



CITY OF

WHYALLA

'Whyalla, Where the Outback Meets the Sea'

MEMBERSHIP

Mayor C McLaughlin
Cr S Stuppos
Mr P Klobucar

Cr B Simpson
Mr A Rushbrook (Chair)

NOTICE OF AUDIT COMMITTEE MEETING

TO YOUR WORSHIP THE MAYOR & MEMBERS OF COUNCIL

NOTICE is hereby given pursuant to Section 126 of the Local Government Act that the Audit Committee Meeting will be held in the Council Chamber, Darling Terrace, Whyalla on Monday 4 October 2022 at 11.00 am.

The Audit Committee Meeting is open to the public to attend in person or electronically via Microsoft Teams, [Click here to join the meeting](#)

When attending the meeting via Microsoft Teams, participants are agreeing to Microsoft's *Terms and Conditions* – follow this link [Microsoft Privacy Statement – Microsoft privacy](#) to view Microsoft's *Privacy Statement*.

The business of the meeting is:

- CEO Report on Financial Sustainability
- Draft Financial Statements
- Investment and Loan Performance
- Financial Results
- Budget Review 2022-23 Quarter 1 incorporating Financial Results 2021-22
- Quarterly Procurement Report
- Audit Committee Annual Report to Council

A copy of the Agenda for the above meeting is supplied as required.

JUSTIN COMMONS
CHIEF EXECUTIVE OFFICER
Dated: 30 September 2022

AGENDA

AUDIT COMMITTEE MEETING – MONDAY 4 OCTOBER 2022

1. ACKNOWLEDGEMENT

“We acknowledge the Barngarla people, the traditional owners of the land on which we meet today and pay our respects to the Elders past and present and extend that respect to other Aboriginal and Torres Strait Islander people who are present today.”

2. ATTENDANCE RECORD

Apologies – Nil

Leave of Absence – Nil

3. DECLARATION OF MEMBERS’ CONFLICT OF INTERESTS

4. MINUTES OF PREVIOUS MEETING AND BUSINESS ARISING

4.1 *Confirmation of the Minutes of the previous Audit Committee Meeting held on Monday 18 July 2022.* *Page 3*

Recommendation

That the Minutes of the previous Audit Committee Meeting held on Monday 18 July 2022, as per copies supplied to Members, be adopted as a true and correct record to that meeting.

4.2 *Business Arising* *Page 8*

5. DEPUTATIONS / PRESENTATIONS – Nil

6. REPORTS – COUNCIL OFFICERS

6.1 Office of the Chief Executive – Ordinary Reports

6.1.1 *CEO Report on Financial Sustainability* *Page 17*

6.2 Corporate Services – Ordinary Reports

6.2.1	Draft Financial Statements	Page 21
6.2.2	Investment and Loan Performance	Page 99
6.2.3	Financial Results	Page 103
6.2.4	Budget Review 2022-23 Q1 inc. Financial Results 2021-22	Page 119
6.2.5	Quarterly Procurement Report	Page 137
6.2.6	Audit Committee Annual Report to Council	Page 143

7. CONSIDERATION OF CONFIDENTIAL ITEMS - Nil

8. CLOSE

9. DATE OF NEXT MEETING – To be Advised

MINUTES OF THE AUDIT COMMITTEE MEETING

HELD ON MONDAY 18 July 2022 AT 11.00AM

PRESENT: Mr A Rushbrook (*Chair*), Mayor C McLaughlin, Cr B Simpson, and Mr P Klobucar

OFFICERS IN ATTENDANCE: Chief Executive Officer (*Mr J Commons*)
 Acting Director Corporate Services (*Ms S King*)
 Director Infrastructure (*Mr K Clark*)
 Manager Finance (*Mr G Jennings*)
 Finance Coordinator (*Mrs S Vigar*) (*by telephone*)
 Manager Governance (*Mrs I Adair*)
 Information Technology Coordinator (*Mr D Poyner*)
 Executive Coordinator – Corporate (*Ms L Fisher*)

1. Acknowledgement

The Chair acknowledged that the meeting was being held on Barngarla land and gave thanks for the use of this land.

2. Attendance Record

Apologies – Cr S Stupos
 Leave of Absence – Nil

3. Declaration of Members' Conflict of Interests – Nil

4. Minutes of Previous Meetings

4.1 *Confirmation of the Minutes of the previous Audit Committee Meeting held on Monday 9 May 2022.*

Moved Cr B Simpson, Seconded Mr P Klobucar

AC343-2022

That the Minutes of the previous Audit Committee Meeting held on Monday 9 May 2022, as per copies supplied to Members, be adopted as a true and correct record to that meeting.

Carried

4.2 *Business Arising*

A request was made that as part of the Work Program, a list of relevant finance policies with review dates be included on an annual basis.

With regards to the External Review Workplan it was noted that some actions have passed their due dates and it was requested that revised due dates be provided.

5. Deputations/Presentations – Nil**6. Reports – Council Officers****6.1 Corporate Services – Ordinary Reports****6.1.1 Risk Management Update**

Discussions were held on the Annexures with the following recommendations being made:

- Annexure A - timeframes require updating, with revised due dates.
- Annexure B - Item 6.2C - strategic risks be monitored on a bi-annual basis rather than quarterly.
- Annexure C – there was discussion about an Internal Audit Plan.
- Annexure C - Item 5.3.2, Roles and Responsibilities, that consideration be given to the roles with the addition of reviewing Internal Audit reports.
- Annexure C - That the Prudential Management Policy be updated to refer specifically to the Consequence Table for Projects.

Moved Mr P Klobucar, Seconded Cr B Simpson

AC344-2022

The Audit Committee:

1. accepts this report and endorses the proposed risk management engagement process
2. notes the Risk Appetite Statements; and
3. recommends the updated Risk Management Policy (as amended) and Framework to Council for adoption

Carried

6.1.2 Interim Management Report

Moved Cr B Simpson, Seconded Mayor C McLaughlin

AC345-2022

The Audit Committee receive and note the Interim Management Report.

Carried

6.1.3 *Review of Finance Policies*

Annexure A - Item 5.3: Change the wording to “.....within same business units....” rather than “....within existing business units....”. It was also recommended that a value be added to the clause with a suggestion of a cap of \$50 000. Feedback to be sought from staff.

Moved Cr B Simpson, Seconded Mayor C McLaughlin

AC346-2022

The Audit Committee:

1. recommends the updated Budget Management and Review Policy (as amended) to Council for adoption;
2. recommends the updated Financial Hardship Policy to Council for adoption; and
3. recommends the updated Asset Accounting Policy to Council for adoption.

Carried

6.1.4 *Procurement Review Update*

There was discussion on whether consideration has been given to the use of updated contract documents available from Local Government Procurement, rather than those from the South Australian Government. Administration is open to this possibility and has commenced discussions with Local Government Risk, who also assisted with these documents.

Moved Mr P Klobucar, Seconded Cr B Simpson

AC347-2022

The Audit Committee receive and note the Procurement Review Update.

Carried

6.1.5 *Quarterly Report – Procurement*

It was suggested that Part 3. Local Purchases should be included in a report to Council. It was agreed that in the future this section of the report would go to the Ordinary Council Meeting as part of Financial Updates.

Moved Mr P Klobucar, Seconded Mayor C McLaughlin

AC348-2022

The Audit Committee receive and note the Procurement Quarterly report.

Carried

7. Consideration of Confidential Items

7.1 Corporate Services

7.1.1 *Cyber CX Report - Confidential*

Moved Mayor C McLaughlin, Seconded Cr B Simpson

AC349-2022

Pursuant to Section 90(2) of the Local Government Act 1999, the Council orders that the public be excluded from the meeting with the exception of Justin Commons; Chief Executive Officer, Kristen Clark; Director City Infrastructure, Sue King; Acting Director Corporate Services, Jade Ballantine; Director City Growth, Grant Jennings; Manager Finance, Sandra Vigar; Finance Coordinator, Irene Adair; Manager Governance, David Poyner; Information Technology Coordinator and Lisette Fisher; Executive Co-ordinator – Corporate for Agenda Item 7.1.1 – 2022 Cyber Security Assessment.

The Council is satisfied that, pursuant to Section 90(3)(e) of the Act, the information to be received, discussed or considered in relation to this Agenda Item is related to matters affecting the security of the Council, Council property and employees in that details of the process attached to the security of Council's technology services will be discussed.

The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because of the security risk to Council's information technology services if the abovementioned details are disclosed publicly.

Carried

Moved Mayor C McLaughlin, Seconded Mr P Klobucar

AC350-2022

- 1.
2. That having considered Agenda Item 7.1.1 – 2022 Cyber Security Assessment in confidence under Section 90(2) and (3)(e) of the Local Government Act 1999, the Council pursuant to Section 91(7) of the Act orders that all documents be retained in confidence and reviewed in the next review of Council's confidential orders.

Carried

8. **Close of meeting** – 12.23pm
9. **Date of Next Meeting** – 4 October 2022

WHYALLA CITY COUNCIL

BUSINESS ARISING FROM AUDIT COMMITTEE MEETINGS

AS AT 4 OCTOBER 2022

	Date of Meeting	Item	Responsible	Due Date	Status	Completed
1.	4 April 2022	<i>4.1.1 – Further information be provided on targets/depreciation levels across Airport assets and adjustment to targets to account for assets covered by Federal funding, which cannot be recovered via the passenger levy.</i>	Manager Finance	30/06/2023		
2.	18 July 2022	<i>A request was made that as part of the Work Program, a list of relevant finance policies with review dates be included on an annual basis.</i>	Manager Finance	04/10/2022	Work program updated, with this listing to come to the February meeting each year	Yes
3.	18 July 2022	<i>With regards to the External Review Workplan it was noted that some actions have passed their due dates and it was requested that revised due dates be provided.</i>	Manager Finance	04/10/2022	Dates updated	Yes

* Completed items to be removed are shaded

Whyalla City Council Audit Committee Schedule of Meetings for 2022

SCHEDULE OF MEETINGS - 2022
Tuesday 8 February 2022
Monday 4 April 2022 – Additional Meeting
Monday 9 May 2022
Monday 18 July 2022
Tuesday 4 October 2022

Whyalla City Council Audit Committee Work Program

Terms of Reference	Proposed Activity	LG Act	Frequency	Review Month	Comments	Date Last Reviewed/ Completed	Responsible Officer
<i>Financial Reporting</i> 7.1	Review annual financial statements as required by Section 126(4) of the Local Government Act prior to its presentation to Council for adoption.	S 126 (4) (a)	Annually	October	Considered at this meeting	September 2021	FC
<i>Financial Reporting</i> 7.1	Monitor integrity of financial reports of the Council including:	S 126 (4) (a)					
	Budget Review	S 126 (4) (a)	Quarterly		Considered at this meeting	May 2022	MF
	Full review of Long Term Financial Plan	S 122 (1a) (a) & (4) (b)	Within two years of a general election	February 2024		February 2020	MF
	Full review of Infrastructure Asset Management Plans	S 122 (1a) (b)	Within two years of a general election	February 2024		February 2020	MF
<i>Financial Reporting</i> 7.1	Consider and review, where necessary, the consistency of improvement to and/or any changes to accounting policies.		Annual As required	July		July 2022	FC/MF

Terms of Reference	Proposed Activity	LG Act	Frequency	Review Month	Comments	Date Last Reviewed/ Completed	Responsible Officer
<i>Financial Reporting</i> 7.1	Review and report to Council likely impact of ongoing financial sustainability due to changes in Strategic Management Plans.		As required	As required	Considered at this meeting	April 2021	DC & MF
<i>Annual Business Plan and Budget</i>	Ensure the Annual Business Plan conforms to the Local Government Act.	S 123	Annually	April		April 2022	DC, MG & MF
<i>Annual Business Plan and Budget</i>	Recommend the draft Annual Business Plan prior to its formal consideration for adoption by Council.		Annually	April		April 2022	DC & MG
<i>Annual Business Plan and Budget</i>	Ensure the Annual Business Plan is consistent with relevant targets for Key Performance Indicators to Council.	S 123 (2) (b) (ii)	Annually	April		April 2022	DC
<i>Internal Controls and Risk Management</i> 7.2	Review practice, policy and procedure for internal controls.	S 125	As required	As required		February 2022	CEO/EMT/FC

Terms of Reference	Proposed Activity	LG Act	Frequency	Review Month	Comments	Date Last Reviewed/ Completed	Responsible Officer
<i>Internal Controls and Risk Management</i> 7.2.3	Regularly review the effectiveness of Council's internal controls and risk management and governance systems.	S 126 (4) (c)	Annually	February		February 2022	FC
<i>Internal Controls and Risk Management</i> 7.2	Review and recommend the approval, where appropriate, of statements to be included in the Annual Report concerning internal controls, risk management and governance.	S 126 (4) (ab)	Annually	October	Considered at this meeting	September 2021	MG & FC
<i>Internal Controls and Risk Management</i> 7.2	Review Business Continuity Plan and Disaster Management Action Plans.		Every 3 years	July 2022		July 2019	EMT
<i>Internal Controls and Risk Management</i> 7.2	Review Councils Risk Plan & Strategic Risk Plan.	S 122	Every 3 years	September 2023		September 2020	EMT

Terms of Reference	Proposed Activity	LG Act	Frequency	Review Month	Comments	Date Last Reviewed/ Completed	Responsible Officer
<i>Internal Controls and Risk Management</i> 7.2	Review reports from Procurement including recent tenders and high value purchases.		Quarterly		Considered at this meeting	July 2022	MF
<i>External Audit</i> 7.5	Ensure appointment of external auditor conforms with legislative provisions.	S 128 (2) & (4a)	Every five years	April 2025		April 2020	MG
<i>External Audit</i> 7.5.4	Liaise with Council's external auditors.	S 126 (4) (b)	Yearly	October	To occur at this meeting	September 2021	CEO/DC/FC
<i>External Audit</i> 7.5	Receive the independent auditor's reports.		Twice yearly	July and October	Considered at this meeting	July 2022	FC
<i>External Audit</i> 7.5	Ensure actions proposed in the correspondence from the independent auditor's report are actioned.		As required	As required	Added to Business Arising documentation	July 2021	DC

Terms of Reference	Proposed Activity	LG Act	Frequency	Review Month	Comments	Date Last Reviewed/ Completed	Responsible Officer
<i>Public Interest Disclosure (formerly Whistle-blowing)</i> 7.3	Review the adequacy and awareness of the current Public Interest Disclosure Policy and Procedure.		Every 2 years	July 2023		July 2021	EMT
<i>Reporting Responsibilities</i> 9..7	Report annually to Council outlining the outputs of the Audit Committee, any training needs, future work proposals and invite Council to comment.		Annually	October	Considered at this meeting	September 2021	DC
<i>Reporting Responsibilities</i> 9	Ensure urgent or significant matters are formally and promptly reported to Council.		As required	As required		September 2021	DC
<i>Reporting Responsibilities</i> 9.2	Ensure appropriate and timely training is provided to all members including inductions for new members.		As required	As required			DC

Terms of Reference	Proposed Activity	LG Act	Frequency	Review Month	Comments	Date Last Reviewed/ Completed	Responsible Officer
<i>Economy and Efficiency Audits</i> 7.6	Ensure any matter relating to financial management, efficient or economy of Council is examined, reported and proposed actions monitored.	S 126 (4) (ac) & S 130A	As required	As required	Business arising provides a progress report on actions / improvements identified from external reviews	September 2021	DC
<i>Finance Policies</i>	Review a list of the review schedule for all Finance Polies		Annually	February			MF

EXTERNAL REVIEWS WORKPLAN

Source	#	Ref	Item	Responsible	Due	Status / % Complete
GHC	3	s.49	Review procurement policies and procedures	Mgr Finance	31/12/2022	In Progress / 60%
GHC	5	s.90	Add the grounds for confidentiality to staff and Elected Member training program and then undertake training	Mgr Legislation	31/12/2022	Pending
GHC	6	s.103	Undertake a full review of Council's suite of HR policies	Mgr People & Culture	30/06/2023	In Progress / 25%
GHC	13	s.172	Develop a new procedure for requests to suppress information from the Assessment Record	Mgr Governance/Finance	31/12/2022	Pending
GHC	16	s.196	Review of community land management plans	Mgr City Development	31/12/2023	Pending
GHC	17	s.207	Review of Council's register of community land	Mgr City Development	31/12/2022	Completed
EAMR	1	High	Finance Services Officer – System Access Levels & Segregation of duties	Mgr Finance	30/06/2022	Completed
EAMR	3	Moderate	Rates Officer - Cash Receipting & Payroll access	Mgr Finance	31/12/2022	Pending
EAMR	7	Low	Tender Documentation – No Evaluation	Mgr Finance	31/12/2022	In Progress / 60%
EAMR	8	Low	Contract Management Policy	Mgr Finance	31/12/2022	In Progress / 60%
EAMR	9	Low	Lease Register	Mgr Finance	Ongoing	In Progress
EAMR	10	Low	Grants Register	Mgr Finance	31/12/2022	Completed
EAMR	11	Low	Waiving of Fees and Charges – Delegations of Authority	Mgr Finance	31/12/2023	Completed

* Shaded items to be deleted

6.1 Office of the Chief Executive

6.1.1 CEO Report on Financial Sustainability

Audit Committee: 4 October 2022

Author's Title: Chief Executive Officer

File No.: 0-159

Directorate: Executive

Annexures:

Nil

Officer Direct or Indirect Conflict of Interest:

*In accordance with Local Government Act 1999,
Section 120*

Status:

*Information classified confidential under
Section 90(2) of the Local Government Act*

☐ Yes

☒ No

☐ Yes

☒ No

Reason – Not applicable

PURPOSE

As per Section 122(4a)(a) of the *Local Government Act 1999* (the Act), the annual review of the Long-Term Financial Plan (LTFP) must take into account a report from the chief executive officer on the sustainability of the council's long term financial performance.

SUMMARY

The Annual Business Plan and Budget (ABP&B) is developed each year to deliver on the intentions of Council's Strategic Management Plans. A set of parameters are adopted to ensure that the process is undertaken in a logical consistent manner.

While Council is currently restricted in what it can do financially, the decision to move ahead on the current path was a fully informed decision, based on the situation Council finds itself in. While the current financial position could not be maintained indefinitely, it is not considered unsustainable to do so for the next few years.

RECOMMENDATION

The Audit Committee notes the CEO Report on Financial Sustainability.

6.1.1 CEO Report on Financial Sustainability

REPORT

BACKGROUND

Under Section 122(4)(a)(i) of the Act, Council must review the LTFP at least once per year, with a comprehensive review to be undertaken once each Council term.

Under Section 122(4a)(a), when undertaking the annual review, the Council must take into account a report from the Chief Executive Officer on the sustainability of the Council's long-term financial performance and position taking into account the provisions of the Council's annual business plan and strategic management plans.

Council updates the LTFP projections each time the budget is amended, with the major updates tending to occur twice per year, when the Annual Business Plan is adopted and then when projections are updated in line with the adopted financial statements.

In practicality, it is considered appropriate that the report outlined under Section 122(4a)(a) be presented to Council on an annual basis at the time of one of these two main reviews.

DISCUSSION

The Annual Business Plan and Budget (ABP&B) is developed each year to deliver on the intentions of Council's Strategic Management Plans. A set of parameters are adopted to ensure that the process is undertaken in a logical consistent manner. The parameters for 2022-23 were:

The ABP&B will:

1. Support the achievement of the City of Whyalla's Strategic Direction.
2. Address issues arising, and opportunities identified, from organisational effectiveness assessments/reviews.
3. Reach a break-even operating position in the Long-Term Financial Plan (LTFP) by 2026-27 or earlier.
4. Continue to improve the maintenance of assets in accordance with Council's Asset Management Strategy (AMS), with a priority on:
 - maintenance to ensure assets reach end of life; and
 - 100% funding of renewal at end of life except where a service level change has been specified, or where renewal would be inconsistent with an adopted Council plan or resolution.
5. Review existing services and assets to ensure they meet prioritised community needs.
6. Council only approve New/Upgrade Capital Projects where it has identified:
 - borrowing capacity to fund upfront cost; and
 - operating capacity to fund ongoing costs.
7. Maintain predictability and stability in rating increases, in line with the LTFP.

The adopted plan was prepared taking into account these parameters, but there are always trade offs in meeting all the outcomes. At this stage, the LTFP does not return to a surplus position, which is not in line with the relevant parameter. This is also an indication that Council is not currently operating in a sustainable manner.

This point was discussed at length during the consultation period for the ABP&B, put into the context of the unique and challenging position that Whyalla finds itself in. Once in a generation projects have the potential to transform the future of the city, centered around the development of a hydrogen industry at Port Bonython. However, with this opportunity also comes significant challenges, with ageing infrastructure in the city meaning that a high level of investment is going to be required to support the change.

Council cannot be the one to make this investment, external funding from other levels of government and private industry will be. Whilst the timing of this investment is unknown, Council concluded during the ABP&B process that making cuts to services and amenity within the city at this time in order for Council to reduce its projected operating deficit was counterintuitive to the objective of improving the liveability and amenity of the city required to attract additional skilled workforce to our City. Instead, a level of deficit for a number of years is likely to be necessary.

It should however be noted that there are potential upside risks that aren't built into the plan yet. For example, it is likely that a significant level of rates will be generated by the hydrogen hub investment in our city, however the timing is not yet known. Equally, there is the potential that recent announcements may spur additional growth in the urban renewal of existing residential properties as well as new builds, which will also generate additional rates.

The level of borrowings being carried by Council are reasonable, with the Net Financial Liabilities Ratio only projected to peak around 70%. Council have set a conservative ceiling for this ratio of 80%, below the 100% recommended by the LGA. This shows that there is capacity to undertake additional investment, however Council doesn't currently have the capacity to service additional assets.

So, while Council is currently restricted in what it can do financially, the decision to move ahead on the current path was a fully informed decision, based on the situation Council finds itself in. While the current financial position could not be maintained indefinitely, it is not considered unsustainable to do so for the next few years.

If the potential upsides for the city don't begin to materialise over the coming years, service level adjustments are likely to become a reality that the Council cannot avoid.

Financial Implications

There are no direct financial implications relating to this report. Instead, this explores the financial implications of previous Council decisions.

Strategic Plan

Objective 1.1 – Unearth community pride within the city

Strategy 1.1.1 – Regularly inform the community of Council activities, decisions and actions by promoting positive stories and positive image

Strategy 1.1.2 – Take a proactive, collaborative approach to the revitalisation of council services to ensure that they adapt to the changing needs and expectations of the community

Legislation

This report is designed to meet the requirements under Section 122(4a)(a) of the *Local Government Act 1999*.

Officer Direct or Indirect Interest – Nil

Risk Assessment

The path ahead has many unknowns with many factors that are outside of Council's control. It will be important to continue to monitor Council financial position alongside the external environment on a regular basis, to ensure a quick response to changing circumstances.

Social Considerations – Not applicable

Community Engagement – Not applicable

Environmental Implications – Not applicable

Communication – Not applicable

Conclusion

While Council is currently restricted in what it can do financially, the decision to move ahead on the current path was a fully informed decision, based on the situation Council finds itself in. While the current financial position could not be maintained indefinitely, it is not considered unsustainable to do so for the next few years.

If the potential upsides for the city don't begin to materialise over the coming years, service level adjustments are likely to become a reality that the Council cannot avoid.

6.2 CORPORATE

6.2.1 2021-22 Draft Financial Statements

Audit Committee: 4 October 2022
Author's Title: Finance Coordinator
Directorate: Corporate

File No.: 0-159, 0-209

Annexures:

A – General Purpose Financial Statements
 B – Management Representation Letter
 C – Audit Completion Report

Officer Direct or Indirect Conflict of Interest:

*In accordance with Local Government Act 1999,
 Section 120*

Status:

*Information classified confidential under
 Section 90(2) of the Local Government Act*

☐ Yes

☒ No

☐ Yes

☒ No

Reason – Not applicable

PURPOSE

To review the draft financial statements for the 2021-22 financial year, to ensure that they fairly present the affairs of the Council.

SUMMARY

The Audit Committee advises Council and Councils' Auditor that it has reviewed the draft Annual Financial Statements of the Council for the financial year ended 30 June 2022 and is satisfied that they present fairly the state of affairs of Council.

RECOMMENDATION

The Audit Committee:

1. in accordance with Section 126(4) of the Local Government Act 1999, advise that it has reviewed the draft Annual Financial Statements of the Council for the financial year ended 30 June 2022 and is satisfied that they present fairly the state of affairs of Council;
2. advise Councils' Auditor that it has reviewed the Annual Financial Statements of the Council for the financial year ended 30 June 2022 and is satisfied that they present fairly the state of affairs of Council; and
3. the Audit Committee note the Audit Completion Report from Dean Newbery & Partners for the financial year ended 30 June 2022.

6.2.1 2021-22 Draft Financial Statements

REPORT

BACKGROUND

The preparation of the financial statements of a Council must be in accordance with the requirements set out in the Local government Act 1999 and Model Financial Statements. The Audit Committee is required to review the draft financial statements to ensure that they present fairly the affairs of the Council.

Refer **Annexure “A”** – General Purpose Financial Statements (for the year ended 30 June 2022).

DISCUSSION

The draft financial statements have been prepared for submission to the Audit Committee. The audit completion report has been presented (**Annexure “C”**) and has not identified any areas of concern. During the audit committee meeting it is proposed that staff leave the meeting to allow the audit committee the opportunity to ask the auditors questions in relation to the 30 June 2022 external audit.

The Management Representation Letter provided to Councils’ auditors, Dean Newbery, is included at **Annexure “B”**.

Financial Implications

Councils’ key financial sustainability performance targets assist in ensuring the long term financial sustainability of the Council, covering the maintenance and development of the community’s assets as well as providing appropriate services.

Key Financial Indicators	Target	2022 Year End	2021 Year end	2020 Year End	3 Year Average
Operating Surplus Ratio - %	(2) – 1%	2.4	(11.6)	1.5	(2.6)
Adjusted Operating Surplus Ratio - %		(2.1)	(11.5)	1.3	(4.2)
Net Financial Liabilities Ratio - %	< 80%	46	40	33	40
Asset Renewal Funding Ratio - %	90-110%	62	61	188	104

Operating Surplus Ratio

Council is operating outside its key performance indicator target for the operating surplus ratio however, the adjusted operating surplus ratio of (2.1)% is an improvement to the adopted budget adjusted operating surplus ratio of (4.0)%

In April 2022, the Federal Government distributed three quarters of the 2022-23 financial assistance grants (FAGS) allocation in advance. The impact to the adjusted operating surplus ratio for the current year when removing the effects of receiving the advance payments results in a 2.4% surplus turning into a 2.1% deficit.

Net financial Liabilities Ratio

Council is operating within its key performance indicator target for the net financial liabilities ratio, increasing from 40% in June 2021 to 46% in June 2022. Borrowings have increased during this period to meet cash flow requirements. As at 30 June 2022, Council had \$16.25 million in borrowings and has the capacity to increase loan borrowings as required in the future.

Asset Renewal Funding Ratio

Councils' Asset Renewal Funding Ratio is below the key financial indicator target of between 90 and 110% for the 2021-22 financial year attributed to several renewal projects being retimed for completion in 2022-23 as a result of product/service backlogs. Additionally, a portion of the airport runway project was classified as upgrade, rather than renewal.

Strategic Plan

Objective 1.1 – Unearth community pride within the city

Strategy 1.1.1 – Regularly inform the community of Council activities, decisions and actions
Promote positive stories, positive image

Legislation

Section 126(4) of the *Local Government Act 1999*, the function of the Audit Committee is to review the annual financial statements to ensure that they present fairly the state of affairs of the Council.

Officer Direct or Indirect Interest – Nil

Risk Assessment

In assessing Council risk associated with legislative compliance and the consequence of the Audit Committee not reviewing the financial statements, it is considered a moderate risk as Council would be in breach of legislation and receive adverse criticism.

Social Considerations – Not applicable

Community Engagement – Nil

Environmental Implications – Not applicable

Communication – Not applicable

Conclusion

The Audit Committee review the draft financial statements for the 2021-22 financial year, to ensure that they fairly present the affairs of the Council.

DRAFT

The Corporation of the City of Whyalla

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022

Whyalla will be a vibrant, attractive city offering the community a diverse range of sustainable economic, social, environmental and cultural opportunities



The Corporation of the City of Whyalla

General Purpose Financial Statements for the year ended 30 June 2022

Contents	Page
Council Certificate	3
Principal Financial Statements	
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to and forming part of the Financial Statements	8
Independent Auditor's Report – Financial Statements	47
Independent Auditor's Report – Internal Controls	48
Certificates of Audit Independence	
Council Certificate of Audit Independence	49
Audit Certificate of Audit Independence	50

DRAFT

The Corporation of the City of Whyalla

General Purpose Financial Statements

for the year ended 30 June 2022

Certification of Financial Statements

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

In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards,
- the financial statements present a true and fair view of the Council's financial position at 30 June 2022 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect the Council's accounting and other records.

Justin Commons
Chief Executive Officer

04 October 2022

Clare McLaughlin
Mayor

04 October 2022

Statement of Comprehensive Income
for the year ended 30 June 2022

	Notes	2022 \$ '000	2021 \$ '000
Income			
Rates	2a	22,386	21,390
Statutory Charges	2b	422	378
User Charges	2c	3,245	2,643
Grants, Subsidies and Contributions	2g	9,010	6,099
Investment Income	2d	12	11
Reimbursements	2e	22	67
Other income	2f	1,390	1,088
Total Income		36,487	31,676
Expenses			
Employee costs	3a	12,393	11,846
Materials, Contracts and Other Expenses	3b	15,740	14,584
Depreciation, Amortisation and Impairment	3c	7,257	8,727
Finance Costs	3d	205	184
Total Expenses		35,595	35,341
Operating Surplus / (Deficit)		892	(3,665)
Physical Resources Received Free of Charge		186	—
Asset Disposal & Fair Value Adjustments	4	(1,582)	(767)
Amounts Received Specifically for New or Upgraded Assets	2g	5,198	4,201
Net Surplus / (Deficit)		4,694	(231)
Other Comprehensive Income			
Amounts which will not be reclassified subsequently to operating result			
Changes in Revaluation Surplus - I, PP&E	9a	18,743	3,361
Total Other Comprehensive Income		18,743	3,361
Total Comprehensive Income		23,437	3,130

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

Statement of Financial Position

as at 30 June 2022

	Notes	2022 \$ '000	2021 \$ '000
ASSETS			
Current assets			
Cash & Cash Equivalent Assets	5a	350	580
Trade & Other Receivables	5b	6,485	3,939
Inventories	5c	2,861	2,802
Total current assets		9,696	7,321
Non-current assets			
Other Non-Current Assets	6	4,910	4,576
Infrastructure, Property, Plant & Equipment	7a(i)	308,477	281,083
Total non-current assets		313,387	285,659
TOTAL ASSETS		323,083	292,980
LIABILITIES			
Current Liabilities			
Trade & Other Payables	8a	3,731	6,423
Provisions	8c	2,719	2,595
Total Current Liabilities		6,450	9,018
Non-Current Liabilities			
Borrowings	8b	16,250	7,000
Provisions	8c	1,074	1,090
Total Non-Current Liabilities		17,324	8,090
TOTAL LIABILITIES		23,774	17,108
Net Assets		299,309	275,872
EQUITY			
Accumulated surplus		48,044	43,047
Asset revaluation reserves	9a	250,590	231,847
Other reserves	9b	675	978
Total Council Equity		299,309	275,872
Total Equity		299,309	275,872

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

Statement of Changes in Equity
for the year ended 30 June 2022

\$ '000	Notes	Accumulated surplus	Asset revaluation reserve	Other reserves	Total equity
2022					
Balance at the end of previous reporting period		43,047	231,847	978	275,872
Net Surplus / (Deficit) for Year		4,694	—	—	4,694
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	—	18,743	—	18,743
- Other Movements (Closure of Revaluation Reserve)		—	—	—	—
Other comprehensive income		—	18,743	—	18,743
Total comprehensive income		4,694	18,743	—	23,437
Transfers between Reserves		303	—	(303)	—
Balance at the end of period		48,044	250,590	675	299,309
2021					
Balance at the end of previous reporting period		41,655	229,654	1,952	273,261
Adjustments (Correction of Prior Period Errors)		(519)	—	—	(519)
Net Surplus / (Deficit) for Year		(231)	—	—	(231)
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	—	3,361	—	3,361
- Other Movements (Closure of Revaluation Reserve)		1,168	(1,168)	—	—
Other comprehensive income		1,168	2,193	—	3,361
Total comprehensive income		937	2,193	—	3,130
Transfers between Reserves		974	—	(974)	—
Balance at the end of period		43,047	231,847	978	275,872

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

Statement of Cash Flows
for the year ended 30 June 2022

	Notes	2022 \$ '000	2021 \$ '000
Cash flows from operating activities			
<u>Receipts</u>			
Rates Receipts		22,561	20,983
Statutory Charges		429	383
User Charges		3,431	2,790
Grants, Subsidies and Contributions (operating purpose)		9,020	6,115
Investment Receipts		12	11
Reimbursements		24	72
Other Receipts		1,353	3,599
<u>Payments</u>			
Payments to Employees		(12,104)	(11,543)
Payments for Materials, Contracts & Other Expenses		(21,520)	(15,431)
Finance Payments		(198)	(191)
Net cash provided by (or used in) Operating Activities	11b	3,008	6,788
Cash flows from investing activities			
<u>Receipts</u>			
Amounts Received Specifically for New/Upgraded Assets		5,198	4,201
Sale of Replaced Assets		192	115
Sale of Surplus Assets		–	375
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(5,898)	(4,620)
Expenditure on New/Upgraded Assets		(11,963)	(6,548)
Net cash provided (or used in) investing activities		(12,471)	(6,477)
Cash flows from financing activities			
<u>Receipts</u>			
Proceeds from Borrowings		24,150	23,400
<u>Payments</u>			
Repayment of Bonds & Deposits		(17)	(5)
Repayments of Borrowings		(14,900)	(23,400)
Net Cash provided by (or used in) Financing Activities		9,233	(5)
Net Increase (Decrease) in Cash Held		(230)	306
plus: Cash & Cash Equivalents at beginning of period		580	274
Cash and cash equivalents held at end of period	11a	350	580

Additional Information:

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

The Corporation of the City of Whyalla

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

Contents of the Notes accompanying the General Purpose Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	9
2	Income	17
3	Expenses	20
4	Asset Disposal & Fair Value Adjustments	22
5	Current Assets	23
6	Non-Current Assets	24
7	Infrastructure, Property, Plant & Equipment	25
8	Liabilities	29
9	Reserves	30
10	Assets Subject to Restrictions	31
11	Reconciliation to Statement of Cash Flows	32
12(a)	Functions	33
12(b)	Components of Functions	34
13	Financial Instruments	35
14	Capital Expenditure and Investment Property Commitments	38
15	Financial Indicators	39
16	Uniform Presentation of Finances	42
17	Leases	43
18	Superannuation	44
19	Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet	45
20	Events after the Balance Sheet Date	45
21	Related Party Transactions	46

The Corporation of the City of Whyalla

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

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* dated 04 October 2022

1.2 Critical Accounting Estimates

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

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

1.3 Rounding

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

1.4 Estimates and assumptions

The COVID-19 pandemic had an impact on the 2020/21 financial statements and may impact on the comparability of some line items and amounts reported in these financial statements and/or the notes.

The financial impacts mainly affected during 2020/21 were rate rebates and airport income, a direct result of either Councils response to the pandemic or due to mandatory shutdowns as directed by the Australian Government and the advice from the Australian Government Department of Health and SA Health.

The ongoing reduction in airport passenger numbers has continued to financially impact airport income in the 2021/22 financial year.

(2) The Local Government Reporting Entity

The Corporation of the City of Whyalla is incorporated under the South Australian Local Government Act 1999 and has its principal place of business at Darling Terrace, Whyalla. These financial statements include the Council's operations.

(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.

The Corporation of the City of Whyalla

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

Note 1. Summary of Significant Accounting Policies (continued)

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

\$'000	Cash Payment Received	Annual Allocation	Difference
2019/20	\$4,582	\$4,498	+ \$84
2020/21	\$4,515	\$4,538	- \$23
2021/22	\$6,401	\$4,682	+\$1,647

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

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

Construction Contracts

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

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

(4) Cash, Cash Equivalents and other Financial Instruments

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

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

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

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

(5) Inventories

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

5.1 Real Estate Assets Developments

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

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

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 1. Summary of Significant Accounting Policies (continued)

5.2 Other Real Estate Held for Resale

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

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

(6) Infrastructure, Property, Plant & Equipment

6.1 Initial Recognition

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

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

6.2 Materiality

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

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

Office Furniture & Equipment	\$2,000
Other Plant & Equipment	\$5,000
Buildings - New Construction/Extensions	\$10,000
Open Space Structures	\$10,000
Street Furniture & Playground Equipment	\$5,000
Road Construction & Reconstruction	\$10,000
Paving & Footpaths, Kerbs & Gutters	\$5,000
Drains & Culverts	\$5,000
Reticulation Extensions	\$5,000
Sidelines & Household Connections	\$5,000
Irrigation	\$5,000
Artworks	\$5,000

6.3 Subsequent Recognition

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

6.4 Depreciation of Non-Current Assets

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

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

The Corporation of the City of Whyalla

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

Note 1. Summary of Significant Accounting Policies (continued)

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

Plant, Furniture & Equipment

Office Equipment	5 to 10 years
Office Furniture	10 to 20 years
Vehicles and Road-making Equipment	5 to 8 years
Other Plant & Equipment	5 to 15 years
Street Furniture	10 to 20 years

Building & Other Structures

Buildings – Masonry	50 to 100 years
Buildings – Other Construction	20 to 40 years
Buildings – Roofing	40 to 60 years
Buildings – Services	10 to 100 years
Buildings – Interior	20 to 40 years
Buildings – Sub-Structure	50 to 120 years
Buildings – Super Structure	50 to 100 years
Park Structures – Masonry	50 to 100 years
Park Structures – Other Construction	20 to 40 years
Playground Equipment	5 to 20 years

Infrastructure

Sealed Roads – Spray Seal Surface	15 to 30 years
Sealed Roads – Spray Seal Sub-Surface	45 to 60 years
Sealed Roads – Bitumen Top Layer	25 to 35 years
Sealed Roads – Bitumen Single/Sub Layer	75 to 100 years
Sealed Roads – Carparks	30 to 40 years
Sealed Roads – Pavement	65 to 100 years
Sealed Roads – Pavement Sub-Base	100 to 400 years
Unsealed Roads	10 to 20 years
Paving & Footpaths, Kerbs & Gutters - Surface	25 to 75 years
Paving & Footpaths, Kerbs & Gutters - Sub-Surface	50 to 150 years
Stormwater - Drains	70 to 100 years
Stormwater - Culverts	70 to 100 years
Stormwater - Flood Control Structures	70 to 100 years
Stormwater - Dams and Reservoirs	70 to 100 years
Stormwater - Bores	20 to 40 years
Stormwater - Reticulation Pipes – PVC	70 to 80 years
Stormwater - Reticulation Pipes – Other	25 to 75 years
Stormwater - Pumps & Telemetry	15 to 25 years
Irrigation - Primary Supply Lines	80 years
Irrigation - Secondary Supply Lines	50 years
Irrigation - Sub-Surface Supply Lines (Tertiary)	25 years
Irrigation - Pump Stations & Controls	15 to 20 years
Irrigation - Sprinklers, Drippers and Valves	15 to 20 years
Irrigation - Miscellaneous	25 to 50 years

Other Assets

Artworks	indefinite
----------	------------

The Corporation of the City of Whyalla

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

Note 1. Summary of Significant Accounting Policies (continued)

6.5 Impairment

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

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

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

6.6 Borrowing Costs

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

(7) Payables

7.1 Goods & Services

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

7.2 Payments Received in Advance & Deposits

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

(8) Borrowings

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

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

(9) Employee Benefits

9.1 Salaries, Wages & Compensated Absences

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

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

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

9.2 Superannuation

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

The Corporation of the City of Whyalla

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

Note 1. Summary of Significant Accounting Policies (continued)

(10) Provisions for Reinstatement, Restoration and Rehabilitation

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

Although estimated future costs are based on a closure plan, such plans are based on current environmental requirements which may change.

Given there is no air space remaining in the Landfill, all adjustments made to the provision for the capping of landfill cell obligations in future years are recognised through the Statement of Profit and Loss and Other Comprehensive Income for the life of the Provision.

As the future cash outflows are estimates that can materially impact the value of the provision, they will be externally verified once every 5 years. In the intervening years the costs are indexed. The last external review was undertaken by Value Add Ventures as at 30 June 2020.

(11) Leases

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

11.1 Council as a lessee

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

i) Right-of-Use-Assets

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

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

ii) Lease Liabilities

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

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

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

The Corporation of the City of Whyalla

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

Note 1. Summary of Significant Accounting Policies (continued)

(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

New standards and amendments relevant to the Council are listed below. The Council has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2022, these standards have not been adopted by Council and will be included in the financial statements on their effective date. Where the standard is expected to have a significant impact for Council then further information has been provided in this note.

The following list identifies all the new and amended Australian Accounting Standards, and Interpretation, that were issued but not yet effective at the time of compiling these illustrative statements that could be applicable to Councils.

Effective for NFP annual reporting periods beginning on or after 1 January 2022

- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments

Effective for NFP annual reporting periods beginning on or after 1 January 2023

- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current and associated standards (amended by AASB 2020-6)
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates (amended by AASB 2021-6)

Effective for NFP annual reporting periods beginning on or after 1 January 2025

- AASB 2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amended by AASB 2015-10, AASB 2017-5 and AASB 2021-7)

The Corporation of the City of Whyalla

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

Note 1. Summary of Significant Accounting Policies (continued)

(14) Comparative Figures

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

(15) Disclaimer

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

DRAFT

The Corporation of the City of Whyalla

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

Note 2. Income

	2022 \$ '000	2021 \$ '000
(a) Rates		
General Rates		
General Rates	17,845	17,085
Less: Mandatory Rebates	(187)	(183)
Less: Discretionary Rebates, Remissions & Write Offs	(44)	(201)
Total General Rates	17,614	16,701
Other Rates (Including Service Charges)		
Landscape Levy	924	919
Waste Collection	3,968	3,907
Total Other Rates (Including Service Charges)	4,892	4,826
Other Charges		
Penalties for Late Payment	148	118
Total Other Charges	148	118
Less: Discretionary Rebates, Remissions & Write Offs	(268)	(255)
Total Rates	22,386	21,390
(b) Statutory Charges		
Development Act Fees	74	78
Town Planning Fees	51	27
Health & Septic Tank Inspection Fees	6	3
Animal Registration Fees & Fines	228	231
Parking Fines / Expiation Fees	12	5
Other Licences, Fees & Fines	51	34
Total Statutory Charges	422	378
(c) User Charges		
Cemetery/Crematoria Fees	373	306
Hall & Equipment Hire	20	15
Property Lease	344	221
Sales - General	46	56
Subsidies Received on Behalf of Users	731	629
Sundry	215	220
Airport Charges	829	578
Marina Fees	63	51
Child Care Centre	501	398
Waste Fees	123	169
Total User Charges	3,245	2,643

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

Note 2. Income (continued)

	2022 \$ '000	2021 \$ '000
(d) Investment Income		
Interest on Investments		
- Local Government Finance Authority	12	11
<u>Total Investment Income</u>	12	11

(e) Reimbursements

Roadworks	11	61
Private Works	6	1
Other	5	5
<u>Total Reimbursements</u>	22	67

(f) Other income

Rebates Received	798	728
Sundry	412	220
Management Other Income	—	27
Finance Debt Collection	91	52
Quarry Income	89	61
<u>Total Other income</u>	1,390	1,088

(g) Grants, Subsidies, Contributions

Amounts Received Specifically for New or Upgraded Assets	5,198	4,201
Total Amounts Received Specifically for New or Upgraded Assets	5,198	4,201
Untied - Financial Assistance Grant	5,575	4,155
Roads to Recovery	386	386
Library and Communications	149	154
Sundry	2,900	1,404
Total Other Grants, Subsidies and Contributions	9,010	6,099
<u>Total Grants, Subsidies, Contributions</u>	14,208	10,300

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

(i) Sources of grants

Commonwealth Government	7,090	5,069
State Government	6,935	4,719
Other	183	512
Total	14,208	10,300

(ii) Individually Significant Items

Other	5,704	3,822
Airport Security and Runway Grants		

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

Note 2. Income (continued)

	2022 \$ '000	2021 \$ '000
(h) Conditions over Grants & Contributions		
Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:		
Unexpended at the close of the previous reporting period	978	1,952
Less:		
<i>Expended during the current period from revenues recognised in previous reporting periods</i>		
Roads Infrastructure	(471)	(1,758)
Heritage & Cultural Services	(86)	(15)
Other	(1)	—
Subtotal	(558)	(1,773)
Plus:		
<i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>		
Roads Infrastructure	—	300
Heritage & Cultural Services	35	498
Other	220	1
Subtotal	255	799
Unexpended at the close of this reporting period	675	978
Net increase (decrease) in assets subject to conditions in the current reporting period	(303)	(974)

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

Note 3. Expenses

	Notes	2022 \$ '000	2021 \$ '000
(a) Employee costs			
Salaries and Wages		9,770	9,242
Employee Leave Expense		1,585	1,545
Superannuation - Defined Contribution Plan Contributions	18	920	771
Superannuation - Defined Benefit Plan Contributions	18	188	186
Workers' Compensation Insurance		253	257
Less: Capitalised and Distributed Costs		(323)	(155)
Total Operating Employee Costs		12,393	11,846
Total Number of Employees (full time equivalent at end of reporting period)		135	127
(b) Materials, Contracts and Other Expenses			
(i) Prescribed Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports		21	15
Bad and Doubtful Debts		—	67
Elected Members' Expenses		282	319
Election Expenses		7	7
Subtotal - Prescribed Expenses		310	408
(ii) Other Materials, Contracts and Expenses			
Contractors		6,546	5,111
Energy		1,184	1,161
Insurance		413	377
Maintenance		520	711
Legal Expenses		255	139
Levies Paid to Government - Landscape Levy		924	921
Levies - Other		22	152
Parts, Accessories & Consumables		1,058	959
Professional Services		1,009	1,053
Sundry		3,499	3,592
Subtotal - Other Material, Contracts & Expenses		15,430	14,176
Total Materials, Contracts and Other Expenses		15,740	14,584

The Corporation of the City of Whyalla

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

Note 3. Expenses (continued)

	2022 \$ '000	2021 \$ '000
(c) Depreciation, Amortisation and Impairment		
(i) Depreciation and Amortisation		
Land Improvements	671	632
Buildings & Other Structures	1,314	1,422
Infrastructure		
- Stormwater Drainage	401	390
- Irrigation Systems	265	246
- Playgrounds	116	116
- Roads & Footpaths	3,295	3,224
- Runway Assets	163	158
Plant & Equipment	509	608
Furniture & Fittings	220	269
Street Furniture	90	78
Landfill Assets	–	117
Other Assets	213	289
Subtotal	7,257	7,549
(ii) Impairment		
- Irrigation Systems	–	1,178
Subtotal	–	1,178
Total Depreciation, Amortisation and Impairment	7,257	8,727
(d) Finance Costs		
Interest on Overdraft and Short-Term Drawdown	205	184
Total Finance Costs	205	184

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

Note 4. Asset Disposal & Fair Value Adjustments

	2022 \$ '000	2021 \$ '000
Infrastructure, Property, Plant & Equipment		
(i) Assets Renewed or Directly Replaced		
Proceeds from Disposal	192	115
Less: Carrying Amount of Assets Sold	(1,626)	(619)
Gain (Loss) on Disposal	(1,434)	(504)
(ii) Assets Surplus to Requirements		
Proceeds from Disposal	–	375
Less: Carrying Amount of Assets Sold	(148)	(638)
Gain (Loss) on Disposal	(148)	(263)
<u>Net Gain (Loss) on Disposal</u>	<u>(1,582)</u>	<u>(767)</u>

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

Note 5. Current Assets

	2022 \$ '000	2021 \$ '000
(a) Cash & Cash Equivalent Assets		
Cash on Hand at Bank	280	580
Short Term Deposits & Bills, etc.	70	—
Total Cash & Cash Equivalent Assets	350	580
(b) Trade & Other Receivables		
Rates - General & Other	2,240	2,416
Council Rates Postponement Scheme	23	22
Accrued Revenues	2,933	108
Debtors - General	874	958
GST Recoupment	378	491
Prepayments	176	77
Sundry	16	22
Subtotal	6,640	4,094
Less: Allowance for Doubtful Debts	(155)	(155)
Total Trade & Other Receivables	6,485	3,939
(c) Inventories		
Stores & Materials	124	74
Trading Stock	32	23
Real Estate Developments	2,705	2,705
Total Inventories	2,861	2,802

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

Note 6. Non-Current Assets

	2022 \$ '000	2021 \$ '000
--	-----------------	-----------------

Other Non-Current Assets

Other

Capital Works-in-Progress

Total Other Non-Current Assets

4,910	4,576
4,910	4,576

Other disclosures

Real Estate Developments - Current & Non-Current

(Valued at the lower of cost and net realisable value)

Industrial & Commercial

Total Real Estate for Resale

2,705	2,705
2,705	2,705

Represented by:

Acquisition Costs

Development Costs

Finance Costs

Subtotal

481	481
2,071	2,071
153	153
2,705	2,705

Total Real Estate of Resale

2,705	2,705
--------------	--------------

Apportionment of Real Estate Developments

Current Assets

2,705	2,705
-------	-------

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

(a(i)) Infrastructure, Property, Plant & Equipment

		as at 30/06/21				Asset movements during the reporting period								as at 30/06/22			
	Fair Value Level	At Fair Value \$ '000	At Cost \$ '000	Accumulated Depreciation \$ '000	Carrying amount \$ '000	Asset Additions New / Upgrade \$ '000	Asset Additions Renewals \$ '000	WDV of Asset Disposals \$ '000	Depreciation Expense (Note 3c) \$ '000	Impairment Loss (recognised in P/L) (Note 3c) \$ '000	WIP Transfers \$ '000	Revaluation Decrements to Equity (ARR) (Note 9) \$ '000	Revaluation Increments to Equity (ARR) (Note 9) \$ '000	At Fair Value \$ '000	At Cost \$ '000	Accumulated Depreciation \$ '000	Carrying amount \$ '000
Land	2	6,249	—	—	6,249	—	—	—	—	—	—	—	475	6,724	—	—	6,724
Land	3	25,398	—	—	25,398	190	—	—	—	—	—	—	1,945	27,533	—	—	27,533
Land Improvements	3	27,282	1,952	(9,550)	19,684	1,470	187	(247)	(671)	—	(236)	(1,373)	2,247	31,817	—	(10,755)	21,062
Buildings & Other Structures	2	12,477	—	(8,471)	4,006	—	328	(74)	(193)	—	5	(1,150)	950	13,448	—	(9,575)	3,873
Buildings & Other Structures Infrastructure	3	62,931	620	(37,742)	25,809	3,656	539	(383)	(1,121)	—	3,074	(2,382)	5,306	75,117	—	(40,621)	34,496
- Stormwater Drainage	3	36,549	—	(16,954)	19,595	622	—	—	(401)	—	(106)	(1,327)	2,488	39,553	—	(18,682)	20,871
- Irrigation Systems	3	9,924	—	(2,806)	7,118	27	—	—	(265)	—	—	(246)	796	10,747	—	(3,317)	7,430
- Playgrounds	3	2,325	—	(1,159)	1,166	—	288	(52)	(116)	—	—	(77)	175	2,478	—	(1,093)	1,385
- Roads & Footpaths	3	240,072	—	(80,936)	159,136	482	3,487	(497)	(3,295)	—	(1)	(6,305)	18,184	259,540	—	(88,349)	171,191
- Runway Assets	3	10,380	—	(5,699)	4,681	5,365	322	(297)	(163)	—	(2,979)	(963)	—	11,962	—	(5,996)	5,966
Plant & Equipment		—	5,765	(3,532)	2,233	15	733	(76)	(509)	—	(118)	—	—	—	5,919	(3,642)	2,277
Furniture & Fittings		—	3,375	(2,255)	1,120	41	7	—	(220)	—	3	—	—	—	2,663	(1,712)	951
Street Furniture		—	2,345	(966)	1,379	—	—	—	(90)	—	—	—	—	—	2,272	(983)	1,289
Other Assets		—	7,277	(3,768)	3,509	281	7	(148)	(213)	—	(7)	—	—	—	4,793	(1,364)	3,429
Landfill Assets		—	5,757	(5,757)	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Infrastructure, Property, Plant & Equipment		433,587	27,091	(179,595)	281,083	12,149	5,898	(1,774)	(7,257)	—	(365)	(13,823)	32,566	478,919	15,647	(186,089)	308,477
Comparatives		408,795	42,939	(171,921)	279,813	6,548	4,690	(1,256)	(7,549)	(1,178)	(3,345)	(5,250)	8,611	433,587	27,091	(179,595)	281,083

The Corporation of the City of Whyalla

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

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

(b) 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

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

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

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

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

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

Other Information

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

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

Highest and best use

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

The Corporation of the City of Whyalla

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

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

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 & Playgrounds

- Basis of valuation: Fair Value / Cost
- Date of full valuation: 30 June 2020
- Date of desktop valuation: 30 June 2022
- Valuer: Opteon Pty Ltd and Tonkin Consulting Pty Ltd

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

Freehold land and land over which Council has control, but does not have title, is recognised on the cost basis. No capitalisation threshold is applied to the acquisition of land or interests in land.

Level 3 classified land and land improvements assets relate to properties where there is an inability or restriction on Council to sell this asset in the open market.

All acquisitions made after the respective dates of valuation are recorded at cost.

Buildings & Other Structures

- Basis of valuation: Fair Value / Market Value
- Date of full valuation: 30 June 2020
- Date of desktop valuation: 30 June 2022
- Valuer: Opteon Pty Ltd and Tonkin Consulting Pty Ltd

Buildings have been disclosed as either Fair Value Hierarchy Level 2 valuations or as Fair Value Hierarchy Level 3 valuations, in accordance with AASB 13 Fair Value Measurement.

Building valuations, disclosed as Level 2, 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.

Building valuations, disclosed as Level 3 have been determined to have no known market for these assets and they are valued at depreciated current replacement cost. This method involves the determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate. 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.

All acquisitions made after the respective dates of valuation are recorded at cost.

Infrastructure

Roads, Footpaths and Runway Assets

- Written down current replacement cost
- Date of full valuation: 1 July 2018
- Date of desktop valuation: 30 June 2022
- Valuer: Tonkin Consulting Pty Ltd

All acquisitions made after the respective dates of valuation are recorded at cost.

Stormwater Drainage

- Written down current replacement cost
- Date of full valuation: 1 July 2018
- Date of desktop valuation: 30 June 2022
- Valuer: Tonkin Consulting Pty Ltd

The Corporation of the City of Whyalla

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

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

Irrigation

- Written down current replacement cost
- Date of full valuation: 30 June 2021
- Date of desktop valuation: 30 June 2022
- Valuer: Tonkin Consulting Pty Ltd

All acquisitions made after the respective dates of valuation are recorded at cost.

Landfill Assets

All Landfill Assets reached end of life as at 30 June 2021 and are fully depreciated.

Plant & Equipment

These assets are recognised on the cost basis.

All other Assets

These assets are recognised on the cost basis.

DRAFT

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

Note 8. Liabilities

	2022 Current \$ '000	2022 Non Current \$ '000	2021 Current \$ '000	2021 Non Current \$ '000
(a) Trade and Other Payables				
Goods & Services	1,702	—	4,273	—
Payments Received in Advance	1,379	—	1,660	—
Accrued Expenses - Employee Entitlements	445	—	301	—
Accrued Expenses - Other	155	—	117	—
Deposits, Retentions & Bonds	49	—	66	—
Other	1	—	6	—
Total Trade and Other Payables	3,731	—	6,423	—

(b) Borrowings

Loans	—	16,250	—	7,000
Total Borrowings	—	16,250	—	7,000

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

(c) Provisions

Employee Entitlements (including oncosts)	2,719	118	2,595	97
Landfill Capping and Closure	—	946	—	983
Child Care Fundraising	—	10	—	10
Total Provisions	2,719	1,074	2,595	1,090

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

Note 9. Reserves

	as at 30/06/21				as at 30/06/22
	Opening Balance \$ '000	Increments (Decrements) \$ '000	Transfers \$ '000	Impairments \$ '000	Closing Balance \$ '000

(a) Asset Revaluation Reserve

Land	17,229	2,420	—	—	19,649
Land Improvements	1,982	874	—	—	2,856
Buildings & Other Structures	19,693	2,724	—	—	22,417
Infrastructure					
- Stormwater Drainage	16,972	1,161	—	—	18,133
- Irrigation Systems	—	550	—	—	550
- Playgrounds	1,243	98	—	—	1,341
- Roads & Footpaths	164,691	11,879	—	—	176,570
- Runway Assets	10,037	(963)	—	—	9,074
Total Asset Revaluation Reserve	231,847	18,743	—	—	250,590
Comparatives	229,654	3,361	(1,168)	—	231,847

	as at 30/06/21				as at 30/06/22
	Opening Balance \$ '000	Tfrs to Reserve \$ '000	Tfrs from Reserve \$ '000	Other Movements \$ '000	Closing Balance \$ '000

(b) Other Reserves

Committed Funds Reserve	978	255	(558)	—	675
Total Other Reserves	978	255	(558)	—	675
Comparatives	1,952	799	(1,773)	—	978

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).

Committed Funds Reserve

The committed funds reserve is used to record amounts committed for brought forward projects, unexpended grant funds and developer contributions.

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

Note 10. Assets Subject to Restrictions

	2022 \$ '000	2021 \$ '000
--	-----------------	-----------------

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.

Cash & Financial Assets

Other Contributions	12	9
Federal Government	215	471
State Government	448	498
Total Cash & Financial Assets	675	978
Total Assets Subject to Externally Imposed Restrictions	675	978

DRAFT

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 11. Reconciliation to Statement of Cash Flows

	Notes	2022 \$ '000	2021 \$ '000
--	-------	-----------------	-----------------

(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 Statement of Financial Position as follows:

Total Cash & Equivalent Assets	5	350	580
Balances per Statement of Cash Flows		350	580

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

Net Surplus/(Deficit)		4,694	(231)
Non-Cash Items in Income Statements			
Depreciation, Amortisation & Impairment		7,257	8,727
Non-Cash Asset Acquisitions		(186)	–
Grants for capital acquisitions treated as Investing Activity		(5,198)	(4,201)
Net (Gain) Loss on Disposals		1,582	767
		8,149	5,062
Add (Less): Changes in Net Current Assets			
Net (Increase)/Decrease in Receivables		(2,546)	315
Change in Allowances for Under-Recovery of Receivables		–	66
Net (Increase)/Decrease in Inventories		(59)	17
Net (Increase)/Decrease in Other Assets		–	(132)
Net Increase/(Decrease) in Trade & Other Payables		(2,644)	1,374
Net Increase/(Decrease) in Unpaid Employee Benefits		145	256
Net Increase/(Decrease) in Other Provisions		(37)	(170)
Net Cash provided by (or used in) operations		3,008	6,788

(c) Financing Arrangements

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

Bank Overdrafts	250	250
Corporate Credit Cards	37	37
LGFA Cash Advance Debenture Facility	26,000	26,000

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

Council also has immediate access to a short-term draw-down facility, and variable interest rate borrowings under a cash advance facility, both from the Local Government Finance Authority of SA.

The Corporation of the City of Whyalla

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

Note 12(a). Functions

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

	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000
Functions/Activities										
Business Undertakings	15	30	10	21	5	9	—	—	34,353	31,601
Community Services	1,716	1,443	3,819	3,644	(2,103)	(2,201)	69	87	16,060	14,505
Culture	199	220	1,468	1,466	(1,269)	(1,246)	174	204	904	904
Economic Affairs	203	192	1,998	1,649	(1,795)	(1,457)	4	—	1,508	1,091
Environment	4,910	4,835	7,832	8,025	(2,922)	(3,190)	117	36	2,444	1,202
Sport & Recreation	343	204	5,483	6,667	(5,140)	(6,463)	40	—	35,227	33,336
Regulatory Services	378	373	2,298	2,743	(1,920)	(2,370)	5	—	168	168
Transport & Communication	3,867	2,245	9,713	8,277	(5,846)	(6,032)	3,025	1,606	213,389	193,074
Council Administration	24,856	22,134	2,974	2,849	21,882	19,285	5,576	4,166	19,030	17,099
Total Functions/Activities	36,487	31,676	35,595	35,341	892	(3,665)	9,010	6,099	323,083	292,980

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

The Corporation of the City of Whyalla

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

Note 12(b). Components of Functions

The activities relating to Council functions are as follows:

Business Undertakings

Property Portfolio, Private Works, Tourism, and Other Economic Development.

Community Services

Public Order and Safety, Crime Prevention, Emergency Services, Other Fire Protection, Other Public Order and Safety, Health Services, Pest Control - Health, Immunisation, Preventative Health Services, Other Health Services, Community Support, Home Assistance Scheme, Other Services for the Aged and Disabled, Child Care Centre, Children and Youth Services, Community Assistance, Family and Neighbourhood Support and Other Community Support. Community Amenities, Bus Shelters, Cemeteries/Crematoria, Public Conveniences, Car Parking – non-fee-paying, Telecommunication Networks and Other Community Amenities.

Culture

Library Services, Mobile Libraries and Housebound Services, Other Library Services, Cultural Services and Venues, Heritage, Museums and Art Galleries, Other Cultural Services.

ECONOMIC AFFAIRS

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

Environment

Waste Management, Domestic Waste, Green Waste, Recycling, Transfer Stations, Waste Disposal Facility, Other Waste Management, Pest Control, Other Environment, Coastal Protection, Stormwater and Drainage, Street Cleaning, Street Lighting, Streetscaping, Natural Resource Management Levy and Other Environment.

SPORT & RECREATION

Jetties, Marine Facilities, Parks and Gardens, Marinas & Boat Harbours, Sports Facilities – Indoor, Sports Facilities - Outdoor, Swimming Centres - Indoors, Other Recreation and Sporting Facilities.

Regulatory Services

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

TRANSPORT & COMMUNICATION

Aerodrome, Footpaths and Kerbing, Roads – Sealed, Roads – Formed, Roads – Natural Formed, Roads – Unformed, Traffic Management, LGGC – Roads (formula funded) and Other Transport.

Council Administration

Governance, Administration, N.E.C., Elected Members, Organisational, Support Services, Accounting / Finance, Payroll, Human Resources, Information Technology, Communication, Rates Administration, Records, Occupancy, Contract Management, Customer Service, Other Support Services, Revenues, LGGC – General Purpose, and Separate and Special Rates.

The Corporation of the City of Whyalla

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

Note 13. Financial Instruments

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits

Accounting Policy:

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

Terms & Conditions:

Deposits are returning fixed interest rates between 0.10% and 1.05% (2021: 0.00% and 0.30%). Short term deposits have an average maturity of 1 day and an average interest rate of 1.05% (2021: 1 day and 0.35%).

Carrying Amount:

Approximates fair value due to the short term to maturity.

Receivables - Rates & Associated Charges

Accounting Policy:

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

Terms & Conditions:

Secured over the subject land, arrears attract interest of 5.80% (2021: 5.05%). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables - Fees & Other Charges

Accounting Policy:

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

Terms & Conditions:

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

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables - Other Levels of Government

Accounting Policy:

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

Terms & Conditions:

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

Carrying Amount:

Approximates fair value.

The Corporation of the City of Whyalla

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

Note 13. Financial Instruments (continued)

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

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

Terms & Conditions:

Liabilities are normally settled on 30 day terms.

Carrying Amount:

Approximates fair value.

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

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

Terms & Conditions:

Secured over future revenues, borrowings are repayable and interest is charged at fixed and variable rates between 1.55% and 2.80% (2021: 1.30% and 2.05%).

Carrying Amount:

Approximates fair value.

Liabilities - Leases**Accounting Policy:**

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

	Due < 1 year \$ '000	Due > 1 year & ≤ 5 years \$ '000	Due > 5 years \$ '000	Total Contractual Cash Flows \$ '000	Carrying Values \$ '000
2022					
Financial Assets					
Cash & Cash Equivalents	350	—	—	350	350
Receivables	6,640	—	—	6,640	6,640
Total Financial Assets	6,990	—	—	6,990	6,990
Financial Liabilities					
Payables	3,130	—	—	3,130	3,130
Non-Current Borrowings	12,750	3,500	—	16,250	16,250
Total Financial Liabilities	15,880	3,500	—	19,380	19,380
2021					
Financial Assets					
Cash & Cash Equivalents	580	—	—	580	580
Receivables	4,094	—	—	4,094	4,094
Total Financial Assets	4,674	—	—	4,674	4,674
Financial Liabilities					
Payables	6,005	—	—	6,005	6,005
Non-Current Borrowings	3,500	3,500	—	7,000	7,000
Total Financial Liabilities	9,505	3,500	—	13,005	13,005

The Corporation of the City of Whyalla

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

Note 13. Financial Instruments (continued)

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

	2022		2021	
	Weighted Avg Interest Rate \$ '000	Carrying Value \$ '000	Weighted Avg Interest Rate \$ '000	Carrying Value \$ '000
Overdraft	6.55%	—	6.47%	—
Other Variable Rates	2.32%	16,250	1.63%	7,000
		<u>16,250</u>		<u>7,000</u>

Net Fair Value

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

Risk Exposures

Credit Risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any impairment. 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.

Expected Credit Losses (ECL)

Council uses an allowance matrix to measure expected credit losses for receivables from individual customers, which comprise a large number of small balances. As rates and annual charges are secured over subject land no allowance for such receivables is made. The following table provides information about Council's ECLs from receivables (excluding secured rates and charges, GST and other amounts held in trust). Impairment analysis is performed each reporting date. ECLS are based on credit history adjusted for forward looking estimates and economic conditions.

Set out below is the movement in the allowance for expected credit losses:

	2022 \$ '000	2021 \$ '000
As at 1 July	155	221
Provisions	17	61
Write off	—	(123)
Less reversals	(5)	(4)
Other movements	(12)	—
As at 30 June	<u>155</u>	<u>155</u>

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

Note 14. Capital Expenditure and Investment Property Commitments

	2022 \$ '000	2021 \$ '000
--	-----------------	-----------------

(a) Capital Commitments

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Land Improvements	691	212
Buildings	1,145	785
Infrastructure	1,815	3,561
Plant & Equipment	580	437
Other	–	171
	4,231	5,166

These expenditures are payable:

Not later than one year	4,231	5,166
	4,231	5,166

(b) Other Expenditure Commitments

Other non-capital expenditure commitments in relation to investment properties at the reporting date but not recognised in the financial statements as liabilities:

Audit Services	60	77
Waste Management Services	8,164	12,287
Other Maintenance Contracts	1,659	341
Other	8,900	1,431
	18,783	14,136

These expenditures are payable:

Not later than one year	4,829	3,743
Later than one year and not later than 5 years	13,954	9,813
Later than 5 years	–	580
	18,783	14,136

The Corporation of the City of Whyalla

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

Note 15. Financial Indicators

	Indicator 2022	Indicators 2021	Indicators 2020
Financial Indicators overview			
<i>These Financial Indicators have been calculated in accordance with Information paper 9 - Local Government Financial Indicators prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia.</i>			
1. Operating Surplus Ratio			
Operating Surplus			
Total Operating Income	2.4%	(11.6)%	1.5%
<i>This ratio expresses the operating surplus as a percentage of total operating revenue.</i>			
2. Net Financial Liabilities Ratio			
Net Financial Liabilities			
Total Operating Income	46%	40%	33%
<i>Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses). These are expressed as a percentage of total operating revenue.</i>			
Adjusted Operating Surplus Ratio			
Operating Surplus			
Total Operating Income	(2.1)%	(11.5)%	1.3%
Adjustments to Ratios			
<i>In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. These Adjusted Ratios correct for the resulting distortion in key ratios for each year and provide a more accurate basis for comparison.</i>			
Adjusted Net Financial Liabilities Ratio			
Net Financial Liabilities			
Total Operating Income	57%	47%	41%
3. Asset Renewal Funding Ratio			
Asset Renewals			
Infrastructure & Asset Management Plan required expenditure	62%	61%	188%
<i>Asset renewals expenditure is defined as capital expenditure on the renewal and replacement of existing assets relative to the optimal level planned, and excludes new capital expenditure on the acquisition of additional assets.</i>			

The Corporation of the City of Whyalla

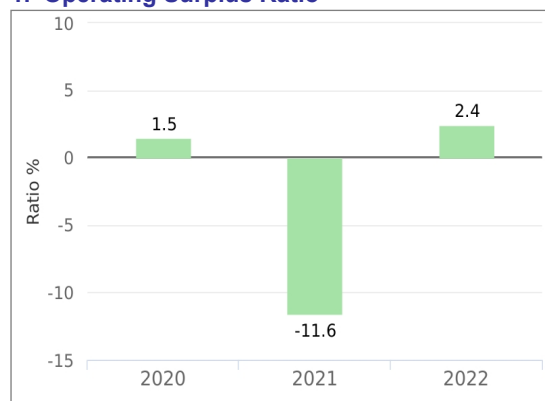
Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 15. Financial Indicators (continued)

Financial Indicators - Graphs

1. Operating Surplus Ratio



Purpose of operating surplus ratio

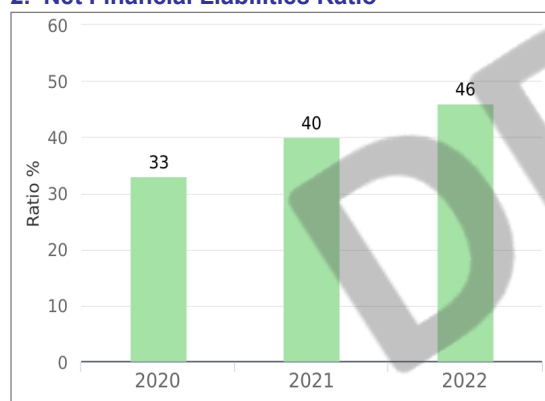
This indicator is to determine the percentage the operating revenue varies from operating expenditure

Commentary on 2021/22 result

2021/22 ratio 2.4%

Council are currently in a deficit position, however this result is an improvement on the adopted budget, even after taking into account the additional Financial Assistance Grants received in advance.

2. Net Financial Liabilities Ratio



Purpose of net financial liabilities ratio

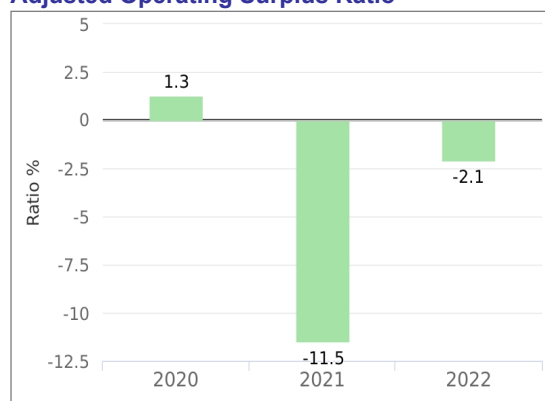
This indicator shows the significance of the net amount owed to others, compared to operating revenue

Commentary on 2021/22 result

2021/22 ratio 46%

In accordance with Councils' Treasury Management Policy, funds are borrowed in accordance with the capital expenditure requirements as set out in the Budget and Long Term Financial Plan. Borrowings have increased over the last year and are expected to peak over the next few financial years.

Adjusted Operating Surplus Ratio



Purpose of adjusted operating surplus ratio

This indicator is to determine the percentage the operating revenue (adjusted for timing differences in the Financial Assistance Grant) varies from operating expenditure

Commentary on 2021/22 result

2021/22 ratio (2.1)%

This ratio removes the effects of timing differences in financial assistance grant payments. There was a large impact this year, as the Federal Government moved from paying two quarters in advance to three.

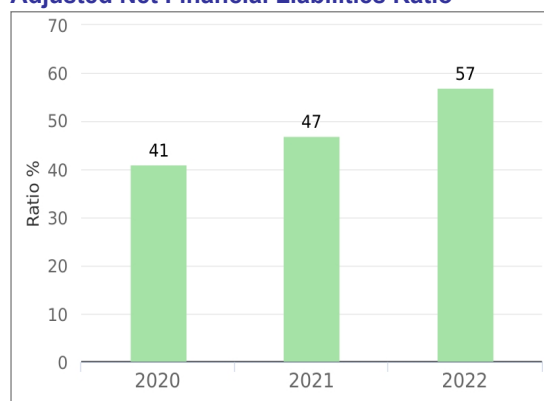
The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 15. Financial Indicators (continued)

Adjusted Net Financial Liabilities Ratio



Purpose of adjusted net financial liabilities ratio

This indicator is to determine the percentage the operating revenue (adjusted for timing differences in the Financial Assistance Grant) varies from operating expenditure

Commentary on 2021/22 result

2021/22 ratio 57%

This ratio removes the effects of timing differences in financial assistance grant payments. It shows that the current payment of three quarters in advance has the effect of reducing Council's Net Financial Liabilities Ratio by approximately 11%.

3. Asset Renewal Funding Ratio



Purpose of asset renewal funding ratio

This indicator aims to determine if assets are being renewed and replaced in an optimal way

Commentary on 2021/22 result

2021/22 ratio 62%

This ratio is lower than expected for this year, as a number of renewal projects were retimed for completion in 2022/23, including major plant purchases that could not be delivered due to product backlogs. In addition, a smaller portion of the Airport Runway project was classified as Renewal than previously predicted, with much of it being classified as Upgrade.

The Corporation of the City of Whyalla

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

Note 16. Uniform Presentation of Finances

	2022 \$ '000	2021 \$ '000
The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.		
All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.		
The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.		
Income	36,487	31,676
less Expenses	(35,595)	(35,341)
Operating Surplus / (Deficit)	892	(3,665)
Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	(5,898)	(4,620)
add back Depreciation, Amortisation and Impairment	7,257	8,727
add back Proceeds from Sale of Replaced Assets	192	115
	1,551	4,222
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	(11,963)	(6,548)
add back Amounts Received Specifically for New and Upgraded Assets	5,198	4,201
add back Proceeds from Sale of Surplus Assets (including investment property, real estate developments & non-current assets held for resale)	–	375
	(6,765)	(1,972)
Net Lending / (Borrowing) for Financial Year	(4,322)	(1,415)

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 17. Leases

Council as a lessor

Council 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.

Investment Property

Rentals received, and outgoings reimbursed, in relation to Investment Property are also disclosed in Note 2. These lease agreements, all of which are classified as operating leases, are made on a non-cancellable basis wherever practicable.

	2022 \$ '000	2021 \$ '000
Future minimum rentals receivable under non-cancellable operating leases as at 30 June, are as follows:		
Not later than one year	239	230
Later than one year and not later than 5 years	481	437
Later than 5 years	450	397
	1,170	1,064

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

Note 18. Superannuation

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

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (10.0% in 2021/22; 9.50% in 2020/21). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2020/21) of "superannuation" salary.

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

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

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willis Towers Watson as at 30 April 2022. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Councils' contribution rates at some future time.

Contributions to Other Superannuation Schemes

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

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

Note 19. Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet

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

1. Land under roads

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

At reporting date, Council controlled **353** km of road reserves of average width **20** 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.

3. Bank guarantees

Council has no bank guarantees.

4. Legal expenses

Council is the planning consent authority for its area under the Development Act 1993 (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council had no notice of any appeals against planning decisions made prior to reporting date.

Council is responsible for the operations of the Mount Laura and, previously, the Newton Street landfill sites. The cost of Councils' obligations in relation to the Mount Laura site has been included in Note 8. The Newton Street site is monitored and costs are expensed on an annual basis. Requirements for future restorations have not been identified as at 30 June 2022. If applicable, once identified, the amount will be included and amortised on an annual basis.

Note 20. Events after the Balance Sheet Date

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

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

Council is not aware of any "non adjusting events" that merit disclosure.

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

Note 21. Related Party Transactions

Key Management Personnel

Transactions with Key Management Personnel

The key management personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the Local Government Act 1999. In all 31 persons were paid the following total compensation

	2022 \$ '000	2021 \$ '000
The compensation paid to Key Management Personnel comprises:		
Short-Term Employee Benefits	3,037	2,880
Post-Employment Benefits	235	262
Long-Term Benefits	227	247
Termination Benefits	13	76
Total	3,512	3,465

Receipts from Key Management Personnel comprise:

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

Planning and Building Application Fees	1	1
Total	1	1

Six key management personnel and relatives own retail businesses from which various supplies were purchased as required either for cash or on 30 day account. The total amount purchased from these businesses for the 2021/22 financial year was \$73,776, with aggregate purchases from four of these individual business exceeding \$5,000 during the year.

Five close family members of key management personnel are employed by Council in accordance with the terms of the Award, and as recorded in the public Register of Salaries maintained in accordance with section 105 of the Local Government Act 1999.

Three key management personnel or close family members (including related parties) lodged a total of three Planning and Building applications during the year. In accordance with the Local Government Act 1999, these persons declared conflicts of interest and took no part in the assessment or approval processes for these applications.

Three planning and building approvals, with and without conditions, was granted during the year. Total fees for these applications (all of which are payable on lodgement) amounted to \$1,443.

The Corporation of the City of Whyalla

General Purpose Financial Statements for the year ended 30 June 2022

Independent Auditor's Report - Financial Statements

DRAFT

The Corporation of the City of Whyalla

General Purpose Financial Statements for the year ended 30 June 2022

Independent Auditor's Report - Internal Controls

DRAFT

The Corporation of the City of Whyalla

General Purpose Financial Statements

for the year ended 30 June 2022

Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of The Corporation of the City of Whyalla for the year ended 30 June 2022, the Council's Auditor, Dean Newbery & Partners, has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

Justin Commons
Chief Executive Officer

Alan Rushbrook
Presiding Member, Audit Committee

Date: 04 October 2022

The Corporation of the City of Whyalla

General Purpose Financial Statements

for the year ended 30 June 2022

Statement by Auditor

We confirm that, for the audit of the financial statements of The Corporation of the City of Whyalla for the year ended 30 June 2021, we have maintained our independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

Auditor's Name

Audit Firm Name

Date: 04 October 2022

DRAFT



Whyalla City Council
Civic Building, Darling Terrace
Whyalla SA 5600
PO Box 126, Whyalla SA 5600

t. 08 8640 3444
f. 08 8645 0155
e. council@whyalla.sa.gov.au
w. whyalla.sa.gov.au

4 October 2022

Samantha Creten
Partner
Dean Newbery
PO Box 755
NORTH ADELAIDE SA 5006

Dear Samantha

Management Representations: External Audit, Financial Year Ended 30 June 2022

This Management Representation letter is provided in connection with your audit examination of the General Purpose Financial Report **(2022 Financial Report)** of **The Corporation of the City of Whyalla ('the Council')** for the financial year ended 30 June 2022.

We hereby confirm, at your formal request, that to the best of our knowledge and belief, the following representations relating to the 2022 Financial Report are correct.

In making these representations, we understand that they are provided to you in connection with your external audit of the Council for the year ended 30 June 2022 as prescribed by the Local Government Act 1999, for the express purpose of your expressing an opinion as to whether the 2022 Financial Report is, in all material respects, presented fairly in accordance with all applicable standards and requirements, including statutory. In making these representations, we have read and understood the standard unqualified Audit Opinion that would be normally expressed to the Council by you as is required under Section 129(3) of the Local Government Act 1999 for the financial year ended 30 June 2022. We therefore understand, without exception, the potential ramifications of making any representations to you that are not correct, to the best of our knowledge and belief as of the date of this letter.

We understand and acknowledge that it is the Council management's responsibility for the fair presentation of the 2022 Financial Report and that management, as appropriate, have approved the Financial Report. Accordingly, management of the Council are of the opinion that the 2022 Financial Report is free of material misstatements, including omissions.



1. Compliance with all Applicable Standards, including Statutory

The Financial Report of the Council has been prepared so as to present a true and fair view of the state of affairs of the Council as at 30 June 2022 and of the results of operations of the Council for the financial year ended on that date, including for all post balance date matters, as applicable.

The accounting and financial management policies, practices and records of the Council were at all times maintained in accordance with the requirements of the Local Government Act 1999, Local Government (Financial Management) Regulations 2011 and that the Financial Report was prepared in accordance with the Local Government Act 1999, Local Government (Financial Management) Regulations 2011, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board together with all other mandatory professional reporting requirements in Australia.

ASSETS

Cash and Cash Equivalents

- (1) Cash on hand at balance date was represented by cash floats reconciled and on hand as at 30 June 2022.
- (2) Cash at bank at balance date represented the reconciled operating account(s) of the Council.
- (3) Short term deposits represented amounts held with the LGFA by the Council.

Rates and Other Receivables

- (1) Current rate receivables at balance date represented all outstanding amounts owed by rate payers.
- (2) Current other receivables at balance date represented all outstanding amounts owed by debtors other than rate payers.
- (3) Debts due at balance date that are known to be uncollectible have since been written-off and adequate provision has been made for impairment to cover allowances, discounts and losses that may be sustained by Council in the collection of the debts **(\$154,517)**.



Inventories

- (1) All inventories were the property of the Council and have either been paid for or the liability has been brought to account.
- (2) All inventories have been physically counted and valued in accordance with the applicable Australian Accounting Standard.

Other Current Assets

- (1) Prepayments at balance date represented payments for goods and services to be received in the 30 June 2022 financial year.
- (2) Council holds a number of industrial land parcels for sale, with these held at the lower of cost and net realisable value.

Financial Assets – Loans to Community Groups

- (1) There are no grounds to provide for any impairment loss for loans to community groups or other organisations.

Investments Accounted using the Equity Method

- (1) Council has complied with all applicable Australian Accounting Standards with regard to Council's equity in subsidiaries, regional subsidiaries and other interests, as applicable.



Infrastructure, Property, Plant & Equipment and Depreciation

- (1) Infrastructure, property, plant and equipment at the 2022 balance date was represented by the following fair values, cost, accumulated depreciation and carrying amounts for each class of asset, in accordance with all prescribed requirements and standards, as follows:

Asset Class	Fair Value Level	At Fair Value	At Cost	Accumulated Depreciation	Carrying Amount
		\$'000	\$'000	\$'000	\$'000
Land	2	6,724	-	-	6,724
Land	3	27,533	-	-	27,533
Land Improvements	3	31,817	-	(10,755)	21,062
Buildings & Other Structures	2	13,448	-	(9,575)	3,873
Buildings & Other Structures	3	75,117	-	(40,621)	34,496
Stormwater Drainage	3	39,553	-	(18,682)	20,871
Irrigation Systems	3	10,747	-	(3,317)	7,430
Playgrounds	3	2,478	-	(1,093)	1,385
Roads & Footpaths	3	259,540	-	(88,349)	171,191
Runway Assets	3	11,962	-	(5,996)	5,966
Plant & Equipment		-	5,919	(3,642)	2,277
Furniture & Fittings		-	2,663	(1,712)	951
Street Furniture		-	2,272	(983)	1,289
Other Assets		-	4,793	(1,364)	3,429
Landfill Assets		-	-	-	-
Total Infrastructure, Property, Plant & Equipment		478,919	15,647	(186,089)	308,477

- (2) The additions during the 2022 financial year to Infrastructure, property, plant and equipment general ledger control accounts and asset registers represents the cost of additions and or improvements to existing facilities or replacements thereof. All units of property which have been replaced, sold, dismantled or otherwise disposed of, or which are permanently unusable, have been removed from general ledger and applicable asset register. Adequate provision, determined in a manner consistent with that of the preceding financial year, has been made to write-off depreciable assets over their useful economic working lives.



No circumstances have arisen which render adherence to the existing basis of depreciation misleading or inappropriate and that depreciation expense for the financial year ended 30 June 2022 is reliable.

- (3) All additions to depreciable assets represent actual additions or improvements of a capital nature, based on capitalisation thresholds consistently applied for the 2022 financial year and unchanged from the 2021 financial year.
- (4) Where the recorded carrying amount of any depreciable assets exceeds its recoverable amount as at 30 June 2022, that asset's recorded carrying amount has been written down to its recoverable amount.
- (5) Contractual commitments for capital expenditure(s) included in the Financial Report payable not later than one year are as described in the notes accompanying the Financial Report.
- (6) There are no deficiencies or encumbrances attaching to the title of the assets of the Council at 30 June 2022 other than those reflected in the financial report and those are not greater than the value of the asset.
- (7) No Operating or Finance Lease commitments exist that have not been disclosed in the Financial Report. All Operating Lease expenses have been fully disclosed in the notes to the 2022 Statement of Comprehensive Income. Finance Leasing commitments have been fully disclosed in the notes to the 2022 Balance Sheet.
- (8) The asset revaluations of infrastructure assets undertaken during the 2022 financial year by Tonkin Consulting Pty Ltd were based on the principle of written down replacement value. Accordingly, total replacement value, total economic working life, residual economic working life were reliably established for each asset and the financial records of Council were restated in accordance with all applicable Australian Accounting Standards, and the Financial Report reflects all such accounting entries.
- (9) Desktop revaluations of all land, building and infrastructure assets owned by Council were undertaken by independent valuers **Tonkin Consulting Pty Ltd** as at **30 June 2022**.

Valuations have been formally accepted by Council and recognised in the 2022 Financial Report.



- (10) The resultant increment to the asset revaluation reserve during the year represents the difference between the prior written down value of the assets being valued and the valuations as at **30 June 2022**.
- (11) Depreciation expense reported in the 2022 Statement of Comprehensive Income is reliable, being based on reliable 'whole of life' asset management information for each class of depreciable non-current asset.

LIABILITIES – Current and Non-Current

- (1) All liabilities which have arisen, or which will arise out of the activities of the Council to the end of the 2022 financial year have been included in the 2022 Financial Report.
- (2) All outstanding trade payables at balance date have been taken up as at the 2022 balance date.
- (3) All applicable accrued wages and salaries and accrued employee entitlements at the 2022 balance date have been taken up.
- (4) All accrued interest at the 2022 balance date have been taken up.
- (5) All revenue received in advance as at the 2022 balance date have been taken up.
- (6) Provisions for employee benefits, inclusive of on-costs, all discounted as at the 2022 balance date representing long service leave benefits calculated for all valid employees (as at balance date) have been taken up.
- (7) Accrued employee benefits represent annual leave accrued for all valid employees as at the 2022 balance date.
- (8) Borrowings as at the 2022 balance date represented amounts owed to the Local Government Finance Authority. Loans with the LGFA have varying maturity dates and interest rates with details fully provided in the notes to the 2022 Financial Report.
- (9) There were no contingent liabilities including for:
- a) guarantees;
 - b) bills and accounts receivable discounted, assigned or sold and which are subject to recourse;
 - c) endorsements;
 - d) pending lawsuits, unsatisfied judgements or claims;



- e) repurchase agreements; or
- f) contractual disputes between the Council and any contractor / service provider that may result in an increased liability as at 30 June 2022, which are not fully disclosed in the notes to the 2022 Financial Report.

EQUITY

- (1) There have been no adjustments to the Accumulated Surplus other than those allowable under the Australian Accounting Standards.
- (2) There have been no adjustments to the Asset Revaluation Reserve other those allowable under the Australian Accounting standards and the balance of the reserve has been reconciled to each class of asset.
- (3) All reserve funds required by legislation to be maintained have been at all times maintained in the accounting records of the Council.
- (4) All transfers to and from reserve funds (including the Accumulated Surplus) have been prior authorised by Council.
- (5) Other than for the Asset Revaluation Reserve, all other reserve accounts are those applied for 2022 Council budget purposes and have the same balances as at 30 June 2022.
- (6) An ageing of the balances held in Council's 'Committed Expenditures/Carry Forward Projects reserve is included below, inclusive of all debit and credit balances, as applicable.



Reserves	Year Received	Opening Balance 000's	Income 000's	Expense 000's	Closing Balance 000's
Development Bond	prior	(8)	-	-	(8)
Airport Security Grant	current	(171)	(2,138)	2,309	-
Airport Runway	current	(300)	(2,014)	2,314	-
Foreshore Grant - Coastal	current	(48)	(35)	48	(35)
Northern Coastline Track	current	(10)	-	10	-
Child Care Landscape Grant	current	(1)	-	1	-
Unisex Toilets - Jubilee	current	(425)	-	28	(397)
Point Lowly Lighthouse	current	(15)	-	-	(15)
Child Care Grant	current	-	(150)	8	(142)
Tree Replacement Grant	current	-	(73)	-	(73)
Library Digital Literacy Grant	current	-	(8)	7	(1)
Youth Led Recovery Grant	current	-	(15)	11	(4)
Total		(978)	(4,434)	4,737	(675)

(7) Council does not maintain a 'Contingency Reserve'.

(8) Council does not maintain any 'cash backed' reserve funds.

2022 STATEMENT OF COMPREHESIVE INCOME

- (1) Please find attached a summary of all variations greater than 10% for all income and expense amounts (variances less than \$5,000 have been deemed immaterial and not included) disclosed in the 2022 Statement of Comprehensive Income, compared to 2021.
- (2) There were no amounts reclassified in the 2022 Statement of Comprehensive Income.
- (3) All depreciable physical resources received free of charge have been included in the appropriate asset register and depreciated from the date when Council assumed control (of the asset).
- (4) Depreciation expense for 2022 is in accordance with Council's asset registers and has been determined on the same basis as for 2021, other than a minor change in useful lives for some building components.



- (5) Salaries and Wages expense disclosed in the 2022 Statement of Comprehensive Income reconciles to the last budgeted salaries and wage amount approved by Council for 2022 annual budget funding purposes.
- (6) Capital grants have been correctly separated from operating grants, in accordance with the requirements of the Model Financial Statements.

KEY FINANCIAL INDICATORS

Key Financial Indicators	Target	2022 Year End
Operating Surplus Ratio - %	(2) – 1%	2.4
Adjusted Operating Surplus Ratio - %		(2.1)
Net Financial Liabilities Ratio - %	< 80%	46
Asset Renewal Funding Ratio - %	90-110%	62

Operating Surplus Ratio

Council is operating outside its key performance indicator target for the operating surplus ratio however, the adjusted operating surplus ratio of (2.1%) is an improvement to the adopted budget adjusted operating surplus ratio of (4.0%).

In April 2022, the Federal Government distributed three quarters of the 2022-23 financial assistance grants (FAGS) allocation in advance. The impact to the adjusted operating surplus ratio for the current year when removing the effects of receiving the advance payments results in a 2.4% surplus turning into a 2.1% deficit.

Net financial Liabilities Ratio

Council is operating within its key performance indicator target for the net financial liabilities ratio, increasing from 40% in June 2021 to 46% in June 2022. Borrowings have increased during this period to meet cash flow requirements. As at 30 June 2022, Council had \$16.25 million in borrowings and has the capacity to increase loan borrowings as required in the future.

Asset Renewal Funding Ratio

Councils' Asset Renewal Funding Ratio is below the key financial indicator target of between 90 and 110% for the 2021-22 financial year attributed to several renewal projects being



retimed for completion in 2022-23 as a result of product/service backlogs. Additionally, a portion of the airport runway project was classified as upgrade, rather than renewal.

OTHER REQUIRED REPRESENTATIONS

- (1) No events have occurred (or are known to occur) subsequent to the 30 June 2022 that would require any consideration for adjustment to or additional disclosure in the 2022 Financial Report.
- (2) The Council does not have any plans or intentions that may materially affect the carrying value or classification of all assets and liabilities as at 30 June 2022.
- (3) The Council has complied with all aspects of contractual arrangements and agreements that would have a material effect on the 2022 Financial Report in the event of non-compliance.
- (4) There were no material commitments for construction or acquisition of property, plant and equipment or to acquire other non-current assets, other than those disclosed in the 2022 Financial Report.
- (5) There are no violations or possible violations of laws, compulsory standards or regulations whose effects should be considered for disclosure in the 2022 Financial Report or as a basis for recording as an expense or otherwise.
- (6) The methods, the data, and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
- (7) The Council has full title to all assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- (8) All details concerning related party transactions and related amounts receivable or payable (including sales, purchases, loans and guarantees) have been correctly recorded in the accounting records. All related parties have been identified and disclosed to you during your audit.
- (9) The Council reviews, at least on an annual basis, the adequacy of insurance cover on all assets and insurable risks. This review has been consistently performed, and where it is



considered appropriate, assets and insurable risks of the Council are at all times adequately covered by appropriate insurance.

- (10) The minutes of all meetings of Council and its Committees were made available to you and are complete and authentic records of all such meetings held during the 2022 financial year and to the date of this letter. All other statutory records were properly kept at all times during the year and have been made available to you for audit purposes.
- (11) All audit correspondence has been formally and promptly responded.
- (12) All audit correspondence has been referred to Council and Council's Audit Committee.
- (13) Salaries and wages records together with records for the Goods and Service Tax were at all times fully maintained in accordance with the requirements of the Australian Taxation Office, as applicable.
- (14) All documentation relating to the capture of Related Party Disclosures and Transactions (AASB 124 Related Party Disclosures) including all authorised forms provided by the deemed Key Management Personnel, evidence of review of total related party transactions processed during the financial year by the Council e.g. Transaction reports of payments made by Council to related parties and any working papers of calculation methodologies for the disclosures in the 30 June 2022 financial statements have been made available to the auditors.
- (15) All deemed material transactions relating to Related Party Disclosures and Transactions (AASB 124 Related Party Disclosures) have been included and adequately disclosed in the 30 June 2022 financial statements.
- (16) Council has formally in place and has at all times maintained an appropriate standard of accounting, internal control structure and framework, segregation of duties and risk management structure and framework across the entire organisation, including appropriate controls and mechanisms specifically designed to prevent and detect fraud and error. Further, we advise that there have not been any instances of fraud or error during the financial year ended 30 June 2022 or to the date of this letter. In addition, there are no matters that should be brought to your attention for the purposes of your making an assessment as to Sections 129(5) and 129(6) of the Local Government Act 1999.



- (17) The 2022 Financial Report has been adjusted for all agreed audit adjustments for the year ended 30 June 2022.
- (18) Council has not made any changes in accounting practices and accounting policies for the financial year ended 30 June 2022 compared to the financial year ended 30 June 2021, except for a minor change in useful lives for some building components.
- (19) Council's Audit Committee has addressed all of its prescribed responsibilities and no member of the Committee has undertaken other professional services for the Council.
- (20) In our opinion, there are no grounds to believe that the Council will not be able to pay its debts as and when they fall due, that assets will be at all times maintained to the service standards currently determined by Council and accordingly, the Council is long term financially sustainable.

Yours sincerely

Justin Commons
Chief Executive Officer

Enclosures (as applicable)



Statement of Comprehensive Income - Variance Summary

2021/22 income and expense compared to 2020/21

STATEMENT OF COMPREHENSIVE INCOME

Income	CY	PY	Variance
Rates Revenues	\$ 22,385,558	\$ 21,390,027	4.65%
Statutory Charges	\$ 422,712	\$ 377,656	11.93%
User Charges	\$ 3,244,081	\$ 2,643,072	22.74%
Grants, Subsidies and Contributions	\$ 9,009,814	\$ 6,099,628	47.71%
Investment Income	\$ 12,543	\$ 11,315	10.85%
Reimbursements	\$ 22,068	\$ 66,527	-66.83%
Other Income	\$ 1,390,705	\$ 1,087,819	27.84%
Total Income	\$ 36,487,481	\$ 31,676,044	15.19%

Expenses	CY	PY	Variance
Employee Costs	\$ 12,393,074	\$ 11,845,641	4.62%
Materials, Contracts & Other Expenses	\$ 15,740,016	\$ 14,584,078	7.93%
Depreciation, Amortisation & Impairment	\$ 7,257,114	\$ 8,727,276	-16.85%
Finance Costs	\$ 204,913	\$ 184,362	11.15%
Total Expenses	\$ 35,595,117	\$ 35,341,357	0.72%

INCOME

Statutory Charges increased by 11.93% in the 2021/22 financial year as a result of:

- Increased development and planning applications of \$20,000
- Increase in property search fees of \$16,000

User Charges increased by 22.74% in the 2021/22 financial year as a result of:

- \$67,000 increase in cemetery/crematorium fees
- Airport income increased by \$251,000 during the covid recovery period (ongoing)
- Child care income increased by \$103,000 arising from an increase in fees and policy changes aimed at increasing utilisation.
- Child care subsidy income increased by \$102,000
- Property lease income has increased by \$123,000 due to YMCA profit share, commercial property leases and Whyalla Football League lease income.

Grants, Subsidies and Contributions have increased by 47.71% in the 2021 financial year as a result of:

- Financial Assistance Grants (FAGS) increasing by \$1.4 million due to three quarters of the 2022/23 allocation being paid in advance in April 2022. Previous advance payments have been one half of the annual allocation.
- Grants of \$1.3 million for the cost of the airport screening process were received.

Investment Income decreased by 10.85% in the 2021/22 financial year as a result of lower interest rates.

Reimbursements decreased by 66.83% in the 2021/22 financial year as a result of:

- Reduced driveway and footpath developer contributions in 2021/22

Other Income increased by 27.84% in the 2021/22 financial year resulting from an insurance claim payout and equipment oncharges to external Councils.

EXPENSES

Materials, Contracts & Other Expenses increased by 7.93% in the 2021/22 financial year as a result of:

- Contractor costs increasing by 28.08% due to the airport screening expense
- EPA levy decreased by 85.53% as this is no longer a Council expense (2 months expense)
- Parts, accessories and maintenance costs reduced by \$92,000 as a result of the increased asset renewal/replacement program resulting in lower maintenance requirements

Depreciation, Amortisation & Impairment expense decreased by 16.85% in the 2021/22 financial year as a result of

- Impairment expense in 2020/21 of \$1.178 million for irrigation
- Landfill assets fully depreciated in 2020/21

Finance Costs increased by 11.15% in the 2021/22 financial year as a result of increased borrowings as projects progressed and a rise in interest rates during the period.



Audit Completion Report

City of Whyalla

Financial Year Ended 30 June 2022

"Annexure C"

DeanNewbery

27 September 2022

Mr Alan Rushbrook
Chair – Audit Committee
City of Whyalla
PO Box 126
Whyalla SA 5600

Dear Mr Rushbrook

This report has been prepared for the Audit Committee of the City of Whyalla (**Council**) in relation to the 30 June 2022 external audit.

The purpose of this report is to provide members of the Audit Committee and those charged with governance a summary of the significant matters that have arisen from our audit which we believe covers material matters dealt within our work completed.

We are pleased to advise that subject to finalisation of the outstanding matters outlined within this report, our audit opinions for financial year ended 30 June 2022 are expected to be issued as unmodified audit reports.

I would like to take this opportunity to thank the Administration for the assistance provided throughout the year.

Your sincerely
DEAN NEWBERY

A handwritten signature in black ink, appearing to read 'Samantha', with a stylized flourish at the end.

Samantha Creten
Partner

Scope

The audit procedures have been designed and carried out by the audit team in accordance with Australian Auditing Standards and per the audit scope prescribed under the *Local Government Act 1999* and applicable Regulations for the financial year ended 30 June 2022.

Independence

In accordance with our professional ethical requirements, we confirm that, for the financial year ended 30 June 2022, all members of our audit team have maintained their independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Part 4A, published by the Accounting Professional and Ethical Standards Board and in accordance with *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*.

Audit Status

All requested audit adjustments have been processed and disclosures have been made within the financial report based on audit testing completed.

All requested information has been provided by the Administration during the course of the audit.

Subject to the finalisation of the matters outlined in this report, our audit opinion for the financial year ended 30 June 2022 will be signed without reference to any qualification.

Outstanding Matters

All requested audit adjustments have been processed and disclosures within the financial report appropriately modified based on audit testing completed.

Subject to the following work being satisfactorily completed, we expect unmodified audit opinions to be issued for the financial year:

- Undertake a review of subsequent events since 30 June 2022
- Complete a review of the draft Financial Statements and obtain certified financial statements as required
- Receipt of the signed Management Representation Letter

Fraud & Litigation

As part of our audit we have discussed with the Administration:

- The safeguards in place in relation to the prevention and detection of fraud
- The existence of any fraud
- The existence of any litigation and claims

We have not become aware of any matter which should be brought to the Council or Audit Committee's attention

Summary of Misstatements

91

Below is a summary of adjustments and the status of matters identified. Any misstatements, either individually or in aggregate, that are considered to be immaterial, have not been adjusted. The following misstatements have been identified:

Matter No.	Description	Operating Surplus / (Deficit)	Net Surplus/(Deficit)	Net Assets Dr/(Cr)	Equity Dr/(Cr)	Status of Matter
1.	Adjust to correctly account for accrued expenditure related to two invoices identified through Post Balance Date Testing	(1,616)	(1,616)	-	-	Uncorrected
Summary Corrected Misstatements		-	-	-	-	
Summary Uncorrected Misstatements		(1,616)	(1,616)	-	-	

No.	Matter	Description
1.	Post Balance Date Testing – Accrued Expenditure	<p>A review of a sample of transactions recorded post 30 June 2022 identified two invoices which had a small portion of the expenditure, totalling 1,616.77 relating to the FY22 period.</p> <p>This misstatement was considered immaterial and as a result, no adjustments were made to the General Ledger.</p>

Key Audit Matters Considered

92

As a result of the work we have recently completed, we have provided further detail below of the key audit matters and the outcomes from our testing completed.

Key Audit Matter Description	Audit Work Undertaken	Outcomes of Testing Completed
Infrastructure, Property, Plant & Equipment	<ul style="list-style-type: none">Reviewed Note 7 Infrastructure, Property, Plant & Equipment movements recorded against the General Ledger and relevant asset registers.Reviewed the Asset Revaluations processed for each asset class to ensure correct application per AASB 116.	No exceptions were noted.
Work in Progress (WIP)	<ul style="list-style-type: none">Reviewed WIP reconciliation to identify any long-term projects recorded to ensure correct ongoing classification of costs as WIP.Tested transactions allocated to WIP to ensure appropriate allocation of expenses incurred in line with AASB 116.	No exceptions were noted.
Real Estate Development	<ul style="list-style-type: none">Reviewed the treatment of assets held and the application of the value being held at the lower of cost and net realisable value to ensure compliance with Australian Accounting Standards.	No exceptions were noted.
Asset Revaluation Reserve	<ul style="list-style-type: none">Reviewed the General Ledger and Equity Accounts to ensure appropriate accounting treatment per accounting standards.	No exceptions were noted.
Grants Revenue Received	<ul style="list-style-type: none">Reviewed Grant Agreements and identified specific performance obligation to assess whether there were any unrecorded liabilities and the recognition of revenue was appropriate per accounting standards.Reviewed accounting treatment of funding received (e.g. Capital vs Operating) to ensure appropriate classification and disclosure per the Model Financial Statements.	No exceptions were noted.

Matters to be Addressed in Future Financial Years

93

As a result of audit work completed, the following audit matters have been identified during the course of our audit which we have summarised below

Audit Matter	Audit Recommendation
Plant & Equipment – Residual Balances	<p>A review of Council's Plant & Equipment Asset Register identified 31 assets, with a total replacement value of \$1.913M and a total WDV as at 30 June 2022 totalling \$190K, which had not incurred any depreciation for FY22. Discussions with Administration identified that the remaining \$190K was the recorded residual value held for these assets which Council expects to receive upon disposal of the Plant & Equipment.</p> <p>Further analysis of these residual values identified that the average residual value applied to assets was 10% of the original cost base and a number of assets had now reached the end of their useful life but were still being used.</p> <p>We recommend that Council undertake a comprehensive review of assumptions applied to Plant & Equipment asset useful lives and residual values to ensure they remain reliable and accurate for financial reporting purposes and compliance with Australian accounting standards.</p> <p>Any changes made should be reflected in Council's Asset Management Policy.</p>

INDEPENDENT AUDITOR’S REPORT

To the members of City of Whyalla
Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of the City of Whyalla (the Council), which comprises the statement of financial position as at 30 June 2022, statement of comprehensive income, statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the Certification of the Financial Statements.

In our opinion, the financial report presents fairly, in all material aspects, the financial position of the Council as at 30 June 2022, and its financial performance and its cash flows for the year then ended in accordance with the Local Government Act 1999 and the Local Government (Financial Management) Regulation 2011 and the Australian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described as in the Auditor’s Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Council in accordance with the auditor independence requirements of the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110: Code of Ethics for Professional Accountants (Including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our 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.

Council’s Responsibility for the Financial Report

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

In preparing the financial report, Council is responsible for assessing the Council’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless Council either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Council’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Report

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

Auditor’s Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DEAN NEWBERY

Samantha Creten
Partner

Signed on the day of 2022,
at 214 Melbourne Street, North Adelaide

INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF THE CITY OF WHYALLA

Opinion

In our opinion, the Council has complied, in all material respects, with *Section 125 of the Local Government Act 1999* in relation to the Internal Controls established by the Council relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2021 to 30 June 2022.

Basis for Opinion

We have audited the Internal Controls of the City of Whyalla (the Council) under the requirements of *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2021 to 30 June 2022 have been conducted properly and in accordance with law.

We conducted our engagement in accordance with Standard on Assurance Engagements *ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and *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 implementing and maintaining an adequate system of internal controls, in accordance with Section 125 of the Local Government Act 1999 to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and incurring of liabilities have been conducted properly and in accordance with law.

Our Independence and Quality Control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, and applying Auditing Standard *ASQC 1 Quality Control for Firms that Perform Audits and Review of Financial Reports and Other Financial Information*, and Other Assurance Engagements in undertaking the assurance engagement.

Assurance Practitioner's Responsibilities

Our responsibility is to express an opinion on the Council's compliance with *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures have been conducted properly and in accordance with law.

ASAE 3150 requires that we plan and performed 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 operating effectively through the period. ASAE 3000 also requires us to comply with the relevant ethical requirements for the Australian professional accounting bodies.

An assurance engagement to report on the designed and operating effectiveness of controls involves performing procedures to obtain evidence about the suitability of the design of the controls to achieve the control objectives and the operating effectiveness of the 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 to the 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.

Draft Assurance Report on Internal Controls

97

Limitation on Use

This report has been prepared for the members of the Council in accordance with *Section 129(1)(b) of the Local Government Act 1999* in relation to the Internal Controls specified above. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the members of the Council, or for any purpose other than that for which it was prepared.

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved so that fraud, error, or non-compliance with laws and regulations may occur and not be detected.

An assurance engagement on 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

DEAN NEWBERY

Samantha Creten

Partner

Signed on the day of 2022,
at 214 Melbourne Street, North Adelaide

Disclaimer:

This document is for the exclusive use of the person/organisation named on the front of this document. This document must not be relied upon by any person/organisation who is not the Recipient. Dean Newbery does not take responsibility for any loss, damage or injury caused by use, misuse or misinterpretation of the information in this document by any person who is not the Recipient.

The contents of this document are confidential and may not be reproduced in whole or in part without the permission.

Dean Newbery

ABN 30 164 612 890

Liability limited by a scheme approved under Professional Standards Legislation

6.2 CORPORATE

6.2.2 2021-22 Investment and Loan Performance

Audit Committee: 4 October 2022
Author's Title: Finance Coordinator
Directorate: Corporate

File No.: 0-159, 0-209

Annexures:

Nil

Officer Direct or Indirect Conflict of Interest:

*In accordance with Local Government Act 1999,
Section 120*

Status:

*Information classified confidential under
Section 90(2) of the Local Government Act*

☐ Yes

☒ No

☐ Yes

☒ No

Reason – Not applicable

PURPOSE

Section 140 of the Local Government Act 1999 requires Council to review the performance of its investments on an annual basis. This report reviewed by the Audit Committee will be presented to Council for adoption at its Council Meeting on 17 October 2022.

SUMMARY

Council shall receive a specific report regarding treasury management performance relative to the policy via the Audit Committee.

RECOMMENDATION

The Audit Committee note the Investment and Loan Performance Report for 2021-22.

6.2.2 2021-22 Investment and Loan Performance

REPORT

BACKGROUND

Decision making regarding investments and loans are carried out under the guidance and parameters set within Councils' Treasury Management Policy. A review is presented annually to the Audit Committee and Council.

DISCUSSION

Compliance with Treasury Management Policy

Council has complied with all elements of the Treasury Management Policy. Compliance has been achieved against the following major policy requirements:

Policy Requirement	Review
Council will maintain target ranges for its Net Financial Liabilities ratio	Councils' Net Financial liabilities ratio as at 30 June 2022 was 46%. This is within the target financial indicator range of less than 80%
Council will not retain money for particular future purposes unless required by legislation or agreement with other parties	If required, funds are retained in separate accounts
Council funds available for investment will be lodged 'at call' or, having regard to differences in interest rates for fixed term investments of varying maturity dates, may be invested for a fixed term	Council held no investments during 2021-22, except provisionally in the "at call" account held with the Local Government Finance Authority (LGFA)
Council will apply any funds that are not immediately required to meet approved expenditure (including funds that are required to be expended for specific purposes but are not required to be kept in separate bank accounts) to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.	All available excess funds are repaid against existing Local Government Finance Authority 'Cash Advance Debenture' facilities prior to investment
Council will borrow funds in accordance with the requirements set out in its adopted budget and Long Term Financial Plan	Council borrows funds to meet cash flow requirements
Council will hold all borrowings with the Local Government Finance Authority	Council holds all borrowings with the Local Government Finance Authority (LGFA)
Approximately 30% of Councils' total borrowings shall be fixed, with a target range of 10% to 50% over any financial year to allow for cash flow management.	Council currently holds \$5 million, or 30.77%, of its \$16.25 million balance at 30 June 2022 in a fixed facility.

Interest on Investments Budget Performance

The performance of Interest on Investments is monitored and managed against the budgeted forecast. The actual amount of investment interest earned for 2021-22 was \$12,542, a 4.52% favourable variance against the revised budget forecast of \$12,000.

The 2021-22 financial year saw the Reserve Bank of Australia (RBA) cash rate rise twice during the financial year from 0.10% to 0.85% (0.25% in May and 0.50% in June). The 24 Hour on call account interest rates increased from 0.30% to 1.05% during the year.

Investments	Amount	Rate
Balance as at 30 June 2022	\$ -	-
Balance as at 30 June 2021	\$ -	-
Balance as at 30 June 2020	\$ -	-
Balance as at 30 June 2019	\$ 5,188,186	0 - 0.30%

Interest on Loans Budget Performance

The performance of Interest on loans is also monitored and managed against the budgeted forecast. The increase to the RBA cash rate is also reflected in the cash advance drawdown facility (CAD) with the cost of funds increasing by 0.75% from 2.05% to 2.80%. The actual amount of loan interest expense for 2021-22 was \$204,832, a 1.40% unfavourable variance against the revised budget forecast of \$202,000.

The Local Government Finance Authority (LGFA) continue to provide support to Councils by offering discounted facilities. These discounted rates are 0.75% below the current debenture rates.

Cash Advance Debentures (CAD)	Amount	Rate
Balance as at 30 June 2022	\$ 16,250,000	1.55 - 2.80%
Balance as at 30 June 2021	\$ 7,000,000	1.30 - 2.05%
Balance as at 30 June 2020	\$ 7,000,000	2.20 - 3.10%
Balance as at 30 June 2019	\$ -	-

Cash Advance Debenture Facilities as at 30 June 2022

Cash Advance Debentures (CAD)	Amount	Rate	Maturity Date
CAD 139	\$ 1,500,000	1.55%	18 July 2022*
CAD 139	\$ 1,500,000	1.70%	17 July 2023
CAD 139	\$ 2,000,000	1.90%	16 July 2025
CAD 139	\$ 5,800,000	2.80%	n/a**
CAD 139 CV (discounted)	\$ 3,200,000	2.05%	n/a
CAD 140	\$ 2,250,000	2.80%	n/a
TOTAL	\$ 16,250,000		

* Note: This facility has been increased to \$3.5 million and fixed for a further 24 month period at an interest rate of 4.95% (current maturity date 19 July 2024)

** Note: This facility has been decreased to \$3.8 million effective 18 July 2022

Financial Implications

Council monitors cash flow projections on a daily basis to ensure adequate funding is available for operational requirements.

Strategic Plan

Objective 1.1 – Unearth community pride within the city

Strategy 1.1.1 – Regularly inform the community of Council activities, decisions and actions
Promote positive stories, positive image

Legislation

Section 140 of the *Local Government Act 1999* states a council must, at least once in each year, review the performance (individually and as a whole) of its investments.

Officer Direct or Indirect Interest – Nil

Risk Assessment

Daily monitoring of cash flow projections complement the framework within the Treasury Management Policy and result in a low risk to Council.

Social Considerations – Not applicable

Community Engagement – Nil

Environmental Implications – Not applicable

Communication – Not applicable

Conclusion

The investment and loan performance for 2021-22 was comparable to revised budgeted expectations. Council held no long-term investments during the year. Cash Advance debenture (CAD) facilities were drawn down and repaid as cash flow needs required, in accordance with Councils' Treasury Management Policy.

6.2 CORPORATE

6.2.3 Financial Results 2021-22

Audit Committee: 4 October 2022
Author's Title: Manager Finance
Director Corporate: Kathy Jarrett

File No.: 0-159

Annexures:

A – Financial Results 2021-22

Officer Direct or Indirect Conflict of Interest:

*In accordance with Local Government Act 1999,
Section 120*

Status:

*Information classified confidential under
Section 90(2) of the Local Government Act*

☐

Yes

☒

No

☐

Yes

☒

No

Reason – Not applicable

PURPOSE

To review the financial results of Council compared with the estimated financial results set out in the budget for the year ending 30 June 2022.

SUMMARY

Council, on adoption of the 2021-22 budget, projected an adjusted operating deficit of \$1,423,000 and an adjusted operating deficit ratio of (4%). Movements during the year have resulted in a year end adjusted operating deficit of \$827,000 and an adjusted operating deficit ratio of (2%).

The improvement in Council's operating result can mainly be attributed to the recognition of Local Roads and Community Infrastructure funding received during the year and the difference between projected and actual depreciation.

RECOMMENDATION

The Audit Committee recommends the financial results compared with the estimated financial result of Council for the financial year ending 30 June 2022, be presented to Council.

6.2.3 Financial Results 2021-22

REPORT

BACKGROUND

The Local Government (Financial Management) Regulations require the Council to consider Councils' audited financial results (30 June 2022) compared with the estimated financial results (original budget, adopted 6 July 2021) as set out in the budget for the year ending 30 June 2022. The report should be presented in a manner consistent with the Model Financial Statements.

Council has reviewed its budget three times during 2021-22, for the periods ending 30 September 2021, 31 January 2022 and 30 April 2022, as well as updating as required for any amendments related to Council resolutions.

DISCUSSION

The report on Financial Results comprises the following statements:

1. financial indicators;
2. summary of material variances to budget;
3. uniform presentation of finances; and
4. financial statements.

Explanations have been included for material variations since adoption of the 2021-22 Budget.

Refer **Annexure "A"** – Financial Results 2021-22

Financial Implications

Councils' key financial sustainability performance targets are proposed to ensure the long-term financial sustainability of the Council covering the maintenance and development of the community's assets as well as providing appropriate services.

Key Financial Indicators	Short Term Target	2021/22 Original Budget	2021/22 Current Budget	2021/22 Year End
Adjusted Operating Surplus/(Deficit) - \$'000		(1,423)	(1,173)	(827)
Adjusted Operating Surplus/(Deficit) Ratio	(2) - 1%	(4%)	(3%)	(2%)
Net Financial Liabilities Ratio	< 80%	72%	57%	46%
Asset Renewal Funding Ratio	90 - 110%	102%	87%	62%
Total Borrowings - \$'000		24,600	17,700	16,250

Council, on adoption of the 2021-22 budget, projected an adjusted operating deficit of \$1,423,000 and an adjusted operating deficit ratio of (4%). Movements during the year have resulted in a year end adjusted operating deficit of \$827,000 and an adjusted operating deficit ratio of (2%).

The improvement in Council's operating result is explained in detail in the attachment but can mainly be attributed to the recognition of Local Roads and Community Infrastructure funding received during the year and the difference between projected and actual depreciation. The change in depreciation can be attributed to two main factors:

- a reduction of \$130,000 in building depreciation after a review of detailed data showed that the useful lives of the services component was too short and could be extended. This change has already been incorporated into future projections through the adoption of the 2022-23 budget; and
- a one-off reduction in airport depreciation of \$285,000, with the significant assets being constructed not having depreciation for much of this year. Instead, this depreciation will kick in from 2022-23.

The other main impact on Council's finances for 2021-22 was the Federal Government's decision to bring forward an additional quarter of the 2022-23 Financial Assistance Grants, meaning that they are now three quarters in advance and that 5 quarters worth were received in 2021-22. This is the reason that Council actually had a surplus for this year, although this impact is removed by the adjusted operating ratio.

While there are a large number of other variances listed in the analysis, these largely net off and are part of the normal process of managing resources within budget constraints for any given year. Ultimately, Council's operating result can be considered to align closely with the adopted budget.

A decrease of 26% in the Net Financial Liabilities Ratio from 72% to 46% has resulted from a decrease in borrowings required. This can be attributed to two main factors:

- the net impact of retimed projects of \$10 million, being project budgets moved from 2019-20, less project budgets moved to 2021-22; offset by
- an increase in capital spending of \$2.3 million relating to the airport runway, airport terminal and installation of modular pod buildings

The first item is just a timing differences, meaning that the related borrowings are now expected to occur in 2022-23 instead.

A decrease of 40% in the Asset Renewal Funding Ratio from 102% to 62% is due to the retiming of renewal projects to 2022-23, savings made in the delivery of the Transport Renewal Program and the fact that a portion of the Airport Taxiway and Runway Safety Upgrade was moved from renewal to new/upgrade due to the nature of the work undertaken. Renewals are still being planned for in line with Council's Asset Management Strategy and so this ratio should not be taken as indication of under investment in existing assets.

The quantum of projects carried forward to 2022-23 was lower than last year's carry forward, being \$12.0 million compared to \$14.9 million. Grant funding of \$3.0 million was also retimed to 2022-23. There are a number of projects that were deferred, for a variety of reasons, examples being that the planning process is still in process, or that the availability of contractors has made tendering quite difficult.

Airport

The financial performance of the Airport is reported separately, to help ensure that the sustainability of this business unit can be monitored.

On adoption of the 2021-22 budget, the Airport was projected to make a deficit of \$392,000 and have an operating deficit ratio of 18%. This budget was based on achieving approximately 75% of pre-Covid passenger numbers, but the figure actually achieved was just over 60%, with the recovery hampered by additional restrictions put in place in late December. This meant that ultimately the Airport had a year-end operating deficit of \$741,000 and an operating deficit ratio of (34%).

The Net Financial Liabilities Ratio was originally projected to be 187%. However, this increased to 237% for year end, based on additional capital expenditure being required during the year to fund the major project works being undertaken at the site.

Strategic Plan

Objective 1.1 – Unearth community pride within the city

Strategy 1.1.1 – Regularly inform the community of Council activities, decisions and actions by promoting positive stories and positive image

Strategy 1.1.2 – Take a proactive, collaborative approach to the revitalisation of council services to ensure that they adapt to the changing needs and expectations of the community

Legislation

The report on financial results has been prepared in accordance with Section 10 of the *Local Government (Financial Management) Regulations 2011*.

Officer Direct or Indirect Interest – Nil

Risk Assessment

By reviewing this report Council will ensure that they are compliant with legislative requirements.

The report is also a key part of the overall budget process, ensuring that Council are aware of material variances to their adopted budget. While variances are reported to Council on a quarterly basis as they are identified, this report provides an overall summary of variances, including those identified at year end.

Social Considerations – Not applicable

Community Engagement – Not applicable

Environmental Implications – Not applicable

Communication – Not applicable

Conclusion

The financial results for 2021-22 are presented and material variances to the 2021-22 original budget are explained. Overall, Council's final operating position is closely aligned with the adopted budget excepting for a small number of one-off items that are not the cause for any concern.

"Annexure A"

FINANCIAL RESULTS 2021-22

KEY FINANCIAL INDICATORS	Target	Note	Original Budget 2021-22	Current Budget 2021-22	Year End Actual 2022-23	Original Budget vs Actual 2022-23
Council (including Airport)						
Operating Surplus/(Deficit) - \$'000		1	(1,423)	291	892	2,315
Adjusted Operating Surplus/(Deficit)* - \$'000			(1,423) ●	(1,173) ●	(827) ●	596
Adjusted Operating Surplus/(Deficit) Rat (2)% - 1%			(4%) ●	(3%) ●	(2%) ●	2%
Net Financial Liabilities Ratio	< 80%		72% ●	57% ●	46% ●	(26%)
Asset Renewal Funding Ratio	90 - 110%		102% ●	87% ●	62% ●	(40%)
Whyalla Airport						
Operating Surplus/(Deficit) - \$'000		8	(392) ●	(914) ●	(741) ●	(349)
Operating Surplus/(Deficit) Ratio - %	1% - 6%		(18%) ●	(49%) ●	(34%) ●	(16%)
Net Financial Liabilities Ratio - %	< 250%		187% ●	335% ●	237% ●	50%

KEY

In target range ● Above target ● Below target ●

* The Adjusted Operating Surplus/(Deficit) removes the impact of timing differences in the receipt of Financial Assistance Grant income and is considered to provide a more meaningful measurement of Council's underlying financial position.

Note Explanations – Financial Results 2021-22:

The main variances between the 2021-22 original budget and year end results are as follows:

1. Financial Indicators

- Council's Adjusted Operating Ratio has improved by 2%, from (4%) to (2%) and is just within target range;
- a decrease of 26% in the Net Financial Liabilities Ratio from 72% to 46% is due to decreased borrowings, attributable to cash flows associated with projects deferred to 2022-23; and
- a decrease of 40% in the Asset Renewal Funding Ratio to 62% due to a number of renewal projects being retimed to 2022-23, as well as some planned airport renewal expenditure being classified as upgrade.

2. Operating Activities

- a surplus of \$892,000 as compared with an original adopted deficit of \$1.4 million;
- increased rates income of \$5,000 due to lower than expected objections;
- increased statutory charge income of \$51,000 due to:
 - an increase in search income of \$25,000 from increased activity in the property market; and
 - increased planning & development income of \$26,000, suggesting a higher level of development activity compared to the previous few years.
- a decrease in user charges of \$1.1 million due to:
 - a reduction in airport income of \$301,000 due to the COVID-19 recovery progressing at a slower rate than projected;
 - the original budget of \$1.1 million of income to cover airport screening activities being reclassified as grant income; offset by
 - \$27,000 of income from the Whyalla Football League, contributing to the cost of running Bennett Oval;
 - an increase in lease income of \$24,000 due to increased tenancy in Council's commercial property;
 - increased cemetery income of \$84,000;
 - an increase in childcare income of \$105,000 generated from an increase in occupancy rate at the centre; and
 - increased waste charges of \$37,000 relating to the limited number of products accepted at the closed landfill site.
- an increase in grants, subsidies and contributions of \$3.6 million due to:
 - \$1.32 million of grant income for the operation of airport screening activities, with \$1.1 million of this originally budgeted as user charges;
 - Local Roads and Community Infrastructure funding of \$487,000 being made available by the Federal Government;
 - an increase in the Financial Assistance Grants received for 2021-22 of \$181,000, partially due to an adjustment for underpayment in the previous year;
 - additional Financial Assistance Grants of \$1.46 million received due to the Federal Government's decision to bring forward an extra quarter of the 2022-23 grant;
 - grant funding of \$69,000 received to cover the increasing cost of transportation;
 - \$81,000 for a number of minor grants relating to track closures, a foreshore environmental study, youth programs, and restoration of the point lowly lighthouse; offset by
 - a decrease of \$25,000 in grant funding for the Art & Culture Officer as the position was vacant for the last 6 months of the agreement.
- a decrease of \$22,000 in investment income due to the bonus payment received from the LGFA being lower than previous years;
- an increase in reimbursement income of \$8,000 due to a small amount of private works undertaken;

- an increase in other income of \$468,000 due to:
 - an increase of \$55,000 in the oncharging of debt collection fees, with this process back to normal after being on hold for a year;
 - \$60,000 of income from the YMCA relating to the Recreation Centre running at a profit for 2020-21;
 - \$138,000 of funds from insurance claims, funding additional capital works;
 - an increase of \$48,000 in ex-gratia rates received, due to higher than projected indexation;
 - income of \$28,000 received from granting a licence for short term parking to a local business;
 - recognition of a \$37,000 adjustment in the net present value of landfill post closure costs; and
 - an increase of \$103,000 in the value of IT equipment oncharged to another Council.
- decreased employee costs of \$393,000 attributed to:
 - savings from vacant positions across the organisation of \$400,000, the majority of which was used to fund labour hire and consultants;
 - an increase in the Workers Compensation Rebate of \$100,000; offset by
 - a \$105,000 increase in labour costs for the childcare centre due to increased occupancy.
- increased materials, contracts & other expenditure of \$1.7 million attributed to:
 - an increase in labour hire and consulting costs of \$375,000 to backfill vacant positions;
 - the re-budgeting of \$119,000 on operating projects that were not completed in 2020-21, made up of Foreshore Café lease advice, procurement review, Whyalla Visitor Guide and Foreshore Masterplan. These amounts were not spend last year, causing Council's operating result to be better than projected;
 - expenses of \$70,000 incurred to purchase devices to allow more of the workforce to operate remotely, to assist with handling the impacts of COVID-19;
 - additional expenditure of \$81,000 funded from minor grants relating to track closures, a foreshore environmental study, youth programs, and restoration of the point lowly lighthouse;
 - an increase in waste costs of \$360,000 due to higher tonnages of kerbside waste collections as well as more hard waste collections being booked;
 - \$55,000 of expenses relating to the relocation of the Whyalla Junior Soccer Association to Jubilee Park, as per Council resolution C4310-2022;
 - \$90,000 of additional costs for maintaining Bennett and Memorial ovals;
 - \$175,000 of one-off costs incurred due to the changeover to the new airport terminal;
 - an increase of \$352,000 in the cost of providing screening services compared to the original estimate, with this cost currently being covered by Federal Government funding;
 - an increase in legal costs of \$190,000 due to a number of ongoing matters and for advice relating to improvements in processes and procedures;
 - additional debt collection fees of \$55,000, with this process back to normal after being on hold for a year;
 - an increase of \$90,000 in IT equipment purchased on behalf of another Council; offset by
 - a reduction in fuel cost of \$30,000 for the airport, due to lower demand for aviation and domestic fuel resulting from low passenger numbers;
 - one-off operational savings of \$140,000; and
 - an underspend of \$175,000 on operating projects that will need to be re-budgeted in 2022-23, made up of the system modernisation roadmap, hosting of the SA Country Football Championships, and relocation costs for Junior Soccer.
- decreased depreciation of \$350,000 attributed to:
 - a decrease of \$130,000 for the Building asset class, after a review of component lives;
 - a decrease of \$285,000 in Airport depreciation, as the assets being constructed did not have any depreciation for much of this year. Instead, this depreciation will kick in from 2022-23; offset by
 - an increase in Plant & Equipment depreciation of \$15,000; and
 - and increase in infrastructure depreciation of \$50,000 due to indexation adjustments.
- interest savings of \$271,000 due to the timing of cash flows associated with projects deferred to 2022-23.

3. Capital Activities – Net Outlays on Existing Assets:

- a decrease of \$3.6 million on the renewal and replacement of existing assets due to:
 - carry forward projects from 2020-21 of \$1.2 million including \$370,000 for repairs to the Civic Building, \$610,000 relating to the replacement of plant & equipment and \$198,000 for a number of minor building renewal projects;
 - \$20,000 for the painting of the Point Lowly Lighthouse;
 - additional budget of \$46,000 to deliver the Yacht Club Toilet repairs, offset by insurance funds;
 - \$40,000 of works on the Memorial Oval Changeroom brought forward from 2022-23 to be ready for the SA Country Football Championships; offset by
 - a transfer of \$1 million from renewal to new/upgrade, \$550,000 being savings from the transport renewal program and \$450,000 relating to a portion of the Airport Taxiway and Runway Safety Upgrade project being reclassified from renewal to upgrade; and
 - carry forward projects of \$4.0 million deferred to the 2022-23 financial year including \$1.1 million for the Transport Renewal Program, \$868,000 relating to the replacement of plant & equipment, \$749,000 for the Leisure Centre, \$716,000 for marina renewal works, \$351,000 relating to building works at the Old Airport Hanger and Maritime Museum and \$208,000 for a number of minor building renewal projects.

4. Capital Activities – Net Outlays on New and Upgraded Assets

- a decrease of \$2.6 million on the upgrade and expansion of assets due to:
 - carry forward projects from 2020-21 of \$958,000 including \$160,000 for the Airport Taxiway and Runway Safety Upgrade, \$400,000 for the Airport Terminal and Security Upgrade, \$140,000 for the Valley One stormwater project, \$10,000 for a number of stormwater projects being undertaken in conjunction with the road reseal program, \$145,000 for footpath expansion and \$100,000 for the Jubilee Park Changeroom;
 - \$300,000 for the first year of the Child Care Centre Upgrade, with this being offset by 50% grant funding;
 - \$200,000 for the delivery of Shared Paths, with \$100,000 of this being grant funded and the other half being transferred from savings in the Transport Renewal Program;
 - \$541,000 for the Activate Whyalla initiative, to install 3 pods at various sites across the city;
 - an increase of \$955,000 for completion of the Airport Terminal, with \$700,000 of this being for the Hydrant Upgrade required to meet fire safety compliance. \$450,000 was transferred from savings in the Transport Renewal Program;
 - an additional \$1.2 million for the Airport Taxiway and Runway Safety Upgrade based on tendered prices;
 - \$953,000 required to bring the lights at Bennett and Memorial Oval up to the required standard;
 - a transfer of \$450,000 from renewal relating to a portion of the Airport Taxiway and Runway Safety Upgrade project being classified as upgrade instead of renewal; offset by
 - carry forward projects of \$8.1 million deferred to the 2022-23 financial year including \$1.8 million for the Cuttlefish Coast Sanctuary Project, \$1.2 million for the Airport Taxiway and Runway Safety Upgrade, \$1.0 million for the Valley One stormwater project, \$964,000 for a number of stormwater projects, \$808,000 for the Jubilee Park Changeroom Upgrade, \$700,000 for the Airport Hydrant Upgrade, \$600,000 for delivery of the Foreshore Master Plan, \$284,000 for the Child Care Centre Upgrade, \$200,000 for currently un-scoped Arts & Culture related infrastructure, \$124,000 for footpath expansion, \$93,000 for minor upgrades to the Leisure Centre, \$70,000 for the completion of the Pod installations and \$265,000 for a number of other minor projects.

- a decrease in amounts received specifically for new and upgrade assets of \$3.0 million due to:
 - grant funding of \$325,000 million retimed from 2021-21 in line with updated project timings, including \$210,000 for the Airport Terminal and Security Upgrade, \$70,000 for the Valley One stormwater project and \$45,000 of income to be claimed under the Local Roads and Community Infrastructure program;
 - \$100,000 of funding for Shared Paths from the State Bicycle Fund;
 - \$150,000 of funding for the Childcare Centre Upgrade, being the first year of a three year funding stream; offset by
 - \$487,000 of Local Road and Community Infrastructure funding moved to operating grants
 - \$58,000 of funding for potential conservation projects removed from the budget; and
 - grant funding of \$3.0 million retimed to 2022-23 in line with updated project timing including \$934,000 of Local Roads and Community Infrastructure funding, \$913,000 for the Cuttlefish Coast Sanctuary Project, \$502,000 for the Valley One stormwater project, \$397,000 for the Jubilee Park Changeroom Upgrade \$142,000 for the Childcare Centre Upgrade, and \$141,000 for the Airport Taxiway and Runway Safety Upgrade.

5. Financing Transactions

- There has been a decrease of \$5.2 million in financing transactions between Council's original budget and the year end results, attributed to:
 - the net impact of retimed projects of \$10 million, being project budgets moved from 2020-201, less project budgets moved to 2022-23; offset by
 - a reduction in trade payables and provisions of \$2.5 million; and
 - an increase in capital spending of \$2.3 million relating to the airport runway, airport terminal and installation of modular pod buildings.

6. Movements – Statement of Comprehensive Income

- Asset disposals & fair value adjustments have increased by \$14.4 million due to asset revaluations, with the rate of indexation being higher than initial projections.

7. Movements – Statement of Financial Position

- An increase in trade receivables of \$2.5 million due to a number of outstanding grant amounts owed to Council at 30 June 2022.
- An increase of \$6.8 million in the expected value of Infrastructure, Property, Plant and Equipment assets at 30 June 2022, due to the higher than expected indexation amount, offset by the impact of retimed projects.
- An increase in Work in Progress of \$434,000, with the majority of the value relating to the Airport Runway project which will be completed in 2022-23..
- The decrease of \$2.7 million in the expected value of Council's trade payables at 30 June 2022 can be attributed to a reduction in the level of capital activity being undertaken in June compared to the previous year.

8. Financial Indicators – Whyalla Airport

- The Airport Operating Ratio has decreased by 16%, from (18%) to (34)%. This ratio has been heavily effected by the reduction in income caused by Covid and is expected to begin returning to a more representative position during 2022-23.
- The Net Financial Liabilities Ratio was 50% higher than projected at 237% due to the higher than expected expenditure required on the two major projects being undertaken at the site.
- The Airport had a deficit of \$741,000 compared with an original adopted budget of a \$392,000 deficit. The variance of \$349,000 is due to;
 - a reduction in airport income of \$301,000 due to the COVID-19 recovery progressing at a slower rate than projected;
 - \$175,000 of one-off costs incurred due to the changeover to the new airport terminal;
 - a net increase of \$127,000 in the cost of providing screening, as non-direct costs are not able to be recovered;
 - an increase in labour costs of \$65,000, with additional resources needed on the ground to allow the delivery of the runway project;
 - an increase in finance costs of \$14,000 due to the fact that grant funding for the runway project was not received by the end of the financial year; offset by
 - a reduction in fuel cost of \$30,000 for the airport, due to lower demand for aviation and domestic fuel resulting from low passenger numbers;
 - a decrease of \$285,000 in Airport depreciation, as the assets being constructed did not have any depreciation for much of this year. Instead, this depreciation will kick in from 2022-23;
 - a reduced allocation of \$18,000 of indirect costs from Council, including plant usage, labour overhead and Full Cost Attribution.

WHYALLA CITY COUNCIL

FINANCIAL RESULTS 2021-22

UNIFORM PRESENTATION OF FINANCES	Note	Original Budget 2021-22 \$000	Current Budget 2021-22 \$000	Year End Actual 2021-22 \$000	Variance Original Budget vs Actual 2021-22 \$000
OPERATING ACTIVITIES	2				
Operating Revenues		33,517	35,899	36,487	2,970
less Operating Expenses		(34,940)	(35,608)	(35,595)	(655)
Operating Surplus/ (Deficit)		(1,423)	291	892	2,315
CAPITAL ACTIVITIES					
Net Outlays on Existing Assets	3				
Capital Expense on renewal and replacement of Existing Assets		(9,531)	(8,159)	(5,898)	3,633
add back Depreciation, Amortisation and Impairment		7,607	7,575	7,257	(350)
add back Proceeds from Sale of Replaced Assets		178	231	192	14
Net Outlays on Existing Assets		(1,746)	(353)	1,551	3,297
Net Outlay on New and Upgraded Assets	4				
Capital Expenditure on New and Upgraded Assets		(14,559)	(12,632)	(11,963)	2,596
add back Amounts received specifically for New and Upgraded Assets		8,190	4,568	5,198	(2,992)
Net Outlays on New and Upgraded Assets		(6,369)	(8,064)	(6,765)	(396)
Net Lending/ (Borrowing) for Financial Year		(9,538)	(8,126)	(4,322)	5,216
Financing transactions associated with the above net overall deficit, or applying the overall net funding surplus are as follows:					
New Borrowings		9,500	10,700	24,150	14,650
Repayment of Principal		-	-	(14,900)	(14,900)
(Increase)/Decrease in Cash and Investments		(37)	351	230	267
Net Balance Sheet funding (debtors & creditors etc)		75	(2,925)	(5,158)	(5,233)
Financing Transactions	5	9,538	8,126	4,322	(5,216)

WHYALLA CITY COUNCIL

FINANCIAL RESULTS 2021-22

STATEMENT OF COMPREHENSIVE INCOME	Original Budget 2021-22 \$000	Current Budget 2021-22 \$000	Year End Actual 2021-22 \$000	Variance Original Budget vs Actual 2021-22 \$000
INCOME				
Rates	22,381	22,388	22,386	5
Statutory Charges	371	431	422	51
User Charges	4,369	3,076	3,245	(1,124)
Grants, subsidies and contributions	5,426	8,765	9,010	3,584
Investment Income	34	12	12	(22)
Reimbursements	14	17	22	8
Other Income	922	1,210	1,390	468
TOTAL INCOME	33,517	35,899	36,487	2,970
EXPENSES				
Employee Costs	12,786	12,353	12,393	(393)
Materials, contracts & other expenses	14,071	15,478	15,740	1,669
Depreciation, amortisation & impairments	7,607	7,575	7,257	(350)
Finance Costs	476	202	205	(271)
TOTAL EXPENSES	34,940	35,608	35,595	655
OPERATING SURPLUS/(DEFICIT)	(1,423)	291	892	2,315
Amounts specifically for new or upgraded assets	8,190	4,568	5,198	(2,992)
Net gain (loss)	-	-	(1,582)	(1,582)
Physical resources received free of charge	-	-	186	186
NET SURPLUS/(DEFICIT)	6,767	4,859	4,694	(2,073)
Other Comprehensive Income	4,330	4,330	18,743	14,413
TOTAL COMPREHENSIVE INCOME	11,097	9,189	23,437	12,340

WHYALLA CITY COUNCIL

FINANCIAL RESULTS 2021-22

STATEMENT OF FINANCIAL POSITION	7	Original Budget 2021-22 \$000	Current Budget 2021-22 \$000	Year End Actual 2021-22 \$000	Variance Original Budget vs Actual 2021-22 \$000
ASSETS					
Current Assets					
Cash & Cash Equivalents		617	229	350	(267)
Trade & Other Receivables		3,939	3,939	6,485	2,546
Inventories		2,802	2,802	2,861	59
TOTAL CURRENT ASSETS		7,358	6,970	9,696	2,338
Non-current Assets					
Infrastructure, Property, Plant & Equipment		301,718	298,398	308,477	6,759
Other Non-Current Assets		4,476	4,476	4,910	434
TOTAL NON-CURRENT ASSETS		306,194	302,874	313,387	7,193
Total Assets		313,552	309,844	323,083	9,531
LIABILITIES					
Current Liabilities					
Trade and Other Payables		6,423	3,423	3,731	(2,692)
Short Term Borrowings		1,300	300	-	(1,300)
Short Term Provisions		2,595	2,595	2,719	124
TOTAL CURRENT LIABILITIES		10,318	6,318	6,450	(3,868)
Non-Current Liabilities					
Long Term Borrowings		15,200	17,400	16,250	1,050
Long Term Provisions		1,065	1,065	1,074	9
TOTAL NON-CURRENT LIABILITIES		16,265	18,465	17,324	1,059
Total Liabilities		26,583	24,783	23,774	(2,809)
NET ASSETS		286,969	285,061	299,309	12,340
EQUITY					
Accumulated Surplus		49,814	47,906	48,044	(1,770)
Asset Revaluation Reserve		236,177	236,177	250,590	14,413
Reserves		978	978	675	(303)
TOTAL EQUITY		286,969	285,061	299,309	12,340

WHYALLA CITY COUNCIL

FINANCIAL RESULTS 2021-22

STATEMENT OF CHANGES IN EQUITY	Original Budget 2021-22 \$000	Current Budget 2021-22 \$000	Year End Actual 2021-22 \$000	Variance Original Budget vs Actual 2021-22 \$000
Accumulated Surplus				
Balance at Beginning of Period	43,047	43,047	43,047	-
Change in financial position resulting from operations	6,767	4,859	4,694	(2,073)
Transfers from Other Reserves	-	-	303	303
Balance at End of Period	49,814	47,906	48,044	(1,770)
Asset Revaluation Reserve				
Balance at Beginning of Period	231,847	231,847	231,847	-
Revaluation Increment	4,330	4,330	18,743	14,413
Balance at End of Period	236,177	236,177	250,590	14,413
Other Reserves				
Balance at Beginning of Period	978	978	978	-
Transfers to Accumulated Surplus	-	-	(303)	(303)
Balance at End of Period	978	978	675	(303)
TOTAL EQUITY AT END OF REPORTING PERIOD	286,969	285,061	299,309	12,340

WHYALLA CITY COUNCIL

FINANCIAL RESULTS 2021-22

STATEMENT OF CASH FLOWS	Original Budget 2021-22 \$000	Current Budget 2021-22 \$000	Year End Actual 2021-22 \$000	Variance Original Budget vs Actual 2021-22 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Operating Receipts	33,483	32,887	36,818	3,335
Investment Income	34	12	12	(22)
Payments				
Operating Payments	(26,782)	(27,756)	(33,641)	(6,859)
Finance Costs	(476)	(202)	(198)	278
Net Cash provided by (or used in) Operating Activities	6,259	4,941	2,991	(3,268)
CASH FLOWS FROM INVESTMENT ACTIVITIES				
Receipts				
Amounts specifically for new or upgraded assets	8,190	4,568	5,198	(2,992)
Sale of replaced assets	178	231	192	14
Payments				
Purchase of Renewal/Replacement Assets	(9,531)	(8,159)	(5,898)	3,633
Purchase of New/Expansion Assets	(14,559)	(12,632)	(11,963)	2,596
Net Cash provided by (or used in) Investing Activities	(15,722)	(15,992)	(12,471)	3,251
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Proceeds from Borrowings - Council	9,500	10,700	24,150	14,650
Payments				
Repayment of Borrowings	-	-	(14,900)	(14,900)
Net Cash provided by (or used in) Financing Activities	9,500	10,700	9,250	(250)
Net Increase (Decrease) in Cash Held	37	(351)	(230)	(267)
Cash & cash equivalents at beginning of period	580	580	580	-
Cash & cash equivalents at end of period	617	229	350	(267)

6.2 Corporate

6.2.4 Budget Review 2022-23 Quarter 1 incorporating Financial Results 2021-22

Audit Committee: 4 October 2022
Author's Title: Manager Finance
Director Corporate: Kathy Jarrett

File No.: 0-159

Annexures:

Annexure A – Budget Review 2022-23 Quarter 1

Annexure B – Long Term Financial Plan – Updated Tables

Officer Direct or Indirect Conflict of Interest:

*In accordance with Local Government Act 1999,
Section 120*

Status:

*Information classified confidential under
Section 90(2) of the Local Government Act*

☐

Yes

☒

No

☐

Yes

☒

No

Reason – Not applicable

PURPOSE

To incorporate Councils' financial results for the year ending 30 June 2022 and provide an updated projection of Councils' operating and capital budgets for the 2022-23 financial year, identifying any variations sought to Councils' original budget and the cumulative financial implications.

SUMMARY

The Quarter 1 Budget Review predominantly reflects the incorporation of the Financial Results 2021-22 and the impact this has on the 2022-23 budget and Long-Term Financial Plan. However, any other known material variances are also included.

RECOMMENDATION

The Audit Committee:

1. recommend the Budget Review incorporating the Financial Results 2021-22, identifying an adjusted operating deficit of \$2,232,000 and an estimated cash position at end of reporting period of \$156,000, be submitted to Council for adoption; and
2. recommend that the 2022-23 Annual Business Plan and Budget and Long Term Financial Plan be amended to reflect the variances.

6.2.4 Budget Review 2022-23 Quarter 1 incorporating Financial Results 2021-22

REPORT

BACKGROUND

Regulation 9(1)(a) of the *Local Government (Financial Management) Regulations 2011*, requires a budget update report to include a revised forecast of the Councils' operating and capital investment activities compared with estimates set out in the budget.

DISCUSSION

This report considers the impact that the financial results from the year ending 30 June 2022 will have on Councils' 2022-23 Budget and ongoing financial sustainability.

The Budget Update comprises the following statements:

1. key financial indicators;
2. explanation of material variances;
3. uniform presentation of finances; and
4. financial statements.

Refer **Annexure "A"** – Budget Review 2022-23 Quarter 1

Council's Long Term Financial Plan has been updated to reflect the impacts of the Quarter 1 Budget Review, with a full set of the updated tables included for information.

Refer **Annexure "B"** – Long Term Financial Plan – Updated Tables

The majority of variances identified in the Budget Review relate to retiming operating and capital expenditure as well as capital income that did not occur in 2021-22 as originally planned. This includes operating projects of \$175,000, capital projects of \$2.9 million and capital grant funding of \$429,000. Further details about these amounts can be found in the annexure.

The other major changes are:

- Ongoing increased cost for Animal Management Services, with Council having to pay for rehoming services for the first time.
- An update of the major assumptions in the plan, with a large spike in CPI expected next year and higher interest rates for the first 3 years of the plan than previously projected.
- A reduction in depreciation for the airport, now that detailed depreciation schedules for the new terminal are available.
- An adjustment to the airport projections to reflect that only direct screening costs can be claimed under the funding model, where originally it was envisioned that some indirect costs could be included.

The year end result has caused Council's ongoing operating position to deteriorate by approximately \$400,000 per annum, with the first two items in the list above being responsible for this. It is likely that the increased costs of animal management will need to be passed on to ratepayers over a number of years, with this to be discussed during the next

budget cycle. Key items underlying the figures in the LTFP, such as CPI and interest rates have become quite volatile and hard to predict even in the short term. Close monitoring will be required, and projections regularly updated based on the most up to date information. CPI is particular poses a key risk to Council at the moment, as it may necessitate another large rate increase next year.

Financial Implications

Budget 2022-23 Impact

If approved by Council, these amendments will:

- increase Council's adjusted operating deficit by \$289,000 to a projected \$2.23 million;
- deteriorate Council's Adjusted Operating Deficit Ratio, from (4%) to (5%);
- increase Council's Net Financial Liabilities Ratio from 69% to 70%; and
- increase Council's Asset Renewal Funding Ratio from 129% to 166%.

Council is outside target range for the Adjusted Operating Ratio. This was already the case for the original budget. The increase in deficit is primarily due to the re-budgeting of unspent budget relating to operating projects from 2021-22.

The Asset Renewal Funding Ratio above target range, as a number of Renewal projects were retimed from 2021-22.

The Net Financial Liabilities Ratio is within target range.

Long Term Financial Plan (LTFP) Impact

Council's operating results in future years are negatively impacted by approximately \$400,000 per annum, due to the increase in animal management costs and the impacts of updated assumptions.

The Net Financial Liabilities Ratio is estimated to peak at 72% in 2023-24, previously projected to peak at 71%. Borrowings are now estimated to reach \$27.5 million in 2023-24, previously this was projected at \$26.6 million. After this loan balances will stabilise for round three years before slowly increasing slightly towards the end of the plan.

Airport

The operating position for the airport for the current year has improved due to:

- decreased depreciation for the airport terminal of \$165,000 compared to earlier estimates, based on a detailed asset register;
- a decrease in airport runway depreciation of \$85,000 for the current year based on the fact that the upgrade project won't be completed until halfway through the year; offset by
- a decrease of \$50,000 in the expected grant for airport screening, bringing this in line with the direct cost of providing the service.

There has been a \$100,000 increase in the cost of delivering the Hydrant Project, which has been funded by deferring a number of minor projects to 2022-23 where they can be completely grant funded.

The ongoing operating position for the airport has been slightly improved due to a reduction in ongoing depreciation.

Strategic Plan

Objective 1.1 – Unearth community pride within the city

Strategy 1.1.1 – Regularly inform the community of Council activities, decisions and actions by promoting positive stories and positive image

Strategy 1.1.2 – Take a proactive, collaborative approach to the revitalisation of council services to ensure that they adapt to the changing needs and expectations of the community

Legislation

The Budget Update has been prepared in accordance with S 9(1)(a) of *the Local Government (Financial Management) Regulations 2011*.

Officer Direct or Indirect Interest – Nil

Risk Assessment

Legislative risk is minimised as Council will have reviewed its budget in line with the Local Government Act 1999 and Local Government (Financial Management) Regulations.

Council was already in a challenging financial position and the deterioration in operating position caused by a number of factors at this review increases this pressure. Council will need to review how to begin offset these pressures through the coming budget cycles, with costs increases such as animal management needing to be funded.

Social Considerations – Not applicable

Community Engagement – Nil

Environmental Implications – Not applicable

Communication – Not applicable

Conclusion

This report considers the impact that the financial results from the year ending 30 June 2022 will have on Councils' 2022-23 Budget and ongoing financial sustainability.

The majority of variances identified in the Budget Review relate to retiming operating and capital expenditure as well as capital income that did not occur in 2021-22 as originally planned. However, any other known material variances are also included.

The year end result has caused Council's ongoing operating position to deteriorate by approximately \$400,000 per annum, with action required to address this in the next budget cycle.

"Annexure A"

BUDGET REVIEW 2022-23 1st Quarter

KEY FINANCIAL INDICATORS	Target	Note	Original Budget 2022-23	Amendments 2022-23	Current Budget 2022-23	Proposed Amendments 2022-23	Projected Total 2022-23	Note	Estimated Budget 2023-24	Estimated Budget 2024-25	Estimated Budget 2025-26
Council (including Airport)		1						2			
Operating Surplus/(Deficit) - \$'000			(1,943)	-	(1,943)	(289)	(2,232)		(2,708)	(1,999)	(1,811)
Adjusted Operating Surplus/(Deficit)* - \$'000			(1,943) ●	-	(1,943) ●	(289)	(2,232) ●		(2,708) ●	(1,999) ●	(1,811) ●
Adjusted Operating Surplus/(Deficit) Ratio - %	(2)% - 1%		(5%) ●	-	(5%) ●	(1%)	(6%) ●		(7%) ●	(5%) ●	(4%) ●
Net Financial Liabilities Ratio	< 80%		69% ●	-	69% ●	1%	70% ●		72% ●	68% ●	65% ●
Asset Renewal Funding Ratio	90 - 110%		129% ●	-	129% ●	37%	166% ●		109% ●	102% ●	105% ●
Whyalla Airport											
Operating Surplus/(Deficit) - \$'000		9	(795) ●	-	(795) ●	199	(596) ●		(737) ●	(603) ●	(579) ●
Operating Surplus/(Deficit) Ratio - %	1% - 6%		(25%) ●	-	(25%) ●	6%	(19%) ●		(21%) ●	(16%) ●	(15%) ●
Net Financial Liabilities Ratio - %	< 250%		216% ●	-	216% ●	8%	224% ●		206% ●	190% ●	176% ●

KEY
 In target range ● Above target ● Below target ●

* The Adjusted Operating Surplus/(Deficit) removes the impact of timing differences in the receipt of Financial Assistance Grant income and is considered to provide a more meaningful measurement of Council's underlying financial position.

Note Explanations – 2022-23 Quarter 1:

1. The adjusted operating deficit is expected to increase by \$289,000 to \$2.23 million. The Adjusted Operating Deficit Ratio deteriorates from (5%) to (6%). The Net Financial Liabilities Ratio increases by 1% from 69% to 70%. The Asset Renewal Funding Ratio increases by 37% from 129% to 166%, due to carry forward renewal projects.
2. Council's operating results in future years are negatively impacted by approximately \$400,000 per annum. This is due in part to the increase in costs for animal management under the new agreement, but is mainly caused by higher than expected interest in the first 3 years of the plan and the ongoing impact of high CPI in year 1. The Net Financial Liabilities Ratio is estimated to peak in 2024 at 72%, but then will only drop slightly to 66% by the end of the plan. Borrowings are now estimated to be \$27.5 million in 2024 and after staying fairly stagnant for a number of years, begin increasing slightly towards the end of the plan.
3. Operating income is expected to increase by \$26,000, which is attributed to:
 - grant income of \$50,000 received to assist with hosting the SANFL Country Football Championships;
 - library grant income of \$25,000 for digital literacy programs;
 - carry forward of grants unexpended in 2021-22 of \$35,000 for sand replenishment and painting of the Point Lowly Lighthouse; offset by
 - a decrease of \$50,000 in the expected grant for airport screening, bringing this in line with the direct cost of providing the service; and
 - reduced income for the lease of the foreshore café pod in year 1 of \$34,000 to assist with establishing the business.
4. Operating expenditure is expected to increase by \$315,000, this can be attributed to:
 - An increase in contract, material and other costs of \$455,000 due to:
 - the re-budgeting of \$175,000 on operating projects that were not completed in 2021-22, made up of the system modernisation roadmap, hosting of the SA Country Football Championships, and relocation costs for Junior Soccer. These amounts were not spent last year, causing Council's operating result to be better than projected;
 - an increase of \$70,000 in the cost of animal rehoming services, based on year 1 of the new RSPCA agreement;
 - costs of \$65,000 incurred for the removal of tyres from the old diary site. Council saved significant funds because the work to move rubble from the site was undertaken by the party about to lease the site at their cost;
 - \$35,000 of costs relating to grant income not expended in 2021-22;
 - increased costs for hosting of the SANFL Country Football Championships of \$50,000 covered by grant income;
 - \$25,000 for digital literacy programs offset by grant funding; and
 - a one-off increase in the YMCA management of fee of \$35,000, taking into account the lost income being caused by closed assets in the centre.
 - A reduction in depreciation expense of \$140,000, which is attributed to:
 - decreased depreciation for the airport terminal of \$165,000 compared to earlier estimates, based on a detailed asset register;
 - a decrease in airport runway depreciation of \$85,000 for the current year based on the fact that the upgrade project won't be completed until halfway through the year; offset by
 - an increase in plant depreciation of \$70,000 due to a one off write down of residual values for vehicles that have been held for a long period; and
 - an increase in depreciation of \$40,000 for the major infrastructure classes based on the high level of indexation for the previous year, with this expected to correct over the coming years as supply side issues dissipate.

5. An increase of \$1.6 million in the outlay on existing assets due to:
 - carry forward projects from 2021-22 of \$1.8 million including \$787,000 for the Transport Renewal Program, \$656,000 relating to the replacement of plant & equipment and \$351,000 relating to building works at the Old Airport Hanger and Maritime; offset by
 - \$251,000 of projects deferred to 2023-24 to be funded from the next round of Local Roads and Community Infrastructure funding including playground and public convenience renewals.
6. An increase of \$1.4 million in the outlay on new and upgraded assets due to:
 - carry forward projects from 2021-22 of \$1.1 million including \$500,000 for the Cuttlefish Coast Sanctuary Project, \$284,000 for the Child Care Centre Upgrade, \$124,000 for footpath expansion, \$93,000 for minor upgrades to the Leisure Centre, \