management team. The Information Management Governance Committee will review this matter with a view to including it in the updated IT policy.
3	Create a form for User Access that details the relevant information required for adding, changing or removing user access to TechOne	Agree with comments, user access updates will be a form driven, with a service catalogue option to commence in early in 2019.
4	Avoid allocating access to TechOne modules based on individual/direct basis, use roles / profiles.	Accessibility to TechOne is granted only via roles/profiles. Management is not aware of examples where this is not the case.



Audit status



Key accounting and audit matters



Summary of misstatements



Internal control

Proposed audit report 1

Independence declaration 2

Other communications 3

New developments 4

Upcoming events 5

Appendices

APPENDICES



APPENDIX 1

Proposed audit report

INDEPENDENT AUDITOR'S REPORT

TO THE PRINCIPAL MEMBER OF CITY OF HOLDFAST BAY

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of City of Holdfast Bay (the Council), which comprises the statement of financial position as at 30 June 2018, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the certification of the financial statements.

In our opinion the financial report of City of Holdfast Bay, presents fairly, in all material respects, the Council's financial position as at 30 June 2018 and its financial performance for the year ended on that date in accordance with Australian Accounting Standards, the Local Government Act 1999, and the 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 Local Government Act 1999 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Local Government Act 1999, which has been given to the Council, would be in the same terms if given to the Council as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Audit status



Key accounting and
audit matters



Summary of misstatements



Internal control

Proposed audit report 1

Independence declaration 2

Other communications 3

New developments 4

Upcoming events 5

APPENDIX 1

Proposed audit report (continued)

Council's responsibility for the Financial Report

The Council's officers are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* and for such internal control as the Council's officers determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Council's officers are 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 the Council's officers either intend to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: http://www.auasb.gov.au/auditors_files/ar3.pdf.

This description forms part of our auditor's report.

BDO Audit (SA) Pty Ltd

G K Edwards
Director

Adelaide, XX October 2018



Audit status



Key accounting and
audit matters



Summary of misstatements



Internal control

Proposed audit report 1

Independence declaration 2

Other communications 3

New developments 4

Upcoming events 5

APPENDIX 1

Proposed audit report (continued)

DRAFT INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF CITY OF HOLDFAST BAY

Opinion

We have undertaken a reasonable assurance engagement on the design and the operating effectiveness of controls established by Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, throughout the period 1 July 2017 to 30 June 2018 relevant to ensuring such transactions have been conducted properly and in accordance with law.

In our opinion, in all material respects:

- a) The controls established by Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities were suitably designed to ensure such transactions have been conducted properly and in accordance with law; and
- b) The controls operated effectively as designed throughout the period from 1 July 2017 to 30 June 2018.

Basis for opinion

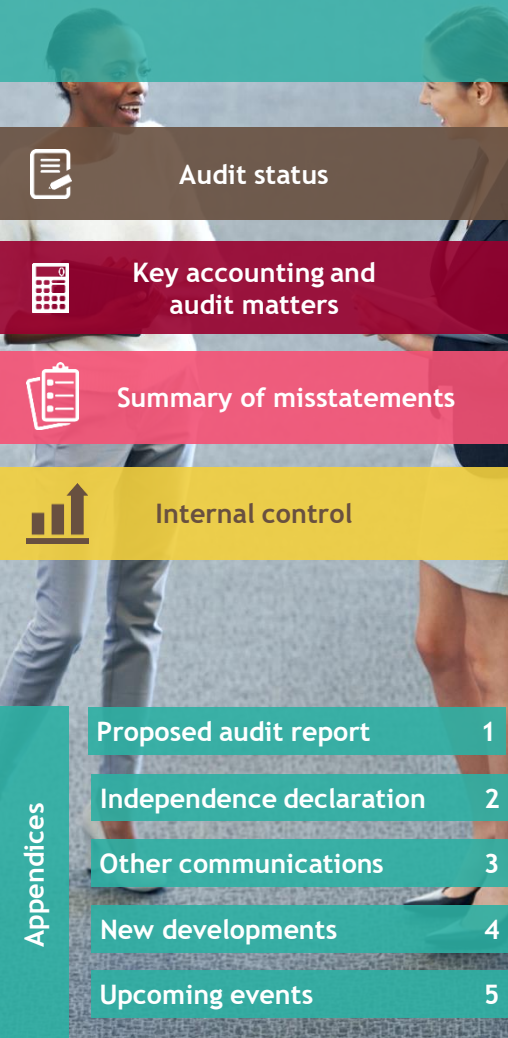
We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3150 Assurance Engagements on Controls issued by the Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The Council’s Responsibility for the Internal Controls

The Council is responsible for:

- a) the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities;
- b) identifying the control objectives;



APPENDIX 1

Proposed audit report (continued)

- a) identifying the risks that threaten achievement of the control objectives;
- b) designing controls to mitigate those risks, so that those risks will not prevent achievement of the identified control objectives; and
- c) operating effectively the controls as designed throughout the period.

Our Independence and Quality Control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, and apply Auditing Standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements in undertaking this assurance engagement. Assurance practitioner's responsibilities

Our responsibility is to express an opinion, in all material respects, on the suitability of the design to achieve the control objectives and the operating effectiveness of controls established by Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities. ASAE 3150 requires that we plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the control objectives and the controls operated effectively throughout the period.

An assurance engagement to report on the design and operating effectiveness of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the control objectives and the operating effectiveness of controls throughout the period. The procedures selected depend on our judgement, including the assessment of the risks that the controls are not suitably designed or the controls did not operate effectively. Our procedures included testing the operating effectiveness of those controls that we consider necessary to achieve the control objectives identified. An assurance engagement of this type also includes evaluating the suitability of the control objectives.



Audit status



Key accounting and audit matters



Summary of misstatements



Internal control

Proposed audit report 1

Independence declaration 2

Other communications 3

New developments 4

Upcoming events 5

Appendices

APPENDIX 1

Proposed audit report (continued)

Limitations of controls

Because of the inherent limitations of an assurance engagement, together with 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 and so fraud, error, or non-compliance with laws and regulations may occur and not be detected.

An assurance engagement on operating effectiveness of 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.

BDO Audit (SA) Pty Ltd

G K Edwards

Director

Adelaide, XX October 2018



Audit status



Key accounting and
audit matters



Summary of misstatements



Internal control

Proposed audit report 1

Independence declaration 2

Other communications 3

New developments 4

Upcoming events 5

APPENDIX 2

Auditor independence declaration

We set out below our draft Auditor independence declaration.

CERTIFICATION OF AUDITOR INDEPENDENCE

I confirm that, for the audit of the financial statements of City of Holdfast Bay for the year ended 30 June 2018, I have maintained my independence in accordance with the requirement of APES 110 - Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.

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

G K Edwards
Director

BDO Audit (SA) Pty Ltd

Adelaide, XX October 2018



Audit status



Key accounting and audit matters



Summary of misstatements



Internal control

Proposed audit report 1

Independence declaration 2

Other communications 3

New developments 4

Upcoming events 5

Appendices

APPENDIX 1

Proposed audit report (continued)

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CITY OF HOLDFAST BAY

Report on the Audit of the Financial Report

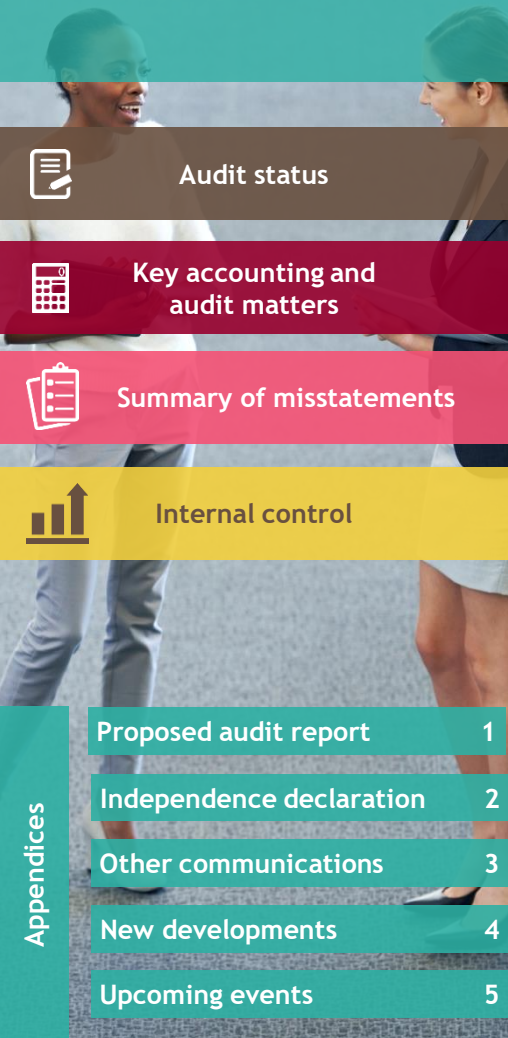
Opinion


We have audited the financial report of City of Holdfast Bay - Alwyndor Aged Care (the registered entity), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the responsible entities' declaration. In our opinion the accompanying financial report of City of Holdfast Bay - Alwyndor Aged Care, is in accordance with Division 60 of the Australian Charities and Not-for-profits Commission Act 2012, including:
Giving a true and fair view of the registered entity's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
Complying with Australian Accounting Standards and Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013.

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 registered entity in accordance with the auditor independence requirements of the Australian Charities and Not-for-profits Commission Act 2012 (ACNC Act) and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



 Audit status

 Key accounting and audit matters

 Summary of misstatements

 Internal control

Proposed audit report 1

Independence declaration 2

Other communications 3

New developments 4

Upcoming events 5

Appendices

APPENDIX 1

Proposed audit report (continued)

Responsibilities of responsible entities for the Financial Report

The responsible entities of the registered entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the ACNC Act, and for such internal control as the responsible entities determine 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, responsible entities are responsible for assessing the registered entity'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 the responsible entities either intends to liquidate the registered entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the registered entity's financial reporting process.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.


 Audit status


 Key accounting and audit matters


 Summary of misstatements


 Internal control

Proposed audit report 1

Independence declaration 2

Other communications 3

New developments 4

Upcoming events 5

APPENDIX 1

Proposed audit report (continued)

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO Audit (SA) Pty Ltd

G K Edwards

Director

Adelaide, XX October 2018

Proposed audit report	1
Independence declaration	2
Other communications	3
New developments	4
Upcoming events	5

APPENDIX 2

Auditor independence declaration

We set out below our draft Auditor independence declaration.

CERTIFICATION OF AUDITOR INDEPENDENCE

As lead auditor of the City of Holdfast Bay - Alwyndor Aged Care for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

G K Edwards
Director

BDO Audit (SA) Pty Ltd

Adelaide, XX October 2018



Audit status



Key accounting and audit matters



Summary of misstatements



Internal control

Proposed audit report 1

Independence declaration 2

Other communications 3

New developments 4

Upcoming events 5

Appendices

APPENDIX 3

Other communications

Ethics and independence matters

In conducting our audit, we have complied with the independence requirements of the s290 of APES 110 *Code of Ethics for Professional Accountants*.

We have obtained independence declarations from all staff engaged in the audit. We also have policies and procedures in place to identify any threats to our independence, and to appropriately deal with and if relevant mitigate those risks.

We have not become aware of any issue that would cause any member of the engagement team, BDO or any BDO network firm to contravene any ethical requirement or any regulatory requirement that applies to the audit engagement.

BDO has not provided any other services during the audit to City of Holdfast Bay.

Non-compliance with laws and regulations

We have made enquiries in relation to any non-compliance with laws and regulations during the course of our audit. We have not identified any instances of non-compliance with laws and regulations as a result of our enquiries.

We have not identified any reportable matters during the course of our audit.

Fraud

Management have confirmed that there were no matters of fraud identified for the period under audit, or subsequently. It should be noted that our audit is not designed to detect fraud however should instances of fraud come to our attention we will report them to you.

We have not identified any instances of fraud during the course of our audit.



Audit status



Key accounting and
audit matters



Summary of misstatements



Internal control

Proposed audit report 1

Independence declaration 2

Other communications 3

New developments 4

Upcoming events 5

APPENDIX 4

New developments

Supplementing this report is a summary of the new and emerging developments that may impact you in future years. We have provided a brief overview of the major changes relevant to you in the table below. Our [Issues and Trends](#) page on our website also includes resources regarding new and emerging areas.

Impairment testing

AASB 2016-4 simplifies impairment testing for not-for-profit entities (NFPs) with specialised, non-cash-generating assets by clarifying that ‘current replacement cost’ in AASB 13 *Fair Value Measurement*, and ‘depreciated replacement cost’ used as a proxy for ‘value in use’ (recoverable amount) in AASB 136 *Impairment of Assets*, mean the same thing.

The amendments delete the concept of ‘depreciated replacement cost’ as a proxy for ‘value in use’ for entities with specialised, non-cash-generating assets measured using the ‘cost model’. This means that recoverable amount for such assets must be determined using ‘fair value less costs of disposal’. ‘Fair value’ will be determined by reference to ‘current replacement cost’ in AASB 13. The amendments also clarify that disposal costs can be ignored when determining ‘fair value less costs of disposal’ as these types of assets are rarely sold and disposal costs would be negligible.

Such assets measured using the fair value model are not required to perform impairment testing under AASB 136 because ‘current replacement cost’ under AASB 13 (used to measure fair value) is the same as what would be used to determine ‘fair value less costs of disposal’.



Audit status



Key accounting and audit matters



Summary of misstatements



Internal control

Proposed audit report 1

Independence declaration 2

Other communications 3

New developments 4

Upcoming events 5

APPENDIX 4

New developments (continued)

New income recognition standard - AASB 1058

On 20 December 2016, the Australian Accounting Standards Board issued the highly anticipated new standard dealing with income recognition, *AASB 1058 Income of Not-for-Profit Entities*, which applies to annual reporting periods ending on or after 1 January 2019. The application date of the new revenue recognition standard, *AASB 15 Revenue from Contracts with Customers* has also been deferred to 1 January 2019 for NFPs.

AASB 1058 establishes principles and guidance when accounting for:

- Transactions where the consideration given to acquire an asset is significantly less than its fair value, in order to enable the entity to further its objectives, and
- The receipt of volunteer services.

Various practical examples are contained in the illustrative examples that accompany AASB 1058, and Application Guidance has been added to *AASB 15 Revenue from Contracts with Customers* to enable NFPs to be able to apply AASB 15 in a not-for-profit context.

On initial recognition of an asset received by a NFP, any related amounts, including contributions by owners, liabilities or revenue, are to be recognised in accordance with other Australian Accounting Standards. This includes the additional new accounting standards, *AASB 15 Revenue from Contracts with Customers* and *AASB 16 Leases*.

The combined operation of AASB 1058, AASB 15 and AASB 16 provides specific guidance for NFPs on the principles for recognising various forms of income. For example:

- If the consideration given, or to be given, by an NFP for an asset is significantly less than the fair value of the asset, AASB 1058 addresses the accounting for the difference
- When government grants are received under an enforceable agreement, and there are sufficiently specific performance obligations imposed on the NFP, the components of the grant that relates to those performance obligations would potentially be deferred until the obligations are satisfied
- If the performance obligations are not sufficiently specific, the NFP is potentially faced with recognising the grant upon receipt



Audit status



Key accounting and audit matters



Summary of misstatements



Internal control

Proposed audit report 1

Independence declaration 2

Other communications 3

New developments 4

Upcoming events 5

APPENDIX 4

New developments (continued)

New income recognition standard - AASB 1058 (continued)

- If the NFP acquired the right to use a property by way of a lease, and the fair value of the right to use the property is significantly greater than the consideration to be given (e.g. a peppercorn lease), the NFP potentially will be required to recognise income for the difference
- Certain government NFPs will be required to recognise the financial effect of volunteer services where the fair value of the services can be measured reliably, and the services would have been purchased if they had not been donated. This requirement is not mandatory for private sector NFP entities.

Key issues in implementing the new standard, together with other related amendments, will include:

- Determining the fair value of assets acquired, particularly where the transaction is on non-commercial terms
- Determining whether contracts for government grants contain sufficiently specific performance obligations to allow deferral of any component of the grants.

In implementing the new requirements, NFPs will also need to:

- Review all significant income streams to determine the impact on the financial report
- Consider the need to change accounting policies and internal financial reporting processes
- Consider the impact on reporting to stakeholders regarding the NFP's financial position and performance
- Ensure proper guidance is provided to boards and audit committees.



Audit status



Key accounting and audit matters



Summary of misstatements



Internal control

Proposed audit report 1

Independence declaration 2

Other communications 3

New developments 4

Upcoming events 5

APPENDIX 4

AASB 16 How does it impact you?

The new leases standard, AASB 16 *Leases* is effective for annual periods beginning on or after 1 January 2019 and early adoption is permitted.

This new leases standard, which mainly impacts lessees, will therefore apply for the first time to your 31 December 2019 year end and supersedes existing standard, AASB 117 *Leases*, as well as related Interpretations. Although the transition date for full retrospective restatement is 1 January 2018, there is an option of selecting 1 January 2019 as the transition date if the cumulative effect of initial application is recognised as a single entry in opening retained earnings on 1 January 2019 (cumulative catch up method) and additional disclosures are made.

The core principle of AASB 16 is that all assets and liabilities arising under lease contracts are recognised in the statement of financial position as right-of-use assets, with a corresponding lease liability, and an annual expense reflecting depreciation on the leased asset and interest expense, which will vary from period to period, depending on the outstanding balance of the lease liability (i.e. front-end loaded expense).

Exceptions

There are optional exceptions for short-term leases (i.e. where lease term is for a period of less than 12 months, including extension options), and low value leases (i.e. where the value, as new, is less than approximately US \$5,000).

Main implications

- There is no longer a distinction made between ‘operating’ and ‘finance’ leases, and no more straight-line expense for operating leases
- Non-cancellable lease payments are included when measuring the right-of-use asset, as well as payments for option periods which the entity is reasonably certain to exercise
- Contingent rentals (e.g. those linked to sales) are not capitalised into the right-of-use asset but are expensed in profit or loss when incurred.

For more information, please refer to BDO’s [Need to Know](#) and Accounting News [article](#), as well as to the ‘Leasing’ section of our [Issues and Trends](#) page.

Please contact your partner to discuss implementation issues.



Audit status



Key accounting and audit matters



Summary of misstatements



Internal control

Proposed audit report 1

Independence declaration 2

Other communications 3

New developments 4

Upcoming events 5

APPENDIX 4



Audit status



Key accounting and audit matters



Summary of misstatements



Internal control

Appendices	Proposed audit report	1
	Independence declaration	2
	Other communications	3
	New developments	4
	Upcoming events	5

New leases standard - AASB 16 (continued)

Industry application

The application of AASB 16 to the aged care sector is currently under consideration by industry participants and their advisors. We note that in their 2018 annual report, Estia Health have suggested that for residents that have chosen to pay a Refundable Accommodation Deposit ("RAD") or Bond, the application of AASB 16 would regard there being a reduction in, or no, cash charge for accommodation.

Estia Health state that the accounting treatment for the non-cash consideration component of this arrangement is expected to change on the adoption of AASB 16 and is expected to result in the recognition of an increase in revenue for accommodation and an increase in interest expense on the outstanding RAD liability, with no net impact on the result for the period.

BDO's National Technical group is currently considering this area and we anticipate that we will have a position for our clients in the near future.

For more information, please refer to BDO's [Need to Know](#) and Accounting News [article](#), as well as to the 'Leasing' section of our [Issues and Trends](#) page.

Please contact your partner to discuss implementation issues.

APPENDIX 5

Upcoming Senior Living Events



Audit status



Key accounting and audit matters



Summary of misstatements



Internal control

Appendices	Proposed audit report	1
	Independence declaration	2
	Other communications	3
	New developments	4
	Upcoming events	5



The Global Centre for Modern Ageing has recently become a BDO client and are hosting their launch event on Thursday 11 October. The centre piece is LifeLab @ Tonsley - a living laboratory where businesses and researchers will engage with older citizens to test, co-design and develop their products and services. More information can be found at www.gcma.net.au/launch-event



BDO will be presenting another Technology Symposium for the Health, Ageing and Disability sectors on Friday 16 November at the Pullman Adelaide on Hindmarsh Square. The Symposium will include keynote speakers from Government, speakers from across the technology sector and a technology expo to further explore and discuss ideas with existing and potential suppliers to your industry. You can register your interest to attend at www.techsymposium.com.au



BDO will host the Governance Institute of Australia's *Governance in Aged Care* event on Tuesday 4 December 2018. The half-day session will be a good refresher for people with experience in governance roles within the sector whilst also providing a grounding for members of your team taking on more responsibility for governance matters. Registration is available at the [Governance Institute of Australia's website](#)

We have prepared this report solely for the use of City of Holdfast Bay. As you know, this report forms part of a continuing dialogue between the company and us and, therefore, it is not intended to include every matter, whether large or small, that has come to our attention. For this reason we believe that it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy of this report without prior consent, we would not accept any responsibility for any reliance they may place on it.

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www.bdo.com.au

City of Holdfast Bay

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018



City of Holdfast Bay

General Purpose Financial Statements for the year ended 30 June 2018

Contents	Page
1. Council Certificate	2
2. Primary Financial Statements:	
- Statement of Comprehensive Income	3
- Statement of Financial Position	4
- Statement of Changes in Equity	5
- Statement of Cash Flows	6
3. Notes to the Financial Statements	7
4. Independent Auditor's Report - Financial Statements	41
5. Independent Auditor's Report - Internal Controls	43
6. Certificates of Audit Independence	
- Council Certificate of Audit Independence	45
- Audit Certificate of Audit Independence	46

City of Holdfast Bay

General Purpose Financial Statements

for the year ended 30 June 2018

Certification of Financial Statements

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

In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999*, *Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards,
- the financial statements present a true and fair view of the Council's financial position at 30 June 2018 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect the Council's accounting and other records.

J.P. Lynch

CHIEF EXECUTIVE OFFICER

A. Wilson

ACTING MAYOR

City of Holdfast Bay

Statement of Comprehensive Income

for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Income			
Rates Revenues	2a	34,886	33,702
Statutory Charges	2b	2,224	2,171
User Charges	2c	7,034	7,079
Grants, Subsidies and Contributions	2g	13,739	13,642
Investment Income	2d	562	418
Reimbursements	2e	2,697	2,289
Other Income	2f	3,915	2,555
Net Gain - Equity Accounted Council Businesses	19	267	211
Total Income		65,324	62,067
Expenses			
Employee Costs	3a	29,316	27,232
Materials, Contracts & Other Expenses	3b	24,048	22,787
Depreciation, Amortisation & Impairment	3c	9,806	9,135
Finance Costs	3d	856	1,000
Total Expenses		64,026	60,154
Operating Surplus / (Deficit)		1,298	1,913
Asset Disposal & Fair Value Adjustments	4	(142)	(2,187)
Amounts Received Specifically for New or Upgraded Assets	2g	1,832	4,446
Net Surplus / (Deficit) ¹		2,988	4,172
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in Revaluation Surplus - I,PP&E	9a	(9,203)	76,214
Total Other Comprehensive Income		(9,203)	76,214
Total Comprehensive Income		(6,215)	80,386

¹ Transferred to Statement of Changes in Equity

City of Holdfast Bay

Statement of Financial Position

as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current Assets			
Cash and Cash Equivalents	5a	27,092	21,362
Trade & Other Receivables	5b	3,062	3,334
Inventories	5c	10	9
Total Current Assets		30,164	24,705
Non-Current Assets			
Financial Assets	6a	1,496	1,694
Equity Accounted Investments in Council Businesses	6b	2,869	2,985
Infrastructure, Property, Plant & Equipment	7a	727,944	733,491
Other Non-Current Assets	6c	520	1,019
Total Non-Current Assets		732,829	739,189
TOTAL ASSETS		762,993	763,894
LIABILITIES			
Current Liabilities			
Trade & Other Payables	8a	45,228	37,303
Borrowings	8b	1,130	2,618
Provisions	8c	4,303	4,180
Total Current Liabilities		50,661	44,101
Non-Current Liabilities			
Borrowings	8b	12,460	13,589
Provisions	8c	439	556
Total Non-Current Liabilities		12,899	14,145
TOTAL LIABILITIES		63,560	58,246
Net Assets		699,433	705,648
EQUITY			
Accumulated Surplus		174,459	171,538
Asset Revaluation Reserves	9a	518,559	527,762
Other Reserves	9b	6,415	6,348
Total Council Equity		699,433	705,648

City of Holdfast Bay

Statement of Changes in Equity for the year ended 30 June 2018

\$ '000	Notes	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	Total Equity
2018					
Balance at the end of previous reporting period		171,538	527,762	6,348	705,648
a. Net Surplus / (Deficit) for Year		2,988	-	-	2,988
b. Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	(9,203)	-	(9,203)
Other Comprehensive Income		-	(9,203)	-	(9,203)
Total Comprehensive Income		2,988	(9,203)	-	(6,215)
c. Transfers between Reserves		(67)	-	67	-
Balance at the end of period		174,459	518,559	6,415	699,433
2017					
Balance at the end of previous reporting period		167,366	451,548	6,348	625,262
a. Net Surplus / (Deficit) for Year		4,172	-	-	4,172
b. Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	76,214	-	76,214
Other Comprehensive Income		-	76,214	-	76,214
Total Comprehensive Income		4,172	76,214	-	80,386
Balance at the end of period		171,538	527,762	6,348	705,648

City of Holdfast Bay

Statement of Cash Flows

for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Cash Flows from Operating Activities			
<u>Receipts</u>			
Rates Receipts		34,812	33,727
Statutory Charges		2,444	2,331
User Charges		7,452	7,454
Grants, Subsidies and Contributions (operating purpose)		14,052	13,900
Investment Receipts		562	418
Reimbursements		2,783	2,324
Other Receipts		12,524	5,797
<u>Payments</u>			
Payments to Employees		(29,345)	(27,300)
Payments for Materials, Contracts & Other Expenses		(26,364)	(24,571)
Finance Payments		(856)	(1,000)
Net Cash provided by (or used in) Operating Activities	11b	18,064	13,080
Cash Flows from Investing Activities			
<u>Receipts</u>			
Amounts Received Specifically for New/Upgraded Assets		1,832	4,446
Sale of Replaced Assets		227	225
Sale of Surplus Assets		17	1,104
Sale of Non Current Assets "Held for Sale"		-	2,098
Repayments of Loans by Community Groups		260	148
Distributions Received from Equity Accounted Council Businesses		383	5
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(5,208)	(6,899)
Expenditure on New/Upgraded Assets		(8,142)	(6,077)
Loans Made to Community Groups		(50)	(21)
Net Cash provided by (or used in) Investing Activities		(10,680)	(4,971)
Cash Flows from Financing Activities			
<u>Receipts</u>			
Proceeds from Bonds & Deposits		18	-
Proceeds from Aged Care Facility Deposits		9,416	10,791
<u>Payments</u>			
Repayments of Borrowings		(2,617)	(1,932)
Repayment of Bonds & Deposits		-	(2)
Repayment of Aged Care Facility Deposits		(8,471)	(7,720)
Net Cash provided by (or used in) Financing Activities		(1,654)	1,137
Net Increase (Decrease) in Cash Held		5,730	9,246
plus: Cash & Cash Equivalents at beginning of period	11	21,362	12,116
Cash & Cash Equivalents at end of period	11	27,092	21,362

City of Holdfast Bay

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Significant Accounting Policies	8
2	Income	12
3	Expenses	14
4	Asset Disposal & Fair Value Adjustments	16
	Current Assets	
5a	Cash & Cash Equivalents	17
5b	Trade & Other Receivables	17
5c	Inventories	17
	Non-Current Assets	
6a	Financial Assets	18
6b	Equity Accounted Investments in Council's Businesses	18
6c	Other Non-Current Assets	18
	Fixed Assets	
7a (i)	Infrastructure, Property, Plant & Equipment	19
7a (ii)	Investment Property	19 n/a
7b	Valuation of Infrastructure, Property, Plant & Equipment	20
	Liabilities	
8a	Trade & Other Payables	23
8b	Borrowings	23
8c	Provisions	23
	Reserves	
9a	Asset Revaluation Reserve	24
9b	Other Reserves	24
10	Assets Subject to Restrictions	24
11	Reconciliation to Statement of Cashflows	25
12a	Functions	26
12b	Components of Functions	27
13	Financial Instruments	28
14	Commitments for Expenditure	33
15	Financial Indicators	34
16	Uniform Presentation of Finances	35
17	Operating Leases	36
18	Superannuation	37
19	Interests in Other Entities	38
20	Non Current Assets Held for Sale & Discontinued Operations	39 n/a
21	Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet	39
22	Events After the Balance Sheet Date	40
23	Related Party Transactions	40

n/a - not applicable

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 1. Summary of Significant Accounting Policies

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

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

1 Basis of Preparation

1.1 Compliance with Australian Accounting Standards

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

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

1.2 Historical Cost Convention

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

1.3 Critical Accounting Estimates

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

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.

1.4 Rounding

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

2 The Local Government Reporting Entity

The City of Holdfast Bay is incorporated under the South Australian *Local Government Act 1999* and has its principal place of business at 24 Jetty Road, Brighton. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

3 Income Recognition

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

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

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

	Cash Payment Received	Annual Allocation	Difference
2015/16	\$522,000	\$1,110,830	- \$588,830
2016/17	\$1,676,106	\$1,106,206	+ \$599,900
2017/18	\$1,185,644	\$1,136,934	+ \$48,710

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

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 1. Summary of Significant Accounting Policies (continued)

had the grants been paid in the year to which they were allocated.

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

4 Cash, Cash Equivalents and other Financial Instruments

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

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

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

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

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

Office Furniture & Fittings	\$2,000
Equipment	\$2,000
Buildings	\$10,000
Roads	\$10,000
Other Infrastructure	\$6,500

6.3 Subsequent Recognition

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

6.4 Depreciation of Non-Current Assets

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

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

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 1. Summary of Significant Accounting Policies (continued)

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

Plant, Furniture & Equipment

Office Furniture & Equipment	3 to 10 years
Vehicles and Road-making Equip	6 to 15 years
Other Plant & Equipment	3 to 25 years

Building & Other Structures

Buildings – masonry	50 to 170 years
Buildings – other construction	20 to 60 years
Park Structures – masonry	40 to 100 years
Park Structures – other construction	20 to 50 years

Infrastructure

Sealed Roads – Surface	15 to 40 years
Sealed Roads – Structure	120 to 150 years
Sealed Roads – Sub-base	300 years
Sealed Roads – Kerbing	100 years
Bridges	15 to 100 years
Paving & Footpaths	10 to 50 years
Drains / Culverts	50 to 150 years
Playground Equipment	10 to 20 years
Benches, seats, etc	10 to 25 years

Other Assets

Library Lending Materials	7 years
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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.

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 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

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 1. Summary of Significant Accounting Policies (continued)

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 18.

10 Leases

Lease arrangements have been accounted for in accordance with Australian Accounting Standard AASB 117.

In respect of operating leases, where the lessor substantially retains all of the risks and benefits incident to ownership of the leased items, lease payments are charged to expense over the lease term.

11 Equity Accounted Council Businesses

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

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 and UIG interpretations

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

The City of Holdfast Bay has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective.

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

14 Disclaimer

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

City of Holdfast Bay

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 2. Income

\$ '000	Notes	2018	2017
(a). Rates Revenues			
General Rates			
General Rates		33,592	32,537
Less: Mandatory Rebates		(409)	(397)
Less: Discretionary Rebates, Remissions & Write Offs		(200)	(267)
Total General Rates		32,983	31,873
Other Rates (Including Service Charges)			
Natural Resource Management Levy		1,173	1,110
Separate & Special Rates		633	621
Total Other Rates		1,806	1,731
Other Charges			
Penalties for Late Payment		66	59
Legal & Other Costs Recovered		31	39
Total Other Charges		97	98
Total Rates Revenues		34,886	33,702
(b). Statutory Charges			
Development Act Fees		447	439
Animal Registration Fees & Fines		185	185
Parking Fines / Expiation Fees		1,015	1,028
Other Licences, Fees & Fines		577	519
Total Statutory Charges		2,224	2,171
(c). User Charges			
Cemetery/Crematoria Fees		159	120
Community Centres		1	24
Parking Fees		862	886
Sundry		111	96
Commercial Leases/Caravan Park		2,791	2,409
Aged Care Residential Fees and Rentals		2,912	3,381
Major Community Event		191	163
Other		7	-
Total User Charges		7,034	7,079

City of Holdfast Bay

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 2. Income (continued)

\$ '000	Notes	2018	2017
(d). Investment Income			
Interest on Investments			
- Local Government Finance Authority		160	79
- Banks & Other		402	339
Total Investment Income		562	418
(e). Reimbursements			
Private Works		149	89
Other		2,548	2,200
Total Reimbursements		2,697	2,289
(f). Other Income			
Rebates Received		439	405
Sundry		2,124	1,674
Aged Care Facility		973	476
Other		379	-
Total Other Income		3,915	2,555
(g). Grants, Subsidies, Contributions			
Amounts Received Specifically for New or Upgraded Assets		1,832	4,446
Total Amounts Received Specifically for New or Upgraded Assets		1,832	4,446
Other Grants, Subsidies and Contributions		10,923	10,486
Untied - Financial Assistance Grant		1,325	1,106
Roads to Recovery		537	586
Home and Community Care Grant		905	894
Individually Significant Item - Additional Grants Commission Payment (Refer Note 1 (3))		49	570
Total Other Grants, Subsidies and Contributions		13,739	13,642
Total Grants, Subsidies, Contributions		15,571	18,088
The functions to which these grants relate are shown in Note 12.			
(i) Sources of grants			
Commonwealth Government		3,419	4,484
State Government		1,571	3,617
Other		10,581	9,987
Total		15,571	18,088

City of Holdfast Bay

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 3. Expenses

\$ '000	Notes	2018	2017
(a). Employee Costs			
Salaries and Wages		24,591	22,443
Employee Leave Expense		2,059	2,307
Superannuation - Defined Contribution Plan Contributions	18	1,136	1,022
Superannuation - Defined Benefit Plan Contributions	18	1,250	1,175
Workers' Compensation Insurance		1,076	1,062
Less: Capitalised and Distributed Costs		(796)	(777)
Total Operating Employee Costs		29,316	27,232
Total Number of Employees (full time equivalent at end of reporting period)		335.1	324.6
(b). Materials, Contracts and Other Expenses			
(i) Prescribed Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports		35	31
Elected Members' Expenses		310	354
Election Expenses		14	11
Operating Lease Rentals - Non-Cancellable Leases	17		
- Minimum Lease Payments		36	54
Subtotal - Prescribed Expenses		395	450
(ii) Other Materials, Contracts and Expenses			
Contractors		7,903	7,170
Energy		729	620
Maintenance		2,173	2,209
Legal Expenses		293	329
Levies Paid to Government - NRM levy		1,152	1,094
Levies - Other		35	35
Professional Services		2,792	2,260
Sundry		1,527	2,275
Water		638	516
Materials		2,547	1,972
Insurances		481	477
Waste Management		3,305	3,309
Other		78	71
Subtotal - Other Material, Contracts & Expenses		23,653	22,337
Total Materials, Contracts and Other Expenses		24,048	22,787

City of Holdfast Bay

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 3. Expenses (continued)

\$ '000	Notes	2018	2017
(c). Depreciation, Amortisation and Impairment			
(i) Depreciation and Amortisation			
Buildings & Other Structures		2,787	2,223
Infrastructure			
- Stormwater Drainage		459	409
- Roads		1,331	1,322
- Footpaths		926	925
- Kerb & Guttering		721	714
- Other Transport		426	401
- Open Space & Coastal		1,763	1,712
Plant & Equipment		918	858
Furniture & Fittings, Office Equipment		325	303
Library Lending Materials		150	150
Subtotal		9,806	9,017
(ii) Impairment			
Loans to Community Organisations		-	118
Subtotal		-	118
Total Depreciation, Amortisation and Impairment		9,806	9,135
(d). Finance Costs			
Interest on Loans		722	904
Interest on Accommodation Bonds		134	96
Total Finance Costs		856	1,000

City of Holdfast Bay

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 4. Asset Disposal & Fair Value Adjustments

\$ '000	Notes	2018	2017
Infrastructure, Property, Plant & Equipment			
(i) Assets Renewed or Directly Replaced			
Proceeds from Disposal		227	225
Less: Carrying Amount of Assets Sold		(357)	(831)
Gain (Loss) on Disposal		(129)	(606)
(ii) Assets Surplus to Requirements			
Proceeds from Disposal		17	1,104
Less: Carrying Amount of Assets Sold		(30)	(2,212)
Gain (Loss) on Disposal		(13)	(1,108)
Non Current Assets Held For Sale			
Proceeds from Disposal		-	2,098
Less: Carrying Amount of Assets Sold		-	(2,571)
Gain (Loss) on Disposal		-	(473)
Net Gain (Loss) on Disposal or Revaluation of Assets		(142)	(2,187)

City of Holdfast Bay

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 5. Current Assets

\$ '000	Notes	2018	2017
(a). Cash & Cash Equivalents			
Cash on Hand at Bank		1,423	500
Deposits at Call		6,445	6,412
Short Term Deposits & Bills, etc.		19,224	14,450
Total Cash & Cash Equivalents		27,092	21,362
(b). Trade & Other Receivables			
Rates - General & Other		471	397
Council Rates Postponement Scheme		30	30
Accrued Revenues		186	288
Debtors - General		1,276	1,350
GST Recoupment		95	81
Prepayments		632	616
Loans to Community Organisations		208	220
Aged Care Facility Deposits		352	540
Subtotal		3,250	3,522
Less: Allowance for Doubtful Debts		(188)	(188)
Total Trade & Other Receivables		3,062	3,334
(c). Inventories			
Stores & Materials		10	9
Total Inventories		10	9

City of Holdfast Bay

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 6. Non-Current Assets

\$ '000	Notes	2018	2017
(a). Financial Assets			
Receivables			
Loans to Community Organisations		2,014	2,212
Provision for Impairment on Loans to Community Organisations		(518)	(518)
Total Receivables		1,496	1,694
Total Financial Assets		1,496	1,694
(b). Equity Accounted Investments in Council Businesses			
Southern Region Waste Resource Authority	19	2,869	2,985
Total Equity Accounted Investments in Council Businesses		2,869	2,985
(c). Other Non-Current Assets			
Capital Works-in-Progress		520	1,019
Total Other Non-Current Assets		520	1,019

City of Holdfast Bay

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 7a (i). Infrastructure, Property, Plant & Equipment

\$ '000	Fair Value Level	as at 30/6/2017					Asset Movements during the Reporting Period							as at 30/6/2018					
		At Fair Value	At Cost	Accumulated		Carrying Value	Asset Additions		WDV of Asset Disposals	Depreciation Expense (Note 3c)	Adjustments & Transfers	Tfrs from/(to) "Held for Sale" category	Revaluation Decrements to Equity (ARR) (Note 9)	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated		Carrying Value
				Dep'n	Impairment		New / Upgrade	Renewals									Dep'n	Impairment	
Land	2	28,062	-	-	-	28,062	-	-	-	-	-	-	-	-	28,062	-	-	-	28,062
Land	3	330,274	-	-	-	330,274	200	-	-	-	-	-	-	330,274	200	-	-	330,474	
Buildings & Other Structures	3	137,559	-	43,345	-	94,214	510	951	(3)	(2,749)	-	-	-	129,626	1,452	38,155	-	92,923	
Buildings & Other Structures	2	3,539	-	2,478	-	1,061	-	-	-	(38)	-	-	-	3,539	-	2,516	-	1,023	
Infrastructure																			
- Stormwater Drainage	3	54,650	-	18,899	-	35,751	2,692	438	(37)	(459)	207	-	-	54,799	3,130	19,337	-	38,592	
- Roads	3	119,571	2,357	24,021	-	97,907	-	1,057	(58)	(1,331)	-	-	-	119,402	3,414	25,241	-	97,575	
- Footpaths	3	43,973	105	15,501	-	28,577	-	103	(7)	(926)	-	-	-	43,960	208	16,421	-	27,747	
- Kerb & Guttering	3	70,516	1,541	25,919	-	46,138	-	645	(118)	(721)	-	-	-	70,332	2,186	26,574	-	45,944	
- Other Transport	3	22,767	58	3,701	-	19,124	943	275	(24)	(426)	525	-	-	23,593	1,276	4,452	-	20,417	
- Open Space & Coastal	3	43,081	22,582	21,147	-	44,516	2,188	1,139	-	(1,763)	(732)	-	(9,174)	53,961	-	17,787	-	36,174	
Plant & Equipment	3	1	9,791	4,472	-	5,320	131	1,062	(108)	(918)	-	-	-	-	8,423	2,936	-	5,487	
Furniture & Fittings, Office Equipment	3	(1)	7,441	5,656	-	1,784	921	401	(31)	(325)	-	-	-	(1,281)	4,817	786	-	2,750	
Library Lending Materials	3	1,298	-	535	-	763	-	192	-	(150)	-	-	(29)	-	1,253	477	-	776	
Total Infrastructure, Property, Plant & Equipment		855,290	43,875	165,674	-	733,491	7,585	6,263	(386)	(9,806)	-	-	(9,203)	856,267	26,359	154,682	-	727,944	
Comparatives		777,556	46,644	169,839	-	654,361	9,007	6,944	(3,043)	(9,017)	-	(975)	(1,306)	855,290	43,875	165,674	-	733,491	

Note 7a (ii). Investment Property

Nil

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

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

\$ '000

Valuation of Assets

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

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

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

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

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

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

Information on Valuations

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

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

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

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

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

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

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

\$ '000

Valuation of Assets (continued)

Other Information

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

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

Highest and best use

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

Transition to AASB 13 - Fair Value Measurement

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

Land & Land Improvements

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 data, effectively writing off the expenditure.

Land and Land improvements, including bulk earthworks with an assessed unlimited useful life, were valued at 30 June 2017 by Maloney Field Services

- Basis of valuation: Fair Value
- Date of valuation: 30 June 2017
- Valuer: Maloney Field Services

Buildings & Other Structures

Buildings and other structures were revalued as at 30 June 2017 by Maloney Field Services

- Basis of valuation: Fair Value / Written down current replacement cost
- Date of valuation: 30 June 2017
- Valuer: Maloney Field Services

City of Holdfast Bay

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

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

\$ '000

Valuation of Assets (continued)

Infrastructure

Infrastructure assets have been valued as follows:

Roads, Kerb and Gutter, Footpaths

- Basis of valuation: Written down current replacement cost
- Date of valuation: 30 June 2015
- Valuer: Assetic Pty Ltd

Footpaths

- Basis of valuation: Written down current replacement cost
- Date of valuation: 30 September 2015
- Valuer: Assetic Pty Ltds

Stormwater Drainage

- Basis of valuation: Written down current replacement cost
- Date of valuation: 30 June 2017
- Valuer: Jones Lang LaSalle

Other Transport - Bridges, Car Parks, Traffic Control Devices

- Basis of valuation: Written down current replacement cost
- Date of valuation: 30 June 2016
- Valuer: Maloney Field Services

Open Space, Coastal

- Basis of valuation: Written down current replacement cost
- Date of valuation: 30 June 2018
- Valuer: Jones Lang LaSalle

Plant, Furniture & Equipment

These assets are recognised at cost.

Library Lending Materials

Library Lending Materials were valued as at 30 June 2018 by Council senior library officers.

City of Holdfast Bay

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 8. Liabilities

\$ '000	Notes	2018 Current	2018 Non Current	2017 Current	2017 Non Current
(a). Trade and Other Payables					
Goods & Services		4,457	-	4,280	-
Payments Received in Advance		6,677	-	406	-
Accrued Expenses - Employee Entitlements		176	-	61	-
Accrued Expenses - Other		284	-	298	-
Aged Care Facility Deposits		32,564	-	31,619	-
Deposits, Retentions & Bonds		30	-	12	-
Other		1,040	-	627	-
Total Trade and Other Payables		45,228	-	37,303	-
(b). Borrowings					
Loans		1,130	12,460	2,618	13,589
Total Borrowings		1,130	12,460	2,618	13,589
All interest bearing liabilities are secured over the future revenues of the Council					
(c). Provisions					
Employee Entitlements		4,303	439	4,180	556
Total Provisions		4,303	439	4,180	556

City of Holdfast Bay

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 9. Reserves

\$ '000	1/7/2017	Increments (Decrements)	Transfers	Impairments	30/6/2018
(a). Asset Revaluation Reserve					
Land	310,456	-	-	-	310,456
Buildings & Other Structures	40,198	-	-	-	40,198
Infrastructure					
- Stormwater Drainage	22,004	-	-	-	22,004
- Roads	80,851	-	-	-	80,851
- Footpaths	14,055	-	-	-	14,055
- Kerb & Guttering	39,538	-	-	-	39,538
- Other Transport	2,727	-	-	-	2,727
- Open Space & Coastal	17,483	(9,174)	-	-	8,309
Library Lending Materials	450	(29)	-	-	421
Total Asset Revaluation Reserve	527,762	(9,203)	-	-	518,559
Comparatives	451,548	76,214	-	-	527,762

\$ '000	1/7/2017	Tfrs to Reserve	Tfrs from Reserve	Other Movements	30/6/2018
(b). Other Reserves					
Car Park Contributions Fund	37	-	(36)	-	1
Alwyndor General Reserve	6,311	103	-	-	6,414
Total Other Reserves	6,348	103	(36)	-	6,415
Comparatives	8,412	-	(2,064)	-	6,348

PURPOSES OF RESERVES

Asset Revaluation Reserves

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

Car Park Contributions Fund

To provide for improved off-street, car parking and improved access throughout the Glenelg Precinct. Specific developers contributions towards car parking are held within this fund.

Note 10. Assets Subject to Restrictions

\$ '000	Notes	2018	2017
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.			
Receivables			
Accommodation Bonds		352	540
Total Receivables		352	540
Total Assets Subject to Externally Imposed Restrictions		352	540

City of Holdfast Bay

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 11. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2018	2017
(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 Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:			
Total Cash & Equivalent Assets	5	27,092	21,362
Balances per Statement of Cash Flows		27,092	21,362
(b). Reconciliation of Change in Net Assets to Cash from Operating Activities			
Net Surplus/(Deficit)		2,988	4,172
Non-Cash Items in Income Statements			
Depreciation, Amortisation & Impairment		9,806	9,135
Equity Movements in Equity Accounted Investments (Increase)/Decrease		(267)	(211)
Grants for Capital Acquisitions (Treated as Investing Activity Receipts)		(1,832)	(4,446)
Net (Gain) Loss on Disposals		142	2,187
		10,837	10,837
Add (Less): Changes in Net Current Assets			
Net (Increase)/Decrease in Receivables		260	1,317
Change in Allowances for Under-Recovery of Receivables		-	29
Net (Increase)/Decrease in Inventories		(1)	(3)
Net (Increase)/Decrease in Other Current Assets		-	297
Net Increase/(Decrease) in Trade & Other Payables		6,962	529
Net Increase/(Decrease) in Unpaid Employee Benefits		6	74
Net Cash provided by (or used in) operations		18,064	13,080
(c). Financing Arrangements			
Unrestricted access was available at balance date to the following lines of credit:			
Corporate Credit Cards		100	100
LGFA Cash Advance Debenture Facility		14,358	13,181

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

City of Holdfast Bay

Notes to and forming part of the Financial Statements

for the year ended 30 June 2018

Note 12a. Functions

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 12(b).									
	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017	Actual 2018	Actual 2017	Actual 2018	Actual 2017	Actual 2018	Actual 2017
\$ '000										
Business Undertakings	3,625	3,246	2,384	2,258	1,241	988	-	-	18,774	18,820
Community Services	20,293	18,624	26,436	24,061	(6,143)	(5,437)	11,397	10,981	157,409	157,840
Culture	614	664	4,997	4,164	(4,383)	(3,500)	270	363	17,200	17,447
Economic Development	634	602	1,294	1,349	(660)	(747)	-	-	338	342
Environment	339	206	7,000	7,251	(6,661)	(7,045)	40	27	41,423	39,037
Recreation	310	296	6,500	6,001	(6,190)	(5,705)	-	-	315,262	324,164
Regulatory Services	1,957	1,908	5,089	5,080	(3,132)	(3,172)	-	-	495	501
Transport & Communication	27	41	7,677	7,460	(7,650)	(7,419)	121	949	189,223	188,766
Unclassified Activities	-	-	-	-	-	-	-	-	3,365	3,407
Council Administration	37,258	36,269	2,649	2,530	34,609	33,739	1,911	1,322	19,504	13,570
Total Functions/Activities	65,057	61,856	64,026	60,154	1,031	1,702	13,739	13,642	762,993	763,894

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.

City of Holdfast Bay

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 12b. Components of Functions

\$ '000

The activities relating to Council functions are as follows:

BUSINESS UNDERTAKINGS

Caravan Parks, Off-street Car Parks, Private Works, Commercial Property, Commercial Activities

COMMUNITY SERVICES

Public Order and Safety, Crime Prevention, Health Services, Nursing Homes, Elderly Citizens Facilities, Home Assistance Scheme, Aged and Disabled Services, Youth Services, Community Bus, Community Amenities including Cemeteries and Public Conveniences

CULTURE

Library Services, Heritage and Museum Facilities and Services.

ECONOMIC DEVELOPMENT

Tourism and Local Businesses Support

ENVIRONMENT

Domestic Waste & Green Waste, Recycling, Coastal Protection, Stormwater and other Drainage, Street Cleaning, Street Lighting.

RECREATION

Jetties, Other Marine Facilities, Parks and Gardens, Sports Facilities

REGULATORY SERVICES

Dog and Cat Control, Building Control, Town Planning, Health Inspection, Litter and Parking Control

TRANSPORT

Construction and Maintenance of Roads, Footpaths, Traffic Control, Streetscape, Kerb and Water Table, Bridges

COUNCIL ADMINISTRATION

Administration n.e.c., Elected Members, Organisational, Support Services, Rate Revenue

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 13. Financial Instruments

\$ '000

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits

Accounting Policy:

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

Terms & Conditions:

Deposits are returning fixed interest rates between 1.5% and 2.77% (2017: 1.5% and 2.82%). Short term deposits have an average interest rate of 1.96% (2017: 1.55%).

Carrying Amount:

Approximates fair value due to the short term to maturity.

Receivables

Rates & Associated Charges

(including legals & penalties for late payment)

Note: These receivables do not meet the definition of "financial instruments" and have been excluded from the following disclosures.

Accounting Policy:

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

Terms & Conditions:

Secured over the subject land, arrears attract interest of 0.56% per month (2017: 0.58 % pm). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables

Fees & Other Charges

Accounting Policy:

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

Terms & Conditions:

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

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 13. Financial Instruments (continued)

\$ '000

Recognised Financial Instruments

Receivables

Other Levels of Government

Accounting Policy:

Carried at nominal value.

Terms & Conditions:

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

Carrying Amount:

Approximates fair value.

Receivables

Retirement Home Contributions

Accounting Policy:

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

Terms & Conditions:

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

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Liabilities

Creditors and Accruals

Accounting Policy:

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

Terms & Conditions:

Liabilities are normally settled on 30 day terms.

Carrying Amount:

Approximates fair value.

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 13. Financial Instruments (continued)

\$ '000

Recognised Financial Instruments

Liabilities

Retirement Home Contributions

Accounting Policy:

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

Terms & Conditions:

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

Carrying Amount:

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

Liabilities

Interest Bearing Borrowings

Accounting Policy:

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

Terms & Conditions:

Secured over future revenues, borrowings are repayable six monthly; interest is charged at rates between 3.75% and 7.05% (2017: 3.75% and 7.35%).

Carrying Amount:

Approximates fair value.

Liabilities

Finance Leases

Accounting Policy:

Accounted for in accordance with AASB 117.

City of Holdfast Bay

Notes to and forming part of the Financial Statements

for the year ended 30 June 2018

Note 13. Financial Instruments (continued)

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2018					
Financial Assets					
Cash & Equivalents	27,092	-	-	27,092	27,092
Receivables	2,498	429	2,762	5,689	4,150
Total Financial Assets	29,589	429	2,762	32,780	31,242
Financial Liabilities					
Payables	45,346	-	-	45,346	44,944
Current Borrowings	1,772	-	-	1,772	1,130
Non-Current Borrowings	-	5,538	11,527	17,065	12,460
Total Financial Liabilities	47,118	5,538	11,527	64,183	58,534
2017					
Financial Assets					
Cash & Equivalents	21,362	-	-	21,362	21,362
Receivables	3,751	810	489	5,050	4,708
Total Financial Assets	25,113	810	489	26,412	26,070
Financial Liabilities					
Payables	37,088	-	-	37,088	37,005
Current Borrowings	3,354	-	-	3,354	2,618
Non-Current Borrowings	-	6,462	13,168	19,630	13,589
Total Financial Liabilities	40,442	6,462	13,168	60,072	53,212

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

	30 June 2018		30 June 2017	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Other Variable Rates		-	3.65%	1,057
Fixed Interest Rates	4.81%	13,590	5.94%	15,150
		13,590		16,207

Net Fair Value

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

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 13. Financial Instruments (continued)

\$ '000

Risk Exposures

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

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

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

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

City of Holdfast Bay

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 14. Commitments for Expenditure

\$ '000	Notes	2018	2017
(a). Capital Commitments			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Buildings		122	249
Infrastructure		239	3,872
Reserves		94	1,397
Plant & Equipment		309	325
		764	5,843
These expenditures are payable:			
Not later than one year		764	5,843
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
		764	5,843
(b). Other Expenditure Commitments			
Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:			
Audit Services		31	61
Waste Management Services		8,861	11,918
Employee Remuneration Contracts		3,045	3,733
Other Maintenance Contracts		1,975	566
Other		52	1,236
		13,964	17,514
These expenditures are payable:			
Not later than one year		6,276	6,221
Later than one year and not later than 5 years		7,683	11,293
Later than 5 years		5	-
		13,964	17,514

City of Holdfast Bay

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 15. Financial Indicators

\$ '000	Amounts 2018	Indicator 2018	Prior Periods 2017	2016
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These Financial Indicators have been calculated in accordance with *Information paper 9 - Local Government Financial Indicators* prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia.

1. Operating Surplus Ratio

Operating Surplus	1,298			
Total Operating Income	65,324	2%	3%	1%

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

2. Net Financial Liabilities Ratio

Net Financial Liabilities	31,910			
Total Operating Income	65,324	49%	51%	63%

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

Adjustments to Ratios

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

Adjusted Operating Surplus Ratio	2%	2%	2%
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Adjusted Net Financial Liabilities Ratio	49%	51%	63%
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3. Asset Sustainability Ratio

Net Asset Renewals	4,981			
Depreciation expenditure	9,806	51%	73%	47%

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

City of Holdfast Bay

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 16. Uniform Presentation of Finances

\$ '000	2018	2017
<p>The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.</p> <p>All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.</p> <p>The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.</p>		
Income	65,324	62,067
<i>less</i> Expenses	(64,026)	(60,154)
Operating Surplus / (Deficit)	1,298	1,913
Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	(5,208)	(6,899)
<i>add back</i> Depreciation, Amortisation and Impairment	9,806	9,135
<i>add back</i> Proceeds from Sale of Replaced Assets	227	225
Subtotal	4,825	2,461
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	(8,142)	(6,077)
<i>add back</i> Amounts Received Specifically for New and Upgraded Assets	1,832	4,446
<i>add back</i> Proceeds from Sale of Surplus Assets (including Investment Property & and Real Estate Developments)	17	1,104
Subtotal	(6,292)	(527)
Net Lending / (Borrowing) for Financial Year	(169)	3,847

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 17. Operating Leases

\$ '000	2018	2017
Leases commitments under all non-cancellable lease agreements, including those relating to Investment Property, are as follows:		
Not later than one year	501	470
Later than one year and not later than 5 years	1,898	1,698
Later than 5 years	286	2,589
	2,685	4,757

Lease Payment Commitments of Council

Council has entered into non-cancellable operating leases for various items of computer and other plant and equipment.

No lease imposes any additional restrictions on Council in relation to additional debt or further leasing.

Leases in relation to computer and office equipment permit Council, at expiry of the lease, to elect to re-lease return or acquire the equipment leased

No lease contains any escalation clause

Commitments under non-cancellable operating leases that have not been recognised in the financial statements are as follows:

Not later than one year	45	51
Later than one year and not later than 5 years	60	92
Later than 5 years	5	-
	110	143

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 18. Superannuation

\$ '000

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

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2017/18; 9.50% in 2016/17). 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 2016/17) of "superannuation" salary.

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

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

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

Contributions to Other Superannuation Schemes

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

City of Holdfast Bay

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 19. Interests in Other Entities

\$ '000

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

	Council's Share of Net Income		Council's Share of Net Assets	
	2018	2017	2018	2017
Joint Ventures	267	211	2,869	2,985
Total	267	211	2,869	2,985

(i) JOINT VENTURES, ASSOCIATES AND JOINT OPERATIONS

(a) Carrying Amounts

Name of Entity	Principal Activity	2018	2017
Southern Region Waste Resource Authority	Management of waste and waste facilities	2,869	2,985
Western Region Waste Management Authority	Management of waste and waste facilities	-	-
Total Carrying Amounts - Joint Ventures & Associates		2,869	2,985

Southern Region Waste Resource Authority

Established under Section 43 of the Local Government Act, 1999 to provide operate services for the management of waste and the management of waste facilities under its control on behalf of the constituent Council, being the City of Holdfast Bay, City of Marion, and City of Onkaparinga. The Authority made a provision of \$13m in the accounts for landfill restoration which is considered reasonable.

Western Region Waste Management Authority

Established under Section 43 of the Local Government Act, 1999 to provide operate services for the management of waste and the management of waste facilities under its control on behalf of the constituent Councils, being the City of Holdfast Bay, City of Port Adelaide, City of West Torrens and City of Charles Sturt. The site was closed on 28 February 2001 and an Environment Performance agreement between Renewal SA, the Environment Protection Authority and the Waste Region Waste Management Authority (WRWMA) was signed in October 2005. The major obligations of the agreement were completed and the landfill site was handed back to Renewal SA on 1 September 2015. The WRWMA was officially wound up under Notice of Winding-up of a Subsidiary in the South Australian Government Gazette on 29 June 2016 and final distributions were made to the member councils during 2016/17.

(b) Relevant Interests

Name of Entity	Interest in Operating Result		Ownership Share of Equity		Proportion of Voting Power	
	2018	2017	2018	2017	2018	2017
Southern Region Waste Resource Authority	15%	15%	15%	15%	33%	33%
Western Region Waste Management Authority		5.91%		5.91%		25%

City of Holdfast Bay

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 19. Interests in Other Entities (continued)

\$ '000

(c) Movement in Investment in Joint Venture or Associate

	Southern Region Waste Resource Authority		Western Region Waste Management Authority	
	2018	2017	2018	2017
Opening Balance	2,986	2,779	-	10
Share in Operating Result	267	207	-	4
Distributions Received	(384)	-	-	-
Adjustments to Equity	-	-	-	(14)
Council's Equity Share in the Joint Venture or Associate	2,869	2,986	-	-

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

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

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

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

1. LAND UNDER ROADS

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

At reporting date, Council controlled 178 km of road reserves of average width 8.7 metres.

2. POTENTIAL INSURANCE LOSSES

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

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

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

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

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

4. LEGAL MATTERS

Council is the planning consent authority for its area under the Development Act 1993 (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council had notice of 14 appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

4. SOUTHERN REGION WASTE RESOURCE AUTHORITY

Council has a 15% interest in Southern Region Waste Resource Authority. The Authority describes contingent liabilities in Note 15 to their Financial Statements for the year ended 30 June 2018.

Note 22. Events after the Balance Sheet Date

Events that occur after the reporting date of 30 June 2018, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 23/10/18.

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

Note 23. Related Party Transactions

\$ '000 2018 2017

Key Management Personnel

Transactions with Key Management Personnel

The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the *Local Government Act 1999*. In all, 22 persons were paid the following total compensation:

The compensation paid to Key Management Personnel comprises:

Short-Term Employee Benefits	1,010	954
Payments to Mayor and Elected Members	317	334
Development Assessment Panel Independent Members, Alwyndor Management Committee	56	48
Total	1,383	1,336

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

City of Holdfast Bay

General Purpose Financial Statements for the year ended 30 June 2018

Auditor's Report - Financial Statements

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City of Holdfast Bay

General Purpose Financial Statements for the year ended 30 June 2018

Auditor's Report - Financial Statements

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City of Holdfast Bay

General Purpose Financial Statements for the year ended 30 June 2018

Auditor's Report - Internal Controls

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City of Holdfast Bay

General Purpose Financial Statements for the year ended 30 June 2018

Auditor's Report - Internal Controls

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City of Holdfast Bay

General Purpose Financial Statements

for the year ended 30 June 2018

Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of City of Holdfast Bay (excluding Alwyndor Aged Care) for the year ended 30 June 2018, the Council's Auditor, BDO Audit Partnership (SA) has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

J.P. Lynch

CHIEF EXECUTIVE OFFICER

J. Smedley

PRESIDING MEMBER, AUDIT COMMITTEE

Date:

City of Holdfast Bay

General Purpose Financial Statements

for the year ended 30 June 2018

Statement by Auditor

I confirm that, for the audit of the financial statements of City of Holdfast Bay (excluding Alwyndor Aged Care) for the year ended 30 June 2018, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

BDO Audit Partnership (SA)

Dated this day of 2018.

Alwyndor Aged Care

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018



ABN: 66 219 253 940

Alwyndor Aged Care

General Purpose Financial Statements for the year ended 30 June 2018

Contents	Page
1. Alwyndor Certificate	2
2. Alwyndor Management Committee Declaration	3
3. Primary Financial Statements:	
- Statement of Comprehensive Income	4
- Statement of Financial Position	5
- Statement of Changes in Equity	6
- Statement of Cash Flows	7
4. Notes to the Financial Statements	8
5. Independent Auditor's Report - Financial Statements	30

Alwyndor Aged Care

General Purpose Financial Statements for the year ended 30 June 2018

Certification of Financial Statements

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

In our opinion:

- the financial statements present a true and fair view of the Alwyndor's financial position at 30 June 2018 and the results of its operations and cash flows for the financial year,
- the financial statements accurately reflect the Alwyndor's accounting and other records.

Justin Lynch
CHIEF EXECUTIVE OFFICER

Rick Kluge
GENERAL MANAGER

Dated this day of 2018

Alwyndor Aged Care

General Purpose Financial Statements

for the year ended 30 June 2018

Alwyndor Management Committee Declaration

The Alwyndor Management Committee declare that

In our opinion:

The financial statements and notes, as set out in the document are in accordance with the *Australian Charities and not-for-profits Commission Action 2012 and :*

- a comply with Australian Accounting Standards; and
- b give a true and fair view of the financial position of the registered entity as at 30 June 2018 and of its performance for the year ended on that date.

There are reasonable grounds to believe that the registered entity will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with subs 60.15(2) of the Australian Charities and Not-for-profits Commission Regulation 2013.

Trish Auket
CHAIR

Dated this day of 2018

Alwyndor Aged Care

Statement of Comprehensive Income

for the year ended 30 June 2018

\$	Notes	2018	2017
Income			
User Charges	2a	2,912,359	3,380,832
Grants, Subsidies and Contributions	2e	10,172,010	9,772,597
Investment Income	2b	463,464	381,007
Reimbursements	2c	2,201,012	1,927,495
Other Income	2d	2,766,420	1,569,530
Total Income		18,515,265	17,031,461
Expenses			
Employee Costs	3a	13,202,268	12,386,336
Materials, Contracts & Other Expenses	3b	5,306,476	3,985,372
Depreciation and Amortisation	3c	1,074,184	824,715
Finance Costs	3d	133,921	96,371
Total Expenses		19,716,849	17,292,794
Operating Surplus / (Deficit)		(1,201,584)	(261,333)
Asset Disposal & Fair Value Adjustments	4	(4,114)	(3,403)
Net Surplus / (Deficit) ¹		(1,205,698)	(264,736)
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in Revaluation Surplus - I,PP&E	9a	-	4,903,315
<i>Amounts which will be reclassified subsequently to operating result</i>			
Nil			
Total Other Comprehensive Income		-	4,903,315
Total Comprehensive Income		(1,205,698)	4,638,579

¹ Transferred to Statement of Changes in Equity

Alwyndor Aged Care

Statement of Financial Position

as at 30 June 2018

\$	Notes	2018	2017
ASSETS			
Current Assets			
Cash and Cash Equivalents	5a	20,421,789	18,923,398
Trade & Other Receivables	5b	765,559	983,701
Total Current Assets		21,187,348	19,907,099
Non-Current Assets			
Infrastructure, Property, Plant & Equipment	7a	40,174,718	40,733,910
Total Non-Current Assets		40,174,718	40,733,910
TOTAL ASSETS		61,362,066	60,641,009
LIABILITIES			
Current Liabilities			
Trade & Other Payables	8a	34,829,344	32,940,743
Provisions	8b	1,504,745	1,432,663
Total Current Liabilities		36,334,089	34,373,405
Non-Current Liabilities			
Provisions	8b	128,440	162,370
Total Non-Current Liabilities		128,440	162,370
TOTAL LIABILITIES		36,462,529	34,535,775
Net Assets		24,899,537	26,105,234
EQUITY			
Accumulated Surplus		9,414,526	10,723,474
Asset Revaluation Reserves	9a	9,070,657	9,070,657
Other Reserves	9b	6,414,354	6,311,103
Total Alwyndor Equity		24,899,537	26,105,234

Alwyndor Aged Care

Statement of Changes in Equity for the year ended 30 June 2018

\$	Notes	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	Total Equity
2018					
Balance at the end of previous reporting period		10,723,475	9,070,657	6,311,103	26,105,235
a. Net Surplus / (Deficit) for Year		(1,205,698)	-	-	(1,205,698)
b. Other Comprehensive Income					
Nil					
Total Comprehensive Income		(1,205,698)	-	-	(1,205,698)
c. Transfers between Reserves		(103,251)	-	103,251	-
Balance at the end of period		9,414,526	9,070,657	6,414,354	24,899,537
2017					
Balance at the end of previous reporting period		10,988,210	4,167,342	6,311,103	21,466,655
a. Net Surplus / (Deficit) for Year		(264,736)	-	-	(264,736)
b. Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	4,903,315	-	4,903,315
Other Comprehensive Income		-	4,903,315	-	4,903,315
Total Comprehensive Income		(264,736)	4,903,315	-	4,638,579
Balance at the end of period		10,723,474	9,070,657	6,311,103	26,105,234

Alwyndor Aged Care

Statement of Cash Flows

for the year ended 30 June 2018

\$	Notes	2018	2017
Cash Flows from Operating Activities			
<u>Receipts</u>			
User Charges		2,918,359	3,385,832
Grants, Subsidies and Contributions (operating purpose)		10,272,010	9,870,415
Investment Receipts		463,464	381,007
Reimbursements		2,201,012	1,927,495
Other Receipts		3,422,122	3,399,930
<u>Payments</u>			
Payments to Employees		(13,127,334)	(12,357,711)
Payments for Materials, Contracts & Other Expenses		(4,943,244)	(3,930,759)
Finance Payments		(133,921)	(96,371)
Net Cash provided by (or used in) Operating Activities	11b	1,072,468	2,579,839
Cash Flows from Investing Activities			
<u>Receipts</u>			
Sale of Replaced Assets		37,458	31,501
<u>Payments</u>			
Expenditure on New/Upgraded Assets		(556,564)	(533,125)
Net Cash provided by (or used in) Investing Activities		(519,106)	(501,624)
Cash Flows from Financing Activities			
<u>Receipts</u>			
Proceeds from Aged Care Facility Deposits		9,416,274	10,790,684
<u>Payments</u>			
Repayment of Aged Care Facility Deposits		(8,471,246)	(7,719,570)
Net Cash provided by (or used in) Financing Activities		945,028	3,071,114
Net Increase (Decrease) in Cash Held		1,498,391	5,149,329
plus: Cash & Cash Equivalents at beginning of period	11	18,923,398	13,774,070
Cash & Cash Equivalents at end of period	11	20,421,789	18,923,398

Alwyndor Aged Care

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Significant Accounting Policies	8
2	Income	11
3	Expenses	12
4	Asset Disposal & Fair Value Adjustments	13
	Current Assets	
5a	Cash & Cash Equivalents	13
5b	Trade & Other Receivables	13
	Non-Current Assets	
6	Financial Assets	13
	Fixed Assets	
7a (i)	Infrastructure, Property, Plant & Equipment	14
7a (ii)	Investment Property	14 n/a
7b	Valuation of Infrastructure, Property, Plant & Equipment	15
	Liabilities	
8a	Trade & Other Payables	17
8b	Provisions	17
	Reserves	
9a	Asset Revaluation Reserve	17
9b	Other Reserves	17
10	Assets Subject to Restrictions	18
11	Reconciliation to Statement of Cashflows	18
12	Financial Instruments	19
13	Commitments for Expenditure	22
14	Operating Leases	22
15	Superannuation	23
16	Interests in Other Entities	24 n/a
17	Non Current Assets Held for Sale & Discontinued Operations	24 n/a
18	Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet	24 n/a
19	Events After the Balance Sheet Date	24 n/a
20	Related Party Transactions	24
21	Segment Reporting	25

n/a - not applicable

Alwyndor Aged Care

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 1. Summary of Significant Accounting Policies

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

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

1 Basis of Preparation

1.1 Compliance with Australian Accounting Standards

These general purpose financial statements have been prepared in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. The entity is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

1.2 Historical Cost Convention

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

1.3 Critical Accounting Estimates

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

Alwyndor Aged Care reports under the Aged Care Act 1997 and has its principal place of business at 52 Dunrobin Road, Hove. These financial statements include the Alwyndor's direct operations and all entities through which Alwyndor controls resources to carry on its functions. In the process of reporting

on the Alwyndor as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

3 Income Recognition

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

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

4 Cash, Cash Equivalents and other Financial Instruments

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

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

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments forms part of Note 12.

5 Infrastructure, Property, Plant & Equipment

5.1 Initial Recognition

All assets are initially recognised at cost.

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

Alwyndor Aged Care

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 1. Summary of Significant Accounting Policies (continued)

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 Alwyndor includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

5.2 Materiality

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

Office Furniture & Equipment	\$2,000
Other Plant & Equipment	\$2,000
Buildings - new construction/extensions	\$10,000

5.3 Subsequent Recognition

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

5.4 Depreciation of Non-Current Assets

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives on a straight-line basis which, in the opinion of Alwyndor, 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 listed below. Depreciation periods for infrastructure assets have been estimated based on

the best information available to Alwyndor, 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.

5.5 Impairment

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

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

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

6 Payables

6.1 Goods & Services

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

6.2 Payments Received in Advance & Deposits

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

7 Employee Benefits

7.1 Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be

Alwyndor Aged Care

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 1. Summary of Significant Accounting Policies (continued)

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 Alwyndor 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. Alwyndor does not make payment for untaken sick leave.

7.2 Superannuation

The Alwyndor 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 Alwyndor's involvement with the schemes are reported in Note 15.

8 Leases

Lease arrangements have been accounted for in accordance with Australian Accounting Standard AASB 117.

In respect of operating leases, where the lessor substantially retains all of the risks and benefits incident to ownership of the leased items, lease payments are charged to expense over the lease term.

9 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.

10 New accounting standards and UIG Interpretations

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

Alwyndor Aged Care has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective.

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

11 Disclaimer

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

Alwyndor Aged Care

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 2. Income

\$	Notes	2018	2017
(a). User Charges			
Aged Care Residential Fees and Rentals		2,912,359	3,380,832
Total User Charges		2,912,359	3,380,832
(b). Investment Income			
Interest on Investments			
- Local Government Finance Authority		65,731	46,386
- Banks & Other		397,732	334,621
Total Investment Income		463,464	381,007
(c). Reimbursements			
Other		2,201,012	1,927,495
Total Reimbursements		2,201,012	1,927,495
(d). Other Income			
Sundry		1,786,217	1,093,810
Aged Care Facility		972,858	475,720
Other		7,346	-
Total Other Income		2,766,420	1,569,530
(e). Grants, Subsidies, Contributions			
Other Grants, Subsidies and Contributions		10,172,010	9,772,597
Total Grants, Subsidies, Contributions		10,172,010	9,772,597
(i) Sources of grants			
Commonwealth Government		9,672,008	9,272,595
State Government		500,002	500,002
Total		10,172,010	9,772,597

Alwyndor Aged Care

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 3. Expenses

\$	Notes	2018	2017
(a). Employee Costs			
Salaries and Wages		11,742,780	10,793,808
Employee Leave Expense		38,152	262,700
Superannuation - Defined Contribution Plan Contributions	15	49,453	58,748
Superannuation - Defined Benefit Plan Contributions	15	995,593	891,267
Workers' Compensation Insurance		376,291	379,814
Total Operating Employee Costs		13,202,268	12,386,336
Total Number of Employees (full time equivalent at end of reporting period)		164	155
(b). Materials, Contracts and Other Expenses			
(i) Prescribed Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports		13,887	11,115
Operating Lease Rentals - Non-Cancellable Leases	14		
- Minimum Lease Payments		12,610	13,356
Subtotal - Prescribed Expenses		26,497	24,471
(ii) Other Materials, Contracts and Expenses			
Contractors		3,256,274	2,386,515
Professional Services		239,875	-
Sundry		321,491	659,194
Materials		1,462,339	915,192
Subtotal - Other Material, Contracts & Expenses		5,279,979	3,960,901
Total Materials, Contracts and Other Expenses		5,306,476	3,985,372
(c). Depreciation and Amortisation			
Buildings & Other Structures		781,693	583,333
Plant & Equipment		173,607	140,033
Furniture & Fittings		118,884	101,349
Total Depreciation and Amortisation		1,074,184	824,715
(d). Finance Costs			
Interest on Accommodation Bonds		133,921	96,371
Total Finance Costs		133,921	96,371

Alwyndor Aged Care

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 4. Asset Disposal & Fair Value Adjustments

\$	Notes	2018	2017
Infrastructure, Property, Plant & Equipment			
(i) Assets Renewed or Directly Replaced			
Proceeds from Disposal		37,458	31,501
Less: Carrying Amount of Assets Sold		(39,784)	(34,904)
Gain (Loss) on Disposal		(2,325)	(3,403)
(ii) Assets Surplus to Requirements			
Proceeds from Disposal		-	-
Less: Carrying Amount of Assets Sold		(1,788)	-
Gain (Loss) on Disposal		(1,788)	-
Net Gain (Loss) on Disposal or Revaluation of Assets		(4,114)	(3,403)

Note 5. Current Assets

(a). Cash & Cash Equivalents

Cash on Hand at Bank	1,236,866	293,419
Deposits at Call	2,961,190	4,215,984
Short Term Deposits & Bills, etc.	16,223,733	14,413,995
Total Cash & Cash Equivalents	20,421,789	18,923,398

(b). Trade & Other Receivables

Accrued Revenues	185,545	288,215
Debtors - General	137,950	114,300
GST Recoupment	89,764	41,186
Aged Care Facility Deposits	352,300	540,000
Total Trade & Other Receivables	765,559	983,701

Note 6. Non-Current Assets

Nil

Alwyndor Aged Care

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 7a (i). Infrastructure, Property, Plant & Equipment

	Fair Value Level	as at 30/6/2017					Asset Movements during the Reporting Period					as at 30/6/2018				
		At Fair Value	At Cost	Accumulated		Carrying Value	Asset Additions		WDV of Asset Disposals	Depreciation Expense (Note 3c)	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated		Carrying Value
				Dep'n	Impairment		New / Upgrade	Renewals						Dep'n	Impairment	
Land	2	5,288,840	-	-	-	5,288,840	-	-	-	-	-	5,288,840	-	-	-	5,288,840
Buildings & Other Structures	3	39,920,070	-	7,150,588	-	32,769,482	-	8,800	-	(781,693)	-	31,996,589	-	-	-	31,996,589
Plant & Equipment		-	2,743,256	1,163,066	-	1,580,190	116,219	125,732	(40,537)	(173,607)	-	-	1,607,997	-	-	1,607,997
Furniture & Fittings		-	1,961,402	866,003	-	1,095,399	190,041	115,771	(1,035)	(118,884)	-	-	1,281,292	-	-	1,281,292
Total Infrastructure, Property, Plant & Equipment		45,208,910	4,704,658	9,179,657	-	40,733,910	306,260	250,303	(41,572)	(1,074,184)	-	37,285,429	2,889,289	-	-	40,174,718
Comparatives		40,629,266	4,208,598	8,680,775	-	36,157,089	213,224	319,900	(34,904)	(824,715)	4,903,315	45,208,910	4,704,658	9,179,657	-	40,733,910

Note 7a (ii). Investment Property

Nil

Alwyndor Aged Care

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

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

\$

Valuation of Assets

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

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

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

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

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

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

Information on Valuations

Valuation techniques used to derive Level 2 and Level 3 fair values recognised in the financial statements

The following table sets out the valuation techniques used to measure fair value within Level 2, including a description of the significant inputs used.

Description	Valuation approach and inputs used
Land	Direct comparison of market evidence approach. This method seeks to determine the current value of an asset by reference to recent comparable transactions involving the sale of similar assets. The valuation is based on price per square metre.

The following table sets out the valuation techniques used to measure the fair value within Level 3, including details of the significant unobservable inputs used and the relationship between unobservable inputs and fair value.

Description	Valuation Approach	Unobservable Inputs	Range of Inputs	Relationship between unobservable inputs and fair value
Buildings & Other Structures	Depreciated replacement cost approach. This is the current replacement cost of an asset less, where applicable accumulated depreciation calculated on a basis to reflect the already consumed or expired service potential.	Replacement Cost	\$5,844 to \$2,854,414	The higher the replacement cost the higher the fair value
		Remaining Useful Life of Assets	30 years to 150 years	The shorter the remaining life the lower the fair value

Alwyndor Aged Care

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

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

\$

Valuation of Assets (continued)

Other Information

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

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

Highest and best use

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

Transition to AASB 13 - Fair Value Measurement

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

Land & Land Improvements

Land and Land improvements, with an assessed unlimited useful life, were valued at 30 June 2017.

- Basis of valuation: Fair Value
- Date of valuation: 30 June 2017
- Valuer: Maloney Field Services

Buildings & Other Structures

Buildings and other structures were revalued as at 30 June 2017

- Basis of valuation: Written down current replacement cost
- Date of valuation: 30 June 2017
- Valuer: Maloney Field Services

Plant, Furniture & Equipment

These assets are recognised on the cost basis.

Residential Bed Licences

Alwyndor holds 134 bed licenses. These have not been brought to account as they do not meet the recognition criteria of AASB 138 Intangible Assets.

All other Assets

These assets are recognised at cost.

Alwyndor Aged Care

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 8. Liabilities

\$	Notes	2018 Current	2018 Non Current	2017 Current	2017 Non Current
(a). Trade and Other Payables					
Goods & Services		958,591	-	523,779	-
Payments Received in Advance		-	-	32,482	-
Accrued Expenses - Employee Entitlements		175,624	-	58,842	-
Accrued Expenses - Other		92,081	-	80,073	-
Aged Care Facility Deposits		32,563,848	-	31,618,820	-
Other		1,039,201	-	626,747	-
Total Trade and Other Payables		34,829,344	-	32,940,743	-
(b). Provisions					
Employee Entitlements (including oncosts)		1,504,745	128,440	1,432,663	162,370
Total Provisions		1,504,745	128,440	1,432,663	162,370

Note 9. Reserves

\$	1/7/2017	Increments (Decrements)	Transfers	Impairments	30/6/2018
(a). Asset Revaluation Reserve					
Land	4,943,268	-	-	-	4,943,268
Buildings & Other Structures	4,127,389	-	-	-	4,127,389
Total Asset Revaluation Reserve	9,070,657	-	-	-	9,070,657
Comparatives	4,167,342	4,903,315	-	-	9,070,657
\$	1/7/2017	Tfrs to Reserve	Tfrs from Reserve	Other Movements	30/6/2018
(b). Other Reserves					
General Reserves	6,311,103	103,251	-	-	6,414,354
Total Other Reserves	6,311,103	103,251	-	-	6,414,354
Comparatives	6,311,103	-	-	-	6,311,103

Alwyndor Aged Care

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 10. Assets Subject to Restrictions

\$	Notes	2018	2017
<p>The uses of the following assets are restricted, wholly or partially, by legislation or other externally imposed requirements. The assets are required to be utilised for the purposes for which control was transferred to Alwyndor, or for which the revenues were originally obtained.</p>			
Receivables			
Accommodation Bonds		352,300	540,000
Total Receivables		352,300	540,000
Total Assets Subject to Externally Imposed Restrictions		352,300	540,000

Note 11. Reconciliation to Statement of Cash Flows

(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 Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:

Total Cash & Equivalent Assets	5	20,421,789	18,923,398
Less: Short-Term Borrowings		-	-
Balances per Statement of Cash Flows		20,421,789	18,923,398

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

Net Surplus/(Deficit)		(1,205,698)	(264,736)
Non-Cash Items in Income Statements			
Depreciation, Amortisation & Impairment		1,074,184	824,715
Net (Gain) Loss on Disposals		4,114	3,403
		(127,400)	563,382
Add (Less): Changes in Net Current Assets			
Net (Increase)/Decrease in Receivables		218,143	1,504,739
Change in Allowances for Under-Recovery of Receivables		-	28,954
Net (Increase)/Decrease in Other Current Assets		-	(57,908)
Net Increase/(Decrease) in Trade & Other Payables		943,574	435,930
Net Increase/(Decrease) in Unpaid Employee Benefits		38,152	104,741
Net Cash provided by (or used in) operations		1,072,468	2,579,839

Alwyndor Aged Care

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 12. Financial Instruments

\$

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits

Accounting Policy:

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

Terms & Conditions:

Deposits are returning fixed interest rates between 2.52% and 2.77% (2017: 2.52% and 2.82%). Short term deposits have an average maturity of 180 days and an average interest rate of 2.06% (2017: 145 days and 2.21%).

Carrying Amount:

Approximates fair value due to the short term to maturity.

Receivables

Fees & Other Charges

Accounting Policy:

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

Terms & Conditions:

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

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables

Other Levels of Government

Accounting Policy:

Carried at nominal value.

Terms & Conditions:

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

Carrying Amount:

Approximates fair value.

Alwyndor Aged Care

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 12. Financial Instruments (continued)

\$

Recognised Financial Instruments

Receivables

Retirement Home Contributions

Accounting Policy:

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

Terms & Conditions:

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

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Liabilities

Creditors and Accruals

Accounting Policy:

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

Terms & Conditions:

Liabilities are normally settled on 30 day terms.

Carrying Amount:

Approximates fair value.

Liabilities

Retirement Home Contributions

Accounting Policy:

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

Terms & Conditions:

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

Carrying Amount:

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

Alwyndor Aged Care

Notes to and forming part of the Financial Statements

for the year ended 30 June 2018

Note 12. Financial Instruments (continued)

\$	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2018					
<u>Financial Assets</u>					
Cash & Equivalents	20,421,789	-	-	20,421,789	20,421,789
Receivables	765,558	-	-	765,558	765,559
Total Financial Assets	21,187,347	-	-	21,187,347	21,187,347
<u>Financial Liabilities</u>					
Payables	35,095,344	-	-	35,095,344	34,829,344
Total Financial Liabilities	35,095,344	-	-	35,095,344	34,829,344
2017					
<u>Financial Assets</u>					
Cash & Equivalents	18,923,398	-	-	18,923,398	18,923,398
Receivables	983,702	-	-	983,702	983,701
Total Financial Assets	19,907,100	-	-	19,907,100	19,907,099
<u>Financial Liabilities</u>					
Payables	32,940,743	-	-	32,940,743	32,940,743
Total Financial Liabilities	32,940,743	-	-	32,940,743	32,940,743

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 Alwyndor.

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 Alwyndor is the carrying amount, net of any allowance for doubtful debts. All Alwyndor investments are made with the SA Local Government Finance Authority and are guaranteed by the SA Government. Except as detailed in Notes 5 & 6 in relation to individual classes of receivables, exposure is concentrated within the Alwyndor'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 Alwyndor'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 Alwyndor 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. Alwyndor also has available a range of bank overdraft and standby borrowing facilities that it can access.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates. Alwyndor 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.

Alwyndor Aged Care

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 13. Commitments for Expenditure

\$	Notes	2018	2017
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Lease Payment Commitments of Alwyndor

Alwyndor has entered into non-cancellable operating leases for various items of office equipment.

Commitments under non-cancellable operating leases that have not been recognised in the financial statements are as follows:

Other		52,339	5,869
		<u>52,339</u>	<u>5,869</u>

These expenditures are payable:

Not later than one year		11,816	5,869
Later than one year and not later than 5 years		35,448	-
Later than 5 years		5,075	-
		<u>52,339</u>	<u>5,869</u>

Note 14. Operating Leases

Leases Providing Revenue to the Alwyndor

Alwyndor owns various buildings, plant and other facilities that are available for hire or lease (on a non-cancellable basis wherever practicable) in accordance with the published revenue policy. Rentals received from such leases are disclosed as rent and hire of non-investment property in Note 2.

Commitments under non-cancellable operating leases that have not been recognised in the financial statements are as follows:

Not later than one year		11,816	5,869
Later than one year and not later than 5 years		35,448	-
Later than 5 years		5,075	-
		<u>52,339</u>	<u>5,869</u>

Alwyndor Aged Care

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 15. Superannuation

\$

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

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2017/18; 9.50% in 2016/17). No further liability accrues to the Alwyndor 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. Alwyndor 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 2016/17) of "superannuation" salary.

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

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

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

Contributions to Other Superannuation Schemes

Alwyndor 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 Alwyndor.

Alwyndor Aged Care

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 16. Interests in Other Entities

\$

Alwyndor has no interest in any Equity Accounted Businesses such as Joint Ventures, Associates & Joint Operations.

Note 17. Non-Current Assets Held for Sale & Discontinued Operations

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

Note 18. Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet

Alwyndor does not have any Contingencies & Asset/Liabilities Not Recognised in the Balance Sheet.

Note 19. Events after the Balance Sheet Date

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

Note 20. Related Party Transactions

\$

2018

2017

Key Management Personnel

Transactions with Key Management Personnel

The Key Management Personnel of the Alwyndor include the Alwyndor Management Committee, and General Manager - Alwyndor under section 112 of the *Local Government Act 1999*. In all, 10 persons were paid the following total compensation:

The compensation paid to Key Management Personnel comprises:

Short-Term Employee Benefits	140,645	94,425
Payments to Alwyndor Management Committee	36,301	31,324
Total	176,946	125,749

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

Alwyndor Aged Care

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 21. Segment Reporting

\$	2018	2017
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Alwyndor operates in the aged care industry within South Australia and within 3 primary business segments:

- provision and management of residential aged care accommodation
- aged care services to the community,
- rehabilitation and support services (day therapy)

Residential Aged Care

Income Statement

for the year ended 30 June 2016

Care Income

Subsidies & Supplements (Commonwealth)	7,429,149	7,087,673
Resident Fees - Means Tested Care Fees	617,171	566,892
Total Residential Care Income	8,046,320	7,654,565

Accommodation Income

Subsidies & Supplements (Commonwealth)	801,234	848,494
Resident Accommodation Payments and Charges	321,422	397,336
Accommodation Bond Retention amounts	34,264	78,384
Total Residential Accommodation Income	1,156,920	1,324,214

Other Resident Fee Income

Basic Daily Fee	2,322,278	2,317,690
Total Other Residential Fee Income	2,322,278	2,317,690

Financing Income

Interest Income	463,464	366,781
Total Financing Income	463,464	366,781

Other Income

Donations and Fundraising	6,568	-
Other Income	55,333	198,764
Total Other Income	61,901	198,764

Total Revenue	12,050,883	11,862,014
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Alwyndor Aged Care

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 21. Segment Reporting (continued)

\$	2018	2017
Residential Aged Care		
Income Statement (continued) for the year ended 30 June 2016		
Care Expenses		
Labour Costs	8,328,589	7,063,186
Other Expenses	198,774	133,554
Total Care Expenses	8,527,363	7,196,740
Accommodation Expenses		
Labour Costs	195,696	134,143
Property Repairs, Maintenance and Replacement	310,570	180,114
Other Accommodation Expenses	401,868	399,526
Total Accommodation Expenses	908,134	713,783
Hotel Services Expenses		
Labour Costs	528,769	468,925
Contracted Services - External Service Organisations	1,372,150	374,732
Other Hotel Services Expenses	116,476	866,722
Total Hotel Services Expenses	2,017,395	1,710,379
Administration Expenses		
Labour Costs	1,034,220	654,436
Management Fees	54,965	70,950
Other Administration Expenses	390,538	317,157
Total Administration Expenses	1,479,723	1,042,543
Capital and Financing Expenses		
Depreciation	1,069,731	824,716
Interest Expenses	108,262	96,370
Total Capital and Financing Expenses	1,177,993	921,086
Other Expenses		
Loss on Sale of Assets	4,114	3,403
Other Expenses	-	97,447
Total Other Expenses	4,114	100,850
Total Expenses	14,114,722	11,685,381
Net Profit (Before Tax)	(2,063,839)	176,633

Alwyndor Aged Care

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 21. Segment Reporting (continued)

\$	2018	2017
Residential Aged Care		
Statement of Financial Position		
as at 30 June 2016		
ASSETS		
Current Assets		
Cash	20,421,789	18,923,398
Trade & Other Receivables	765,558	983,701
Total Current Assets	21,187,347	19,907,099
Non-Current Assets		
Property, Plant & Equipment	40,174,718	40,733,910
Total Non-Current Assets	40,174,718	40,733,910
TOTAL ASSETS	61,362,065	60,641,009
LIABILITIES		
Current Liabilities		
Trade & Other Payables	1,238,339	695,177
Employee Provisions	945,379	1,120,226
Accommodation Bonds	32,563,848	31,618,820
Total Current Liabilities	34,747,566	33,434,223
Non-Current Liabilities		
Employee Provisions	71,963	101,701
Total Non-Current Liabilities	71,963	101,701
TOTAL LIABILITIES	34,819,529	33,535,924
Net Assets	26,542,536	27,105,085

Alwyndor Aged Care

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 21. Segment Reporting (continued)

\$	Rehabilitation and Support Services	Consumer Directed Care	Other Home Care	Total
2018				
Revenue	939,928	4,084,483	1,439,971	6,464,382
Expenses	849,811	3,464,380	1,292,049	5,606,240
Surplus/(Deficit)	90,117	620,103	147,922	858,142
Assets	-	-	-	-
Liabilities	187,809	1,377,729	77,461	1,642,999
Total Equity	(187,809)	(1,377,729)	(77,461)	(1,642,999)
2017				
Revenue	837,983	2,961,732	1,369,730	5,169,445
Expenses	946,017	3,202,660	1,462,137	5,610,814
Surplus/(Deficit)	(108,034)	(240,928)	(92,407)	(441,369)
Assets	-	-	-	-
Liabilities	71,163	911,820	16,870	999,853
Total Equity	(71,163)	(911,820)	(16,870)	(999,853)

Alwyndor Aged Care

General Purpose Financial Statements
for the year ended 30 June 2018

Auditor's Report - Financial Statements

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Alwyndor Aged Care

General Purpose Financial Statements for the year ended 30 June 2018

Auditor's Report - Financial Statements

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holdfast.sa.gov.au

Brighton Civic Centre 24 Jetty Road, Brighton SA 5048

PO Box 19 Brighton SA 5048

P 08 8229 9999 F 08 8298 4561

Glenelg Customer Service Centre and Library

2 Colley Terrace, Glenelg SA 5045

18 October 2018

Mr GK Edwards
BDO Audit (SA) Pty Ltd
Level 7, BDO Centre
420 King William Street
ADELAIDE SA 5000

Dear Mr Edwards

AUDIT FOR YEAR ENDED 30 JUNE 2018 OF CITY OF HOLDFAST BAY

This representation letter is provided in connection with your audit of the financial report of City of Holdfast Bay for the year ended 30 June 2018, for the purpose of expressing an opinion as to whether the financial report presents fairly in accordance with the Australian Accounting Standards, the Local Government Act 1999 and the 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 purposes of appropriately informing ourselves:

Financial report

1. We have fulfilled our responsibilities, as set out in your engagement letter dated 7 April 2017, for the preparation for the financial report in accordance with Australian Accounting Standards, the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011; in particular that the financial report presents fairly in accordance therewith.
2. We have established and maintained adequate internal controls to facilitate the preparation of a reliable financial report and adequate records have been maintained. Any and all deficiencies in internal control of which we are aware have been communicated to you.
3. We confirm that the selection and application of accounting policies remains appropriate, and that there have been no changes to the accounting policies applied in the previous annual financial statements or the methods used in applying them.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

5. We have no plans or intentions that may materially affect the carrying values, or classification, of assets and liabilities.
6. The entity has satisfactory title to all assets, and there are no liens or encumbrances on such assets that have not been disclosed, nor has any asset been pledged as collateral.
7. We acknowledge that valuations of Infrastructure, Property, Plant & Equipment have been appropriately undertaken so as to ensure that the carrying amounts do not differ materially from that which would be determined using fair value at the end of the reporting. Individual classes of Infrastructure, Property, Plant & Equipment are assigned to the appropriate level in the AASB 13 fair value hierarchy.

Books, records and documentation

8. 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;
 - All minutes of meetings held by the Board of Directors, Committees and shareholders since the end of the previous reporting period have been given to you for your inspection;
 - Additional information that you have requested from us for the purpose of the audit;
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
9. All transactions have been recorded in the accounting records and are reflected in the financial report.

Uncorrected Misstatements

10. There have been no uncorrected misstatements brought to our attention.

Related parties

11. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions.
12. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with Australian Accounting Standards in the financial report.

Fraud

13. We acknowledge our responsibility for the design, implementation and maintenance of accounting and internal control systems that are designed to prevent and detect fraud.
14. 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.
15. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where fraud could have a material impact on the financial report.
16. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial report communicated by employees, former employees, analysts, regulators or others.

Litigation and claims

17. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered in the financial report; and accounted for and disclosed in accordance with Australian Accounting Standards.

Compliance with laws and regulations

18. We have disclosed to you all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing the financial report.
19. There have been no instances of non-compliance of laws and regulations involving management or employees who have a significant role in internal control.
20. There have been no communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial report.

Subsequent events

21. All events occurring subsequent to the date of the financial report and for which adjustment or disclosure are required have been adjusted or disclosed.

Other information

22. We have informed you of all the documents that we expect to issue which may compromise other information accompanying the financial report.

23. The financial report and any other information obtained by you prior to the date of the auditor's report are consistent with one another, and the other information does not contain any material misstatements.
24. The final version of the other information will be provided to you when available, and prior to issuance to allow you to complete your procedures over this other information.

Electronic presentation of Financial Report

25. We are responsible for the electronic presentation of the financial report.
26. We will ensure that the electronic version of the audited financial report and the auditor's report on the web site will be identical to the final signed hard copy version.
27. We will clearly differentiate between audited and unaudited information in the construction of the entity's web site as we understand the risk of potential misrepresentation.
28. We have assessed the controls over the security and integrity of data on the web site and that adequate procedures are in place to ensure the integrity of the information published.
29. We will not present the auditor's report on the full financial statements with extracts only of the full financial statements.

Yours sincerely

John Newton
FINANCE MANAGER

Roberto Bria
GENERAL MANAGER BUSINESS SERVICES

2017-18 Financial Statements - Prior Year Comparison***Note 2(b) - Statutory Charges \$2,224,000 (2016-17 \$2,171,000)***

Increased food inspection fees \$21,000, hoarding fees \$25,000 and development fees \$8,000.

Note 2(c) - User Charges \$7,034,000 (2016-17 \$7,079,000)

Municipal user charges increased by \$429,000. This comprised increased income from Brighton Caravan Park \$310,000, Partridge House \$36,000, cemeteries \$38,000, lease income \$18,000 and Winter Wonderland ticket sales \$28,000.

Alwyndor user charges decreased by \$468,000. This is due to a re-allocation of the means-tested care fee (Federal Government initiative that requires consumers who can afford to contribute to the cost of the care) to other income in line with current Aged Care reporting requirements \$600,000; offset by an increase in consumer contributions to both residential and therapy services.

Note 2(d) - Investment Income \$562,000 (2016-17 \$418,000)

Municipal reserve fund investment increased by \$62,000 due to improved positive cash flow and the early receipt of major capital grant funds.

Alwyndor investment income increased by \$82,000 due to an increase in cash reserve balances as a result of increases in refundable accommodation deposits (RAD).

Note 2(e) - Reimbursements \$2,697,000 (2016-17 \$2,289,000)

Municipal reimbursements increased by \$135,000 due to increased private contributions including memorial seats \$82,000; timing of re-imbursements for employee costs from NRM board \$62,000 less reduced income for seaside memorials \$24,000.

Alwyndor reimbursements increased by \$274,000 and is due to an increase of Consumer Directed Care (CDC) packages gained throughout the year, this has resulted in increased services provided to home care consumers.

Note 2(f) - Other Income \$3,915,000 (2016-17 \$2,555,000)

Municipal other income has increased by \$432,000. This includes an insurance claim for Glenelg Oval Grandstand \$332,000; revised Alwyndor land lease and management fee \$46,000; bus shelter advertising income \$40,000; and increased reserve hire income \$27,000 offset by reduced event sponsorship income \$13,000.

Alwyndor other income increased by \$1,197,000 due to the re-allocation of the means-tested care fee as stated in note 2c above \$600,000 and an increase in home care case management and administration fee income as a result of increased Consumer Directed Care packages \$597,000.

Note 2(g) – Operating Grants, Subsidies and Contributions \$13,739,000 (2016-17 \$13,642,000)

Municipal operating grants decreased by \$303,000. Commonwealth Supplementary Local Road Funding program was reinstated in 2017/18 and Council received \$187,797. This grant is untied and distributed by the SA Local Government Grants Commission. The amount has been included in the Financial Assistance Grant classification. Other various grants exceeded the prior year by \$48,000. These increases were offset by reduced roads to recovery funding \$49,000 and the timing and indexation of the grants commission payments being \$490,000 net.

Alwyndor grants and subsidies increased by \$400,000. This is due to an increase in the Aged Care Funding Instrument (ACFI) revenue generated throughout the year, which is based on the care needs of each resident.

Note 19 - Net gain – EQUITY ACCOUNTED COUNCIL BUSINESSES \$267,000 (2016-17 \$211,000)

This refers to Council's 15% share (\$267,000 surplus) in the SRWRA. For 2017/18 SRWRA achieved a \$1,756,000 operating surplus (\$1,217,000 in 2016/17). During 2017/18 council received a distribution of \$384,000 from the SRWRA. The prior year figures refer also to Council's 5.91% share in WRWMA. The WRWMA site has been rehabilitated and the authority was wound up in 2016/17. The financial results, provisions and expanded notes of both entities are included in Note 19 to the financial statements.

Note 3(a) - Employee Costs \$29,316,000 (2016-17 \$27,232,000)

Overall municipal employee costs increased by \$576,000 from prior year due to salary staff (ASU) enterprise agreement 2.5% increase \$303,000; wages staff (AWU) enterprise agreement 2.8% \$117,000; approved new employees/initiatives - Business Development \$97,200, Events - Life Saving Championship/Queens Baton Relay \$65,400.

Alwyndor employment costs increased by \$816,000. However, the actual increase in employment costs is greater than this as last year agency costs were included in employment costs but have now been allocated to materials, contracts and other expenses. The increase is due to a number of factors being salary staff enterprise agreement of 2.3% increase \$285,000; transition costs and training costs resulting from the operational review \$500,000; increased support worker hours to deliver the increased services for home care consumers \$586,000; and first time accrual of on-costs for the long service leave provision \$110,000.

Note 3(b) - Materials, Contracts and Other Expenses \$24,048,000 (2016-17 \$22,787,000)

Municipal expenses in this grouping increased by \$902,000. This comprised numerous items either included in the original budget or varied throughout the year. Major prior year variances occurred in operational new initiatives \$207,000; electricity \$109,000; water \$231,000; NRM Levy \$58,000; Caravan Park operations \$86,000; gas monitoring \$48,000; Grant funded green bag program \$67,000; Regulatory Services \$41,000; Cemetery operations \$37,000.

Alwyndor expenses increased by \$1,321,000. A significant portion of this increase is the re-allocation of agency costs from employment costs \$690,000; increased third party costs paid on behalf of home care consumers, which is offset by income \$65,000; increased catering

consumables to assist with managing increasing residential dietary requirements \$40,000; third party consulting and training costs associated with the operational review \$77,000; and increased catering contract costs \$200,000.

Note 3(c) - Depreciation \$9,806,000 (2016-17 \$9,135,000)

Overall municipal depreciation increased by \$421,000 with the larger increases in drainage, open space and plant and equipment. Alwyndor depreciation increased by \$250,000 with most of this increase resulting from an increase in the valuation of buildings and the removal of the residual value from the depreciation calculation methodology.

Note 4 - Asset Disposal and Fair Value Adjustments (\$142,000 loss) - (2016-17 \$2,187,000 - loss)

Municipal assets were sold throughout the year resulting in a \$137,000 loss. The assets are itemised as follows:

- \$247,000 – Loss - Capital renewal program. Refers to existing infrastructure assets removed or disposed as part of the annual capital program.
- \$17,500 – Profit - Sale of road reserve.
- \$92,000 – Net Profit - Sale of plant and vehicles.

Note 2(g) - Amounts Received for New/Upgraded Assets \$1,832,000 (2016-17 \$4,446,000)

Overall Municipal capital grants decreased by \$2.6m. This variance is due primarily due to one-off grants received in the prior 2016-17 year including Kauri Parade Sporting Complex \$3m; Coast Park Precinct 7 \$1m; Jetty Road Brighton crossing upgrade \$296,000. New grants were received in 2017/18 for stormwater projects \$1.4m; reserve improvements \$200,000; and CCTV projects \$54,000.

Note 9(a) - Change in Revaluation Surplus – \$9,203,000 decrease (2016-17 \$76,214,000 increase)

Open Space and Coastal assets were revalued by Jones Lang LaSalle. The last revaluation on these assets was performed in 2013. This resulted in a valuation decrease of \$9.17m. The main explanations are as follows:

- The process included capturing assets at an individual level rather than in groups with an existing capital threshold of \$6,500 applied.
- Large open space projects of high financial value include significant overheads and expensive groundworks. The direct replacement of these assets will not require the same overhead costs and their value has therefore decreased.
- A number of car parks located at sporting facilities and local reserves have been transferred to the infrastructure class of assets in line with current maintenance and renewal policies.

Details of this revaluation including the effect on future depreciation were reported to the Audit Committee on 29 August 2018 (report 299/18).

Library lending materials were revalued by the Library Services Manager. This has resulted in a net revaluation decrease of \$329,000.

Note 5(a) - Cash and Cash Equivalents

As at 30 June 2018, cash and cash equivalents amounted to \$27,092,000 (2016-17 \$21,362,000). This comprises \$6,670,000 of municipal funds and \$20,422,000 of Alwyndor funds as shown in the cash flow statements. The significant increase in municipal cash is due to prepayments of large capital government grants including \$4.24m for Minda Coast Park and \$2m for Brighton Sports Complex.

Alwyndor funds include monies received and invested for accommodation bonds. Accommodation bonds total \$32,563,000 (2017-18 \$31,619,000) and are subject to externally imposed restrictions with the requirement to be used for capital purposes.

Note 5(b) - Trade and Other Receivables –Current \$3,062,000 (2016-17 \$3,334,000)

Municipal debtors decreased by \$55,000 to \$2,484,000. General debtors decreased by \$98,000.

Alwyndor debtors had a net decrease of \$165,000 primarily due to a decrease in current aged care facility deposits outstanding.

Note 6 (a) - Loans to Community Organisations

Council's normal practice for larger loans is to borrow from the Local Government Finance Authority and on-lend to the community organisation on similar terms along with an additional 0.5% credit margin to cover administrative costs. The total amount of principal owing as at 30 June 2018 is \$2,222,000.

During 2016-17 Council received correspondence for the Glenelg Football Club and considered strategies to support the Club in its objective of long term financial sustainability. In May 2017 Council accepted a principal reduction scheme over six years (via the SANFL) and agreed to waive interest up to 31 October 2019. As at 30 June 2018 the Club had met its remaining financial obligations. The total amount of principal owing from the Glenelg Football Club as at 30 June 2018 was \$2,029,922.

On 29 August 2018 the Audit Committee received a report assessing community loan receivables as at 30 June 2018 (Report 298/18). On 11 September Council noted the minutes of the Audit Committee (Minute C110918/1279). The financial statements include maintaining the loan impairment provision of \$517,780 for the Glenelg Football Club loan in accordance with the recommendations.

Note 6 (b) - Regional Subsidiaries – \$2,869,000 (2016-17 \$2,985,000)

This refers to Council's 15% share in the net assets of SRWRA. As at 30 June 2018 SRWRA had \$19,130,000 net assets. The reduction is due to distribution of \$2.5m to member Councils in 2017/18 offset by a \$2.2m reduction in the rehabilitation and restoration provision. The WRWMA

was wound up during 2016-17. The financial results, provisions and expanded notes of both entities are included in Note 19 to the Council statements.

Note 6 (c) – Other Non-Current Assets - Capital Works-in-Progress \$520,000 (2016-17 \$1,019,000)

This includes preliminary works of \$163,000 for the new sports complex at Brighton Oval and \$112,000 for the construction of a coast park footpath at Minda Dunes, \$111,000 for various stormwater projects, \$87,000 for improvements to Council owned buildings and the remaining amounts on other incomplete municipal capital projects.

Note 7 - Capital Expenditure

In 2017/18 asset additions totaled \$13,848,000 (2016-17 \$15,951,000).

For municipal activities this comprised \$7.6m on completed new and upgraded assets. The major projects included \$2.5m drainage improvements at Tarlton Street/Bickford Terrace, \$1.6m extension to the Coast Park footpath, \$943,000 car park at Seacliff Sports and Community Centre, \$913,000 business transformation software and implementation costs, \$720,000 viewing mound and upgrade works at Glenelg Football Club and \$165,000 purchase of land.

Asset additions for renewed and replaced assets totaled \$5.7m. These included \$2.5m on infrastructure including roads, kerb, footpaths and stormwater. The renewal of Open Space assets totaled \$1.1m including \$300,000 irrigation replacement at various reserves, \$180,000 playground equipment at Angus Neill Reserve and \$163,000 street lighting. Renewal works on Council owned buildings totaled \$942,000 and \$915,000 for the replacement of plant and equipment.

For Alwyndor activities this comprised \$556,000 including \$306,000 on new assets, and \$250,000 on renewal and replacement of existing assets. New assets included \$160,000 on a new finance system and \$55,000 on televisions for resident rooms. Replaced assets included \$75,000 on the phone system, \$23,000 on two commercial washing machines, \$43,000 on beds, \$32,000 replacing two commercial ovens in the main kitchen and \$16,000 nurse call upgrade.

Note 8(a) - Aged Care Facility Deposits – accommodation bonds

The liability for Alwyndor accommodation bonds has increased by \$943,000 from the previous year. The overall liability is \$32,563,000. This increase is a result of new residents entering the facility and selecting to pay accommodation bonds.

Note 8(b) - Borrowings

Net borrowings have decreased by \$2,617,000 to \$13,590,000. Fixed term loan principal repayments totaled \$1,441,559 with the balance being repayment of cash advance debenture (CAD) facilities with the Local Government Finance Authority. No new borrowings were made during 2017/18 as Council had sufficient cash to meet its capital expenditure.

Note 9 - Reserve Funds

All reserve funds required by legislation have been maintained.

Equity

Council's net equity decreased by \$6,215,000 during the year as a result of:

- \$1,298,000 operating surplus
- (\$142,000) deficit on disposal of assets
- \$1,832,000 capital revenue received specifically for new or upgraded assets
- (\$9,203,000) net decrease of assets on revaluation

Item No: **6.3**

Subject: **LONG TERM FINANCIAL PLAN REVIEW**

Date: 17 October 2018

Written By: Manager Finance

General Manager: Business Services, Mr R Bria

SUMMARY

The Long Term Financial Plan (LTFP) has been reviewed and updated to include the 2018/19 Annual Business Plan and 2017/18 audited financial statements and budget updates to 31 August 2018. The projections in the LTFP indicate Council remains in a sound financial position.

The LTFP has also been informed by Asset Management Plans (AMP) and direction from Council with regard to Council's commitment to financial sustainability. A number of assumptions have been reviewed in updating the plan and these are detailed in the report.

The LTFP will be enhanced as part of the 2019/20 budget process to include major projects that have been identified to be undertaken over the next 10 years.

RECOMMENDATION

That the Audit Committee advises Council it has received and noted the revised Long Term Financial Plan.

COMMUNITY PLAN

Culture: Being financially accountable

COUNCIL POLICY

Not Applicable

STATUTORY PROVISIONS

Local Government Act 1999, Section 122

Local Government (Financial Management) Regulations 2011, Regulation 5

BACKGROUND

The Act requires Council to review its LTFP as soon as practicable after adopting the annual business plan. The LTFP was reviewed and updated to include the 2018/19 budget, 2017/18 Annual Financial Statements and budget updates to 31 August 2018.

The annual update has reviewed the existing LTFP assumptions, and has taken into consideration economic conditions and inflation, and used current available financial information. It is noted that the LTFP is not a static document and its purpose is to provide broad financial projections to assist in making key decisions.

Alwyndor Aged Care has been excluded from the LTFP as it is managed as a financially self-sustaining operation, however it will develop its own Long Term Financial Plan.

REPORT

Financial Principles and Targets

Council's key financial principles include the following:

- Delivering a balanced budget that fully funds the costs of its services including depreciation.
- Developing sound infrastructure and asset management planning by creating, enhancing and using long-term infrastructure and asset management plans.
- Providing the community with a reasonable degree of predictability for rate over the medium term.

Council's key financial performance measures and targets include the following:

- Operating result as a percentage of rate revenue between 0% - 10% over a rolling 5-year period.
- Net Financial Liabilities as a percentage of operating revenue less than 75%.
- Net interest expense as a percentage of operating revenue less than 5%.

Revised underlying assumptions

The existing LTFP assumptions have been reviewed including consideration of current economic conditions, inflation and other current financial information.

Inflation Forecasts

The following table provides inflation forecast information. It lists forecasts for the Consumer Price Index (CPI) and Local Government Price Index (LGPI). The forecast CPI has been sourced from Deloitte Access Economics. The LGPI is published by the University of Adelaide and measures price movements faced by Councils in South Australia. The LGPI increase has been determined by averaging the last six years LGPI increase above CPI. The applied LGPI is the addition of the two

measures. The LGPI has been used in the LTFP model for indexing operating expenditure (excluding employment costs) and income and capital expenditure.

<u>Year</u>	<u>CPI</u>	<u>LGPI Increase</u>	<u>LGPI</u>
2019/20	2.2%	0.3%	2.5%
2020/21	2.4%	0.3%	2.7%
2021/22	2.5%	0.3%	2.8%
2022/23	2.4%	0.3%	2.7%
2023/24	2.2%	0.3%	2.5%
2024/25	2.3%	0.3%	2.6%
2025/26	2.5%	0.3%	2.8%
2067/27	2.5%	0.3%	2.8%
2027/28	2.6%	0.3%	2.7%

Existing Forecasts

- Asset renewal/upgrades updated and are based on 3 year capital program and adopted Asset Management Plan.
- Base Case and New Strategic Projects modelled from 2019/20.
- LGPI General Rate Increase; 0.5% rate increase for new development.
- LGPI applied for other expenditure/revenue.
- 2.5% employment costs.
- Provision for new initiatives - \$500,000 operating; \$500,000 capital.
- Provision for election costs has been allowed for every four years, commencing at \$340,000 in 2022/23.
- Storm-water upgrade estimates included in base case modelling - \$10.17m net over 10 years.
- New Strategic Projects have been allowed for (including forecast grant funding) as follows:
 - Brighton Sporting Community Centre - \$6m net over 2 years commencing in 2018/19.
 - Glenelg Oval Masterplan - \$10.1m net over 10 years commencing in 2018/19.
 - Jetty Road Glenelg Masterplan - \$9.34m net over 10 years commencing in 2018/19.
 - Coast Park and Kingston Park Masterplan - \$1.65 m over 3 years commencing in 2019/20.
 - LED conversion - \$1.2m over 1 years in 2018/19.
 - Foreshore irrigation upgrade - \$488,000 over 5 years commencing in 2018/19.
 - Glenelg Town Hall Restoration Stage 2 & Caravan Park cabin renewal.
- Additional depreciation provided for new and upgraded assets based on the average useful life of the class of asset.

Rate Income

Rate predictability is one of the key financial principles in the LTFP. The model has been updated to ensure at least a break-even operating result in future years.

Rate revenue increase

A rate revenue increase based on the forecast LGPI is assumed reflecting Council's direction to keep rate increases as low as practical. An additional 0.5% pa has been provided for property development growth. Property development growth comprises improvements that increase a property's value, or new developments such as replacing an existing building. The annual increase in rate revenue excludes changes to the NRM Levy collected by Council on behalf of the Natural Resources Management Board

Employment Costs

Employment costs have been revised in accordance with current enterprise agreements (EA). The LTFP model has used 2.5% for the term of plan.

Grants and subsidies

Council receives a mixture of grant funding from the State Government to support its programs and activities. Some grants, like the Financial Assistance Grants, are recurring and received every year. These are assumed to increase by forecast LGPI. The Roads to Recovery (RTR) Federal Government program was scheduled for completion in 2018/19. However the program will be extended from 2019/20 onwards and financial details are not anticipated until closer its commencement. The LTFP has not included this program beyond 2018/19.

Remaining Assumptions

Apart from the application of LGPI indexation the remaining key assumptions are unchanged from the existing LTFP and include:

- The 2018/19 capital works program will be completed by 30 June 2019.
- Asset renewal and upgrades are based on the latest AMP information.
- No asset sales have been forecast. The property portfolio is reviewed regularly with the aim of improving utilization of facilities and reducing holding costs.
- New storm water drainage capital expenditure has been included and depreciation forecasts adjusted accordingly.
- Commonwealth funding for the Roads to Recovery program have been forecast for the remaining life of the program with scheduled completion in 2018/19. In the final year the amount forecast is \$300,354.
- Cash and cash equivalents are modelled to include all investments and reserve funds, and borrowings are only provided for when cash is required.
- New borrowings have been forecast on a 20 year repayment basis at current long term LGFA borrowing rates of 4.8%. Loans due for roll-over are forecast for their remaining loan terms.
- Alwyndor Aged Care operating results will not adversely impact Council's LTFP as it is assumed the facility will continue to operate with modest forecast surpluses. Once Alwyndor has updated their LTFP it will be consolidated into the Council LTFP.

PROJECTIONS

A full set of financial forecast details (with strategic projects) is provided for reference as per attachment.

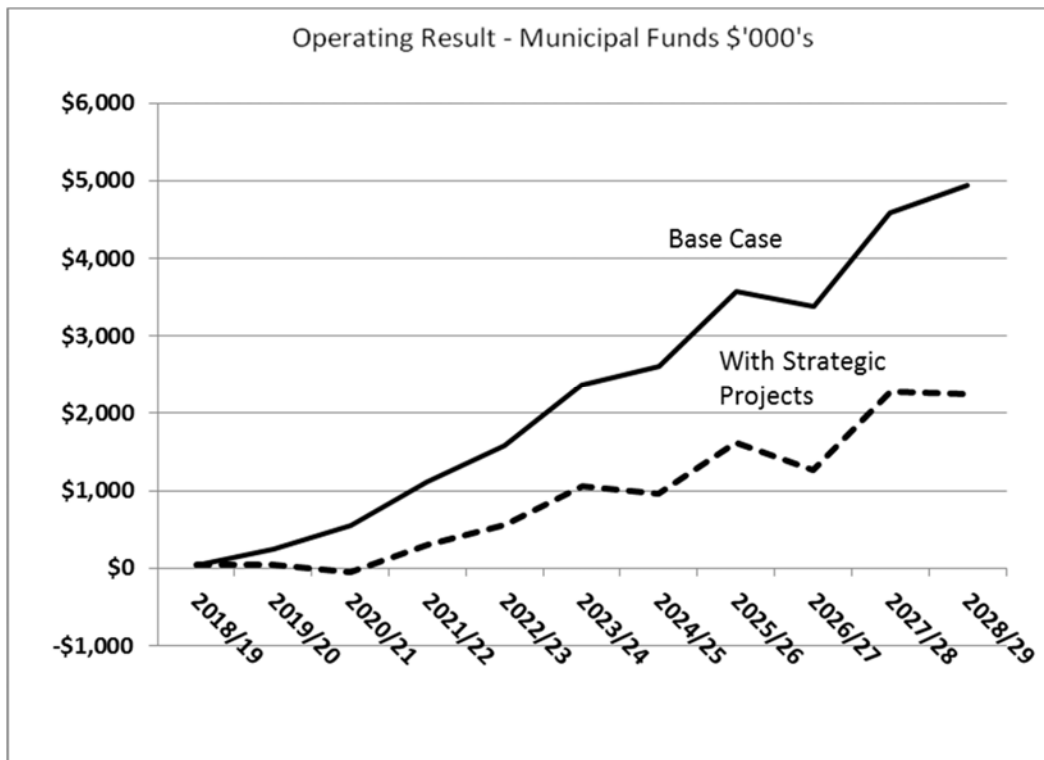
Refer Attachment 1

The results have been charted and show projections for our key financial performance indicators over the 10-year planning horizon. They provides a measure of overall financial capacity to respond to circumstances and undertake major new initiatives without adversely affecting the continued provision of services to our community.

Operating Surplus

In broad terms, the Operating Surplus is the difference between day-to-day income and expenditure for the period.

Council’s income (or revenue) includes rate revenue, user charges, statutory charges, investment income and grants and subsidies of an operating nature from third parties. Operating expenditure is expenditure incurred in the ordinary course of providing Council’s services, including a charge for depreciation of infrastructure and assets. Depreciation reflects a portion of the capital cost or value of an asset used or consumed during the year and can be regarded as the cost of “wear and tear”.

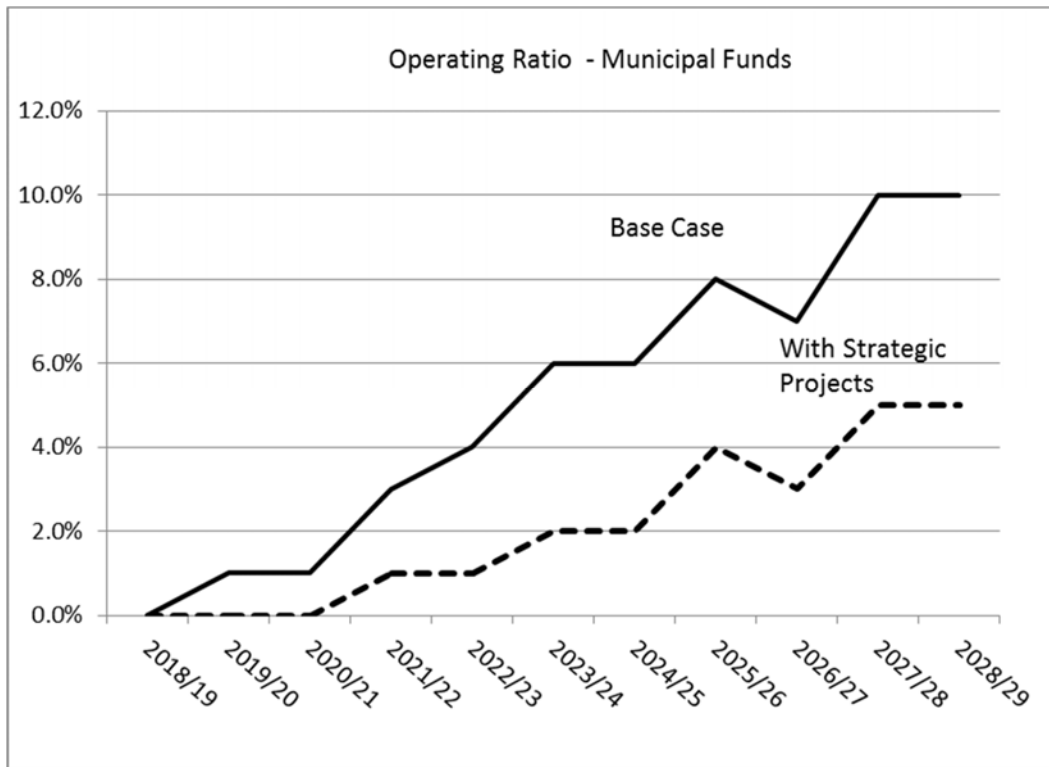


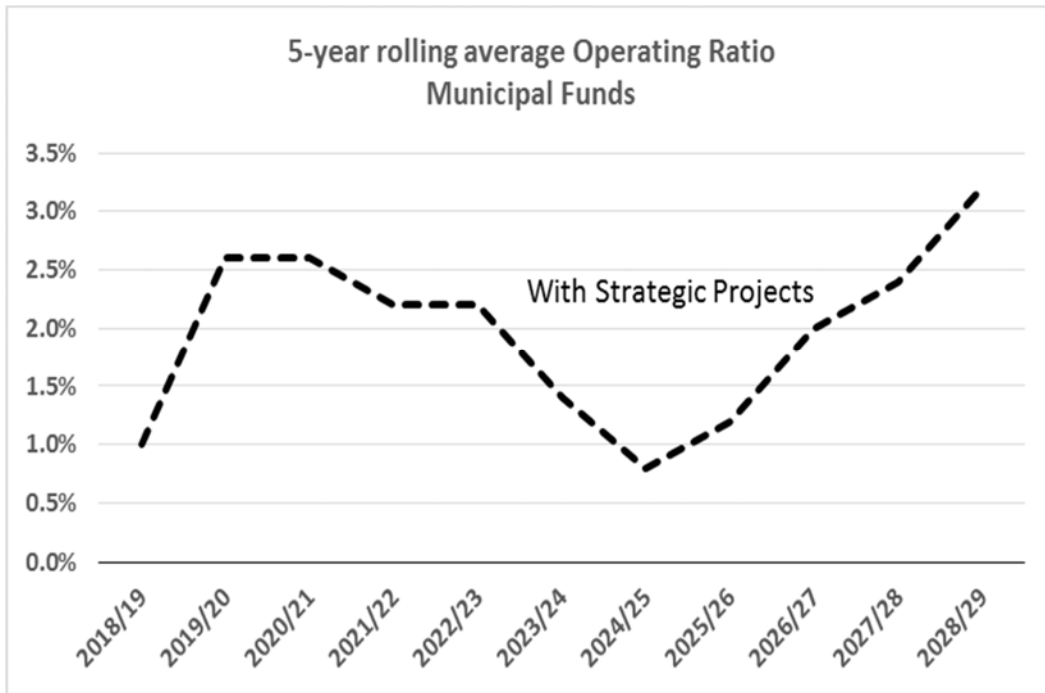
Operating Ratio

The Operating Ratio measures the Operating Surplus as a percentage of rate revenue.

A positive ratio indicates the percentage of rates available to help fund current and future capital expenditure. A negative ratio indicates the percentage increase in rate revenue that would have been required to achieve a break-even operating result.

Council has set an Operating Ratio target of between 0 and 10% over a rolling 5-year period. This recognises the impact of one-off events that distort an annual ratio. After adjusting for one-off operating grants for renewed assets, the operating ratio over a rolling 5-year period commencing from 2013/14 to the current financial year has been 1% surplus.

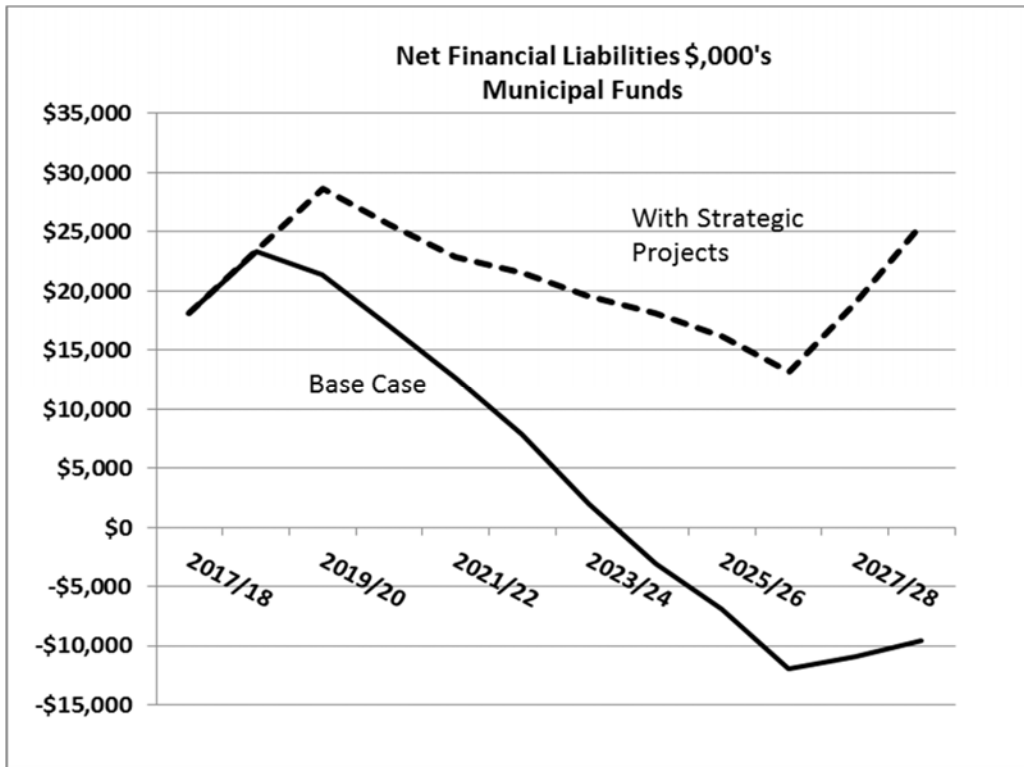




Net Financial Liabilities

Net Financial Liabilities is a measure of Council’s net debt — what Council owes others less what is owed to Council and is calculated as total liabilities less financial assets.

It is a broader and more appropriate measure than just debt and recognises Council’s available financial assets (such as cash and investments) and other liabilities (including employee entitlements and creditors).

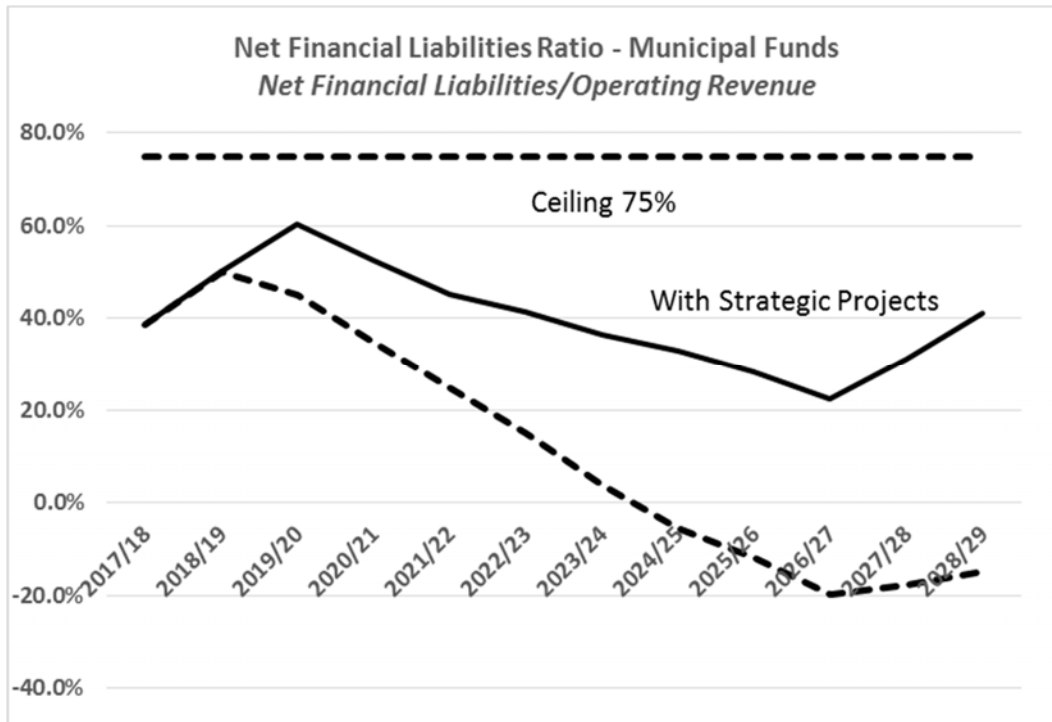


Net Financial Liabilities Ratio

The Net Financial Liabilities Ratio indicates how significant Council’s Net Financial Liabilities are compared to income and indicates the extent to which Net Financial Liabilities could be met by revenue. It is calculated by expressing Net Financial Liabilities as a percentage of revenue.

A declining Net Financial Liabilities Ratio indicates that Council has a corresponding increase in capacity to service its financial obligations.

Council has set a target to maintain a Net Financial Liabilities Ratio of not more than 75%. This is analogous to a household with an annual income of \$100,000 having a mortgage and credit card debt of \$75,000.



This chart also shows a peak period during 2019/20 due to funding of major capital projects including Brighton Oval Sporting Complex and Jetty Road Glenelg Masterplan.

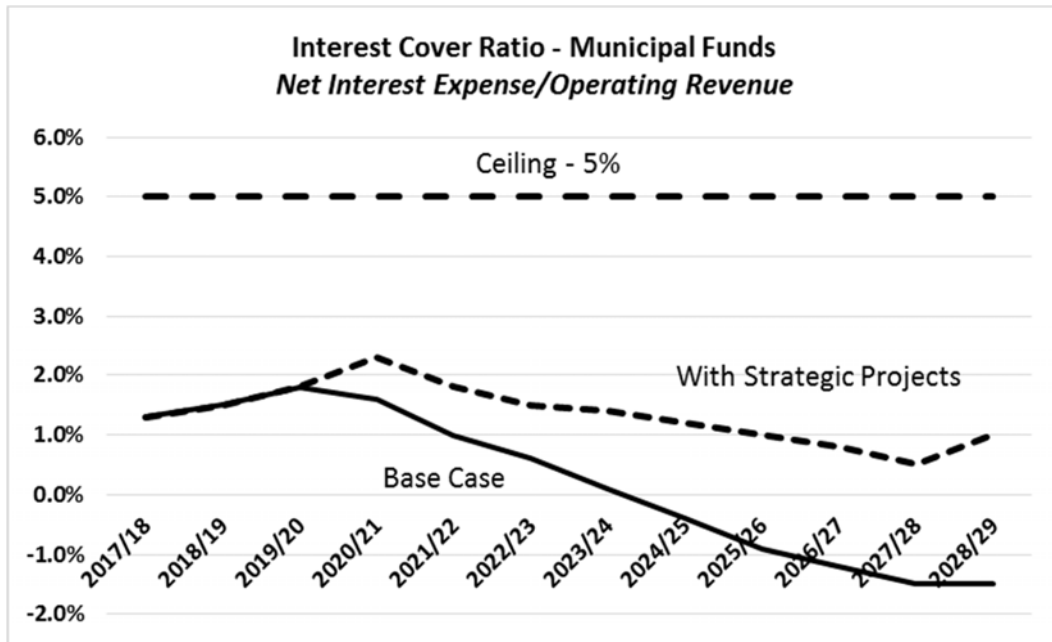
Interest Cover Ratio

The Interest Cover Ratio measures the portion of annual revenue required to meet Council’s net interest expenses.

As with the Net Financial Liabilities Ratio, a declining Interest Cover Ratio indicates that Council has a corresponding increase in capacity to service its financial obligations. This may be the result of declining Net Financial Liabilities and/or falling interest rates.

A high Interest Cover Ratio indicates that Council has reduced flexibility to fund its services.

Council has set a target to maintain an Interest Cover Ratio of not more than 5%. This means that 5 cents out of every \$1 of revenue is used to pay net interest.



Asset Sustainability

Asset Sustainability is expressed capital expenditure on renewal and replacement as a percentage of the optimal expenditure identified in Council’s Asset Management Plans.

The AMP has provided the capital renewal expenditure figures and therefore this percentage amount is 100%.

What do the revised projections tell us?

The revised financial projections contained in this overview are based on a variety of estimates and assumptions. A modest change in one may have a material effect on the projections. For example reducing the rate decrease from 2.5% to 2% will result in a reduced operating result over a number of years.

The revised projections indicate that, based on current assumptions, Council remains within the target range for a balanced budget with a more favourable outlook over the mid-term.

The LTFP assumes a ‘no change’ policy (ie a continuation of existing services and programs). As Council responds to changing community expectations, it will make decisions to change services and invest in new and improved infrastructure, such as community facilities, that will be funded from the projected strong financial capacity.

This can be achieved by:

- Continually reviewing and enhancing services to our community;
- continue to invest in renewal and replacement of our assets and infrastructure to ensure they meet the service needs in the most cost-effective manner;
- taking advantage of opportunities and respond to emerging issues; and
- using additional borrowings to fund new or upgraded assets.

As with all projections, the view can change as underlying circumstances change. For this reason, Council will closely monitor its strategic and financial planning outlook.

Financial Strategies

The revision of the LTFP enables Council to reinforce its financial strategies to:

- maintain long-term financial sustainability
- build and maintain adequate financial capacity to fund its services including the flexibility to respond to changing needs and circumstances

The financial strategies to maintain long-term financial sustainability include:

- using the LTFP in key decision making,
- continually improving and enhancing Asset Management Plans,
- continue to improve the model underpinning the LTFP,
- regularly review the LTFP,
- reduce the reliance on rate revenue,
- continually improving financial management practices, and
- measuring and reporting performance against targets.

Chief Executive Officer Comment

It is a requirement under the Act that a review of the LTFP include a report from the Chief Executive Officer on the sustainability of Council's long term financial performance. The following comments from the CEO have been provided in this regard.

The LTFP has been revised and updated to include the 2018/19 Annual Business Plan and 2017/18 Financial Statements. It has also taken into account budget updates to 31 August 2018. As indicated within this report the LTFP is a modelling tool that needs to be reviewed and monitored to assist in financial forecasting and decision making.

A number of assumptions have been revised including forecasting the level of rate increase (excluding new development growth) at 2.7% and thereafter at LGPI. The indexation for other expenditure and revenue is forecast at LGPI. The revised LTFP indicates that Council is sustainable with modest operating results in the first year with an improving result in thereafter.

The Operating Ratio target of between 0 and 10% over a rolling 5-year period is being met and is also forecast to improve.

The LTFP also indicates that the Net Financial Liabilities Ratio (NFLR) will remain below the Council agreed threshold of 75%. The LTFP and NFLR indicate that the current forecast level of borrowings is sustainable over the mid-term and that from 2019/20 Council has the capacity to borrow additional funds for new major projects and remain under the threshold.

Council continually reviews and enhances its services to the community. Future decisions will also be made to invest in new and improved infrastructure and community facilities and the LTFP will assist in this regard. The revised LTFP indicates that Council is in a strong financial position with a sustainable outlook and has the financial capacity to fund future capital projects as they arise.

BUDGET

The LTFP informs the budget and is used as a tool in financial decisions making

LIFE CYCLE COSTS

This report does not have any direct full life cycle cost implications.

Long Term Financial Plan Model

ESTIMATED COMPREHENSIVE INCOME STATEMENT

Year Ended 30 June:	2018 Actual	2019 Estimate	2020 Plan Year 1	2021 Plan Year 2	2022 Plan Year 3	2023 Plan Year 4	2024 Plan Year 5	2025 Plan Year 6	2026 Plan Year 7	2027 Plan Year 8	2028 Plan Year 9	2029 Plan Year 10
	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)
INCOME												
Rates	34,886	36,088	37,171	38,360	39,626	40,894	42,120	43,424	44,857	46,336	47,772	49,301
Statutory Charges	2,224	2,246	2,301	2,363	2,429	2,494	2,556	2,622	2,696	2,771	2,843	2,919
User Charges	4,122	4,035	4,135	4,244	4,362	4,480	4,590	4,709	4,839	4,972	5,100	5,236
Grants, Subsidies, Contributions	3,567	3,014	2,603	2,674	2,748	2,822	2,893	2,967	3,050	3,136	3,218	3,306
Investment Income	98	43	4	7	145	207	197	241	254	292	359	95
Reimbursements	496	682	700	718	738	758	777	797	818	839	860	882
Other Income	1,418	512	526	541	556	571	586	601	617	633	649	665
Total Revenues	46,811	46,620	47,440	48,907	50,604	52,226	53,719	55,361	57,131	58,979	60,801	62,404
EXPENSES												
Employee Costs	16,112	16,746	17,164	17,592	18,032	18,485	18,947	19,421	19,908	20,403	20,913	21,435
Materials, Contracts & Other Expenses	19,015	19,114	19,355	19,875	20,429	21,319	21,512	22,069	22,685	23,698	23,937	24,581
Depreciation, Amortisation & Impairment	8,732	9,033	9,722	10,072	10,484	10,560	10,964	11,719	11,774	12,524	12,628	13,069
Finance Costs	722	761	876	1,139	1,071	1,000	938	877	816	752	689	716
SRWRA Result - (forecast surplus)	(267)	(230)	(230)	(235)	(239)	(244)	(249)	(254)	(259)	(264)	(269)	(275)
Other Expenses	0	1,156	500	514	528	542	556	570	586	602	618	635
Total Expenses	44,314	46,580	47,387	48,957	50,305	51,662	52,668	54,402	55,510	57,715	58,516	60,161
OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL A	2,497	40	53	(50)	299	564	1,051	959	1,621	1,264	2,285	2,243
Net gain/(loss) on disposal or revaluations	(137)	(114)	0	0	0	0	0	0	0	0	0	0
Amounts specifically for new assets	1,832	9,635	1,920	1,562	3,339	5,940	5,717	5,860	3,896	3,587	3,557	3,646
NET SURPLUS/(DEFICIT)	4,192	9,561	1,973	1,512	3,638	6,504	6,768	6,819	5,517	4,851	5,842	5,889
Other Comprehensive Income												
Changes in revaluation surplus - IPP&E	(9,203)	0	0	0	0	0	0	0	0	0	0	0
Total Other Comprehensive Income	(9,203)	0	0	0	0	0	0	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME	(5,011)	9,561	1,973	1,512	3,638	6,504	6,768	6,819	5,517	4,851	5,842	5,889

City of Holdfast Bay
Long Term Financial Plan Model
ESTIMATED BALANCE SHEET

Year Ended 30 June:	2018 Actual	2019 Estimate	2020 Plan Year 1	2021 Plan Year 2	2022 Plan Year 3	2023 Plan Year 4	2024 Plan Year 5	2025 Plan Year 6	2026 Plan Year 7	2027 Plan Year 8	2028 Plan Year 9	2029 Plan Year 10
	\$(‘000)	\$(‘000)	\$(‘000)	\$(‘000)	\$(‘000)	\$(‘000)	\$(‘000)	\$(‘000)	\$(‘000)	\$(‘000)	\$(‘000)	\$(‘000)
ASSETS												
Current Assets												
Cash & Equivalent Assets	6,670	89	0	1,545	2,982	3,169	3,984	4,145	4,942	6,557	1,423	1,776
Trade & Other Receivables	2,296	2,389	2,528	2,630	2,414	2,481	2,545	2,613	2,682	2,758	2,822	2,889
Inventories	10	6	6	6	6	6	6	6	6	6	6	6
Sub-total	8,976	2,484	2,534	4,181	5,402	5,656	6,535	6,764	7,630	9,321	4,251	4,671
Non-current assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Total Current Assets	8,976	2,484	2,534	4,181	5,402	5,656	6,535	6,764	7,630	9,321	4,251	4,671
Non-Current Assets												
Receivables	1,496	1,195	812	396	320	232	131	29	(72)	(177)	(278)	(372)
Equity Accounted Investments in Council Businesses	2,869	3,099	3,329	3,564	3,803	4,047	4,296	4,550	4,809	5,073	5,342	5,617
Infrastructure, Property, Plant & Equipment	687,768	702,615	710,068	708,731	709,419	714,464	719,068	724,355	727,694	729,456	740,929	753,245
Other Non-Current Assets	520	520	520	520	520	520	520	520	520	520	520	520
Total Non-Current Assets	692,653	707,429	714,729	713,211	714,062	719,263	724,015	729,454	732,951	734,872	746,513	759,010
Total Assets	701,629	709,913	717,263	717,392	719,464	724,919	730,550	736,218	740,581	744,193	750,764	763,681
LIABILITIES												
Current Liabilities												
Trade & Other Payables	10,398	4,021	3,731	3,900	3,865	3,935	3,983	3,977	4,031	4,058	4,133	4,117
Borrowings	1,130	1,400	1,721	1,599	1,244	1,284	1,262	1,323	1,387	1,119	1,215	5,867
Provisions	2,798	3,184	3,125	3,273	3,319	3,421	3,497	3,589	3,677	3,769	3,863	3,960
Total Current Liabilities	14,326	8,605	8,577	8,772	8,428	8,640	8,742	8,889	9,095	8,946	9,211	13,944
Non-Current Liabilities												
Borrowings	12,460	16,848	22,236	20,637	19,393	18,109	16,847	15,524	14,137	13,018	13,453	15,716
Provisions	311	367	384	405	427	450	473	498	525	554	583	615
Total Non-Current Liabilities	12,771	17,215	22,620	21,042	19,820	18,559	17,320	16,022	14,662	13,572	14,036	16,331
Total Liabilities	27,097	25,820	31,197	29,814	28,248	27,199	26,062	24,911	23,757	22,518	23,247	30,275
NET ASSETS	674,532	684,093	686,066	687,578	691,216	697,720	704,488	711,307	716,824	721,675	727,517	733,406
EQUITY												
Accumulated Surplus	167,296	176,857	178,830	180,342	183,980	190,484	197,252	204,071	209,588	214,439	220,281	226,170
Asset Revaluation Reserve	507,236	507,236	507,236	507,236	507,236	507,236	507,236	507,236	507,236	507,236	507,236	507,236
TOTAL EQUITY	674,532	684,093	686,066	687,578	691,216	697,720	704,488	711,307	716,824	721,675	727,517	733,406

City of Holdfast Bay
Long Term Financial Plan Model

ESTIMATED CASH FLOW STATEMENT

Year Ended 30 June:	2018 Actual \$('000)	2019 Estimate \$('000)	2020 Plan Year 1 \$('000)	2021 Plan Year 2 \$('000)	2022 Plan Year 3 \$('000)	2023 Plan Year 4 \$('000)	2024 Plan Year 5 \$('000)	2025 Plan Year 6 \$('000)	2026 Plan Year 7 \$('000)	2027 Plan Year 8 \$('000)	2028 Plan Year 9 \$('000)	2029 Plan Year 10 \$('000)
CASH FLOWS FROM OPERATING ACTIVITIES												
<u>Receipts</u>												
Rates		36,088	37,158	38,346	39,611	40,879	42,106	43,409	44,841	46,319	47,756	49,284
Statutory Charges		2,246	2,301	2,363	2,429	2,494	2,556	2,622	2,696	2,771	2,843	2,919
User Charges		4,035	4,107	4,213	4,328	4,447	4,559	4,675	4,802	4,934	5,064	5,197
Grants, Subsidies, Contributions		3,014	2,603	2,674	2,748	2,822	2,893	2,967	3,050	3,136	3,218	3,306
Investment Income		43	4	0	82	155	158	203	220	262	334	74
Reimbursements/Revenue In Advance		(5,695)	3,898	(869)	1,567	375	1,023	685	907	829	921	865
Other Income		512	526	541	556	571	586	601	617	633	649	665
<u>Payments</u>												
Employee Costs		(16,304)	(17,206)	(17,423)	(17,964)	(18,360)	(18,848)	(19,304)	(19,793)	(20,282)	(20,790)	(21,306)
Materials, Contracts & Other Expenses		(19,110)	(22,859)	(18,136)	(21,312)	(20,884)	(21,729)	(21,982)	(22,741)	(23,682)	(23,944)	(24,602)
Finance Costs		(761)	(876)	(1,139)	(1,071)	(1,000)	(938)	(877)	(816)	(752)	(689)	(716)
Other Expenses		(1,156)	(500)	(514)	(528)	(542)	(556)	(570)	(586)	(602)	(618)	(635)
Net Cash provided by (or used in) Operating Activities		2,912	9,156	10,056	10,446	10,957	11,810	12,429	13,197	13,566	14,744	15,051
CASH FLOWS FROM INVESTING ACTIVITIES												
<u>Receipts</u>												
Amounts Specifically for New/Upgraded Assets		9,635	1,920	1,562	3,339	5,940	5,717	5,860	3,896	3,587	3,557	3,646
Sale of Renewed/Replaced Assets		202	0	0	0	0	0	0	0	0	0	0
Sale of Surplus Assets		1,000	0	0	0	0	0	0	0	0	0	0
Repayments of Loans by Community Groups		208	301	383	423	139	140	140	140	135	135	126
<u>Payments</u>												
Expenditure on Renewal/Replacement of Assets		(6,963)	(6,390)	(4,531)	(4,985)	(5,074)	(4,770)	(5,935)	(7,977)	(7,595)	(16,334)	(17,423)
Expenditure on New/Upgraded Assets		(18,233)	(10,785)	(4,204)	(6,187)	(10,531)	(10,798)	(11,071)	(7,136)	(6,691)	(7,767)	(7,962)
Net Cash Provided by (or used in) Investing Activities		(14,151)	(14,954)	(6,790)	(7,410)	(9,526)	(9,711)	(11,006)	(11,077)	(10,564)	(20,409)	(21,613)
CASH FLOWS FROM FINANCING ACTIVITIES												
<u>Receipts</u>												
Proceeds from Borrowings		5,788	7,000	0	0	0	0	0	0	0	1,650	8,130
<u>Payments</u>												
Repayments of Borrowings		(1,130)	(1,400)	(1,612)	(1,599)	(1,244)	(1,284)	(1,262)	(1,323)	(1,387)	(1,119)	(1,215)
Net Cash provided by (or used in) Financing Activities		4,658	5,600	(1,612)	(1,599)	(1,244)	(1,284)	(1,262)	(1,323)	(1,387)	531	6,915
Net Increase/(Decrease) in cash held		(6,581)	(198)	1,654	1,437	187	815	161	797	1,615	(5,134)	353
Opening cash, cash equivalents or (bank overdraft)		6,670	89	(109)	1,545	2,982	3,169	3,984	4,145	4,942	6,557	1,423
Closing cash, cash equivalents or (bank overdraft)	6,670	89	(109)	1,545	2,982	3,169	3,984	4,145	4,942	6,557	1,423	1,776

City of Holdfast Bay

Long Term Financial Plan Model

ESTIMATED STATEMENT OF CHANGES IN EQUITY

Year Ended 30 June:	2018 Actual \$('000)	2019 Estimate \$('000)	2020 Plan Year 1 \$('000)	2021 Plan Year 2 \$('000)	2022 Plan Year 3 \$('000)	2023 Plan Year 4 \$('000)	2024 Plan Year 5 \$('000)	2025 Plan Year 6 \$('000)	2026 Plan Year 7 \$('000)	2027 Plan Year 8 \$('000)	2028 Plan Year 9 \$('000)	2029 Plan Year 10 \$('000)
ACCUMULATED SURPLUS												
Balance at end of previous reporting period	161,004	167,296	176,857	178,830	180,342	183,980	190,484	197,252	204,071	209,588	214,439	220,281
Net Result for Year	4,192	9,561	1,973	1,512	3,638	6,504	6,768	6,819	5,517	4,851	5,842	5,889
Transfers from Other Reserves	2,100	0	0	0	0	0	0	0	0	0	0	0
Balance at end of period	167,296	176,857	178,830	180,342	183,980	190,484	197,252	204,071	209,588	214,439	220,281	226,170
ASSET REVALUATION RESERVE												
Land	303,261	303,261	303,261	303,261	303,261	303,261	303,261	303,261	303,261	303,261	303,261	303,261
Buildings & Other Structures	36,070	36,070	36,070	36,070	36,070	36,070	36,070	36,070	36,070	36,070	36,070	36,070
Infrastructure - Drains	22,004	22,004	22,004	22,004	22,004	22,004	22,004	22,004	22,004	22,004	22,004	22,004
Infrastructure - Transport	137,171	137,171	137,171	137,171	137,171	137,171	137,171	137,171	137,171	137,171	137,171	137,171
Infrastructure - Open Space & Coastal	8,309	8,309	8,309	8,309	8,309	8,309	8,309	8,309	8,309	8,309	8,309	8,309
Library Lending Materials	421	421	421	421	421	421	421	421	421	421	421	421
Balance at end of period	507,236	507,236	507,236	507,236	507,236	507,236	507,236	507,236	507,236	507,236	507,236	507,236
TOTAL EQUITY AT END OF REPORTING PERIOD	674,532	684,093	686,066	687,578	691,216	697,720	704,488	711,307	716,824	721,675	727,517	733,406

City of Holdfast Bay

Long Term Financial Plan Model

SUMMARY STATEMENT INCLUDING FINANCING TRANSACTIONS

Year Ended 30 June:	2018 Actual \$('000)	2019 Estimate \$('000)	2020 Plan Year 1 \$('000)	2021 Plan Year 2 \$('000)	2022 Plan Year 3 \$('000)	2023 Plan Year 4 \$('000)	2024 Plan Year 5 \$('000)	2025 Plan Year 6 \$('000)	2026 Plan Year 7 \$('000)	2027 Plan Year 8 \$('000)	2028 Plan Year 9 \$('000)	2029 Plan Year 10 \$('000)
Operating Revenues	46,811	46,620	47,440	48,907	50,604	52,226	53,719	55,361	57,131	58,979	60,801	62,404
<i>less Operating Expenses</i>	44,314	46,580	47,387	48,957	50,305	51,662	52,668	54,402	55,510	57,715	58,516	60,161
Operating Surplus/(Deficit) before Capital Amounts	2,497	40	53	(50)	299	564	1,051	959	1,621	1,264	2,285	2,243
Less: Net Outlays on Existing Assets												
Capital Exp. Renewal/Replacement Existing Assets	6,431	6,963	6,390	4,531	4,985	5,074	4,770	5,935	7,977	7,595	16,334	17,423
<i>less Depreciation, Amortisation & Impairment</i>	8,732	9,033	9,722	10,072	10,484	10,560	10,964	11,719	11,774	12,524	12,628	13,069
<i>less Proceeds from Sale of Replaced Assets</i>	190	202	0	0	0	0	0	0	0	0	0	0
	(2,491)	(2,272)	(3,332)	(5,541)	(5,499)	(5,486)	(6,194)	(5,784)	(3,797)	(4,929)	3,706	4,354
Less: Net Outlays on New and Upgraded Assets												
Capital Expenditure on New/Upgraded Assets	6,795	18,233	10,785	4,204	6,187	10,531	10,798	11,071	7,136	6,691	7,767	7,962
<i>less Amounts Specifically for New/Upgraded Assets</i>	1,832	9,635	1,920	1,562	3,339	5,940	5,717	5,860	3,896	3,587	3,557	3,646
<i>less Proceeds from Sale of Surplus Assets</i>	18	1,000	0	0	0	0	0	0	0	0	0	0
	4,945	7,598	8,865	2,642	2,848	4,591	5,081	5,211	3,240	3,104	4,210	4,316
Net Lending / (Borrowing) for Financial Year	43	(5,286)	(5,480)	2,849	2,950	1,459	2,164	1,532	2,178	3,089	(5,631)	(6,427)

Year Ended 30 June:	2018 Actual \$('000)	2019 Estimate \$('000)	2020 Plan Year 1 \$('000)	2021 Plan Year 2 \$('000)	2022 Plan Year 3 \$('000)	2023 Plan Year 4 \$('000)	2024 Plan Year 5 \$('000)	2025 Plan Year 6 \$('000)	2026 Plan Year 7 \$('000)	2027 Plan Year 8 \$('000)	2028 Plan Year 9 \$('000)	2029 Plan Year 10 \$('000)
FINANCING TRANSACTIONS												
New Borrowings		5,788	7,000	0	0	0	0	0	0	0	1,650	8,130
Repayment of Principal on Borrowings		1,130	1,400	1,612	1,599	1,244	1,284	1,262	1,323	1,387	1,119	1,215
(Increase)/Decrease in Cash and Cash Equivalents		6,581	198	(1,654)	(1,437)	(187)	(815)	(161)	(797)	(1,615)	5,134	(353)
(Increase)/Decrease in Receivables		(93)	(139)	(102)	216	(67)	(64)	(68)	(69)	(76)	(64)	(67)
Increase/(Decrease) in Payables & Provisions		(5,935)	(332)	338	33	195	147	111	169	148	198	113
Other – Including the Movement in Inventories		(2,185)	(2,647)	(3,043)	(3,361)	(2,644)	(2,716)	(2,676)	(2,804)	(2,933)	(2,406)	(2,611)
Financing Transactions		5,286	5,480	(2,849)	(2,950)	(1,459)	(2,164)	(1,532)	(2,178)	(3,089)	5,631	6,427

KEY FINANCIAL INDICATORS	2018 Actual	2019 Estimate	2020 Plan Year 1	2021 Plan Year 2	2022 Plan Year 3	2023 Plan Year 4	2024 Plan Year 5	2025 Plan Year 6	2026 Plan Year 7	2027 Plan Year 8	2028 Plan Year 9	2029 Plan Year 10
Operating Surplus / (Deficit) - \$'000	2,497	40	53	(50)	299	564	1,051	959	1,621	1,264	2,285	2,243
Operating Surplus Ratio - %	7%	0%	0%	(0)%	1%	1%	2%	2%	4%	3%	5%	5%
Net Financial Liabilities - \$'000	18,131	23,342	28,669	25,639	22,852	21,549	19,533	18,153	16,133	13,203	19,002	25,610
Net Financial Liabilities Ratio - %	38.7%	50.1%	60.4%	52.4%	45.2%	41.3%	36.4%	32.8%	28.2%	22.4%	31.3%	41.0%
Interest Cover Ratio - %	1.3%	1.5%	1.8%	2.3%	1.8%	1.5%	1.4%	1.2%	1.0%	0.8%	0.5%	1.0%
Asset Sustainability Ratio - %	71%	75%	66%	45%	48%	48%	44%	51%	68%	61%	129%	133%
Asset Consumption Ratio - %	81%	81%	80%	79%	78%	77%	76%	76%	75%	74%	73%	73%

Item No: **6.4**
Subject: **BRIGHTON OVAL REDEVELOPMENT REVIEW**
Date: 17 October 2018
Written By: General Manager Business Services
General Manager: Business Services, Mr R Bria

SUMMARY

The Audit Committee on 18 September 2018 considered Audit Committee Report No 316/18 – Brighton Oval Redevelopment and resolved the following:

- “1. That the Audit Committee note the report.*
- 2. That a further report be provided to the next Audit Committee meeting covering learnings from the discussion and proposed actions.”*

This report covers the outcomes of the discussion at Audit Committee and some proposed actions.

RECOMMENDATION

That the Audit Committee note the report.

COMMUNITY PLAN

Placemaking: Creating lively and safe places
Placemaking: Developing walkable connected neighbourhoods
Placemaking: Building character and celebrating history
Community: Building a healthy, active and resilient community
Community: Celebrating culture and diversity
Community: Providing welcoming and accessible facilities
Community: Fostering an engaged and contributing community
Environment: Fostering an environmentally connected community
Culture: Supporting excellent, efficient operations

COUNCIL POLICY

Not Applicable.

STATUTORY PROVISIONS

Not Applicable.

BACKGROUND

At its meeting on 14 August 2018 Council resolved the following in regards to the Brighton Oval Sporting Complex Redevelopment:

“That the background papers supporting the motion, together with all other supporting documentation including the internal/external correspondence, budgets, cash flow forecasts, feasibility statements and memos concerning the recommendation that the Managing Contractor model be adopted as the prudent option, and a copy of the subsequent tender documents be presented to Audit Committee for review and comment.”

The Audit Committee on 28 August 2018 considered Audit Committee Report No 304/18 – Brighton Oval Redevelopment and resolved the following:

- “1. That the Audit Committee note the report.*
- 2. That the Audit Committee acknowledge the receipt of Attachment 6 (Council Report No: 294/18 – Brighton Oval Complex – Redevelopment Contract Report).*
- 3. That the Audit Committee request a further special meeting within three weeks to further consider the report.”*

The Audit Committee on 18 September 2018 considered Audit Committee Report No 316/18 – Brighton Oval Redevelopment and resolved the following:

- “1. That the Audit Committee note the report.*
- 2. That a further report be provided to the next Audit Committee meeting covering learnings from the discussion and proposed actions.”*

REPORT

The Audit Committee reviewed and discussed the various documentation that were provided on the Brighton Oval Redevelopment. These documents were produced from the period December 2017 to September 2018, however council officers have been managing the Brighton Oval Masterplan for a number of years in its planning stages.

A key consideration in this project development was the tight timeframe from the date of budget approval (12/06/18) to the date of the first report to Council (10/7/2018) to commence the tender process, being virtually less than three weeks.

To expiate the process, the report to Council (10/07/18) was written to be at a high level and was supported by a presentation before Council on the same night to explain the project constraints and the risks moving forward. This was presented by the GM City Assets and Services and the

presentation (copy of which was provided to the Audit Committee) was expanded verbally by the GM with Councillors having the opportunity to ask further questions or clarifications.

Council subsequently approved the administration to go to tender on the proposed "Contractor Model" subject to the coming back to Council for signoff after the tender evaluation. This was undertaken as a two staged approval process as Council administration were wanting to provide Council with as much information on this project and procurement before it engaged the contractor to undertake the project. Our normal process would be that once the budget has been approved, the Council administration would proceed with procurement based on the Council's procurement policy. Therefore to manage this relatively new contractor model for City of Holdfast, additional reporting and approval steps have been included in this project delivery to assist in mitigating risks.

The key themes coming out of the discussion at the Audit Committee were:

- the clear documentation of the risk management plan and its review over the project development as per the risk management framework.
- the timing of when prudential reports should be undertaken in the projects development lifecycle
- the appropriate level of detail that is required at key decision points in the approval process.

Reviewing these key themes some actions are proposed and are included in the attachment that should improve the integration of risk management into our business processes.

Refer Attachment 1

BUDGET

Not applicable.

LIFE CYCLE COSTS

Not applicable.

Theme	Discussion	Actions	Timeframe
1. Clear documentation of the risk management plan as per risk management framework and policy.	The documentation of the risk management plan for the project was not in the form of the risk management framework and policy until the report 28 August 2018. The project manager was identifying the risks and putting in place mitigating strategies, however didn't utilise the consequence matrix. This risk management plan should be then reviewed and updated as the project progresses.	<ul style="list-style-type: none"> • Undertake refresher project management training to key users which uses the Councils risk management framework in its delivery and includes the risk management training. University of Adelaide has been engaged to deliver customised project management training from basic to advanced level for identified key users. • Integrate risk management plan development and review into our project reporting system. 	Dec 18 – Feb 19
2. Appropriate level of detail that is required at key decision points in the approval process	It was raised in the discussions of what is the appropriate level of detail is required for decision makers. To assist Council, the administration uses a number of different methods of informing Council. These methods are EM workshops, presentations and formal council reports. It was canvassed that we should include further detail in regards to risks into Council reports. There is a balance required, however further detail should be available if required.	<ul style="list-style-type: none"> • Review Council report template to include a section on risk implications. 	Jan 19
3. Timing of when prudential reports should be undertaken	The prudential report was undertaken in January 2018 with the approval report in August 2018. At the time the prudential report was undertaken, it was based on the KPMG business case which was for a larger project which has now been reduced in scope due to available funding.	<ul style="list-style-type: none"> • Some guidance to be included in the Prudential Management Policy on when in the project lifecycle that a prudential management report is undertaken. • This also to be included in the Project Management training. 	Dec 18

AUDIT COMMITTEE FORWARD AGENDA – 2018/19

	2018-19		
	17 Oct 18	Jan 19	TBA
ANNUAL BUSINESS PLAN AND LONG TERM FINANCIAL PLAN			
Annual business Plan and Budget			✓
Annual Business Plan and Budget – Key parameters		✓	
LTFP Update	✓	✓	✓
ANNUAL REPORT AND EXTERNAL AUDIT			
Annual Financial Statements	✓		
External Auditor’s Interim Report/Update			
External Auditor’s Report to Council for Year End	✓		
External Auditor Presentation	✓		
Independence of Council Auditor	✓		
REGIONAL SUBSIDIARIES			
Regional Subsidiary (SRWRA) Financial Results	✓		
INTERNAL REVIEWS AND INTERNAL AUDIT			
Alwyndor Finance System – Post Implementation Review	✓		
Review of Internal Audit Plan	✓		
Annual Report from Internal Auditor			
AUDIT COMMITTEE RELATED			
Standing Items	✓	✓	✓
Audit Committee Terms of Reference Review			
Loans Receivable Review			
Audit Committee Self-Assessment of Performance			
Update on WHS		✓	
Forward Agenda	✓	✓	✓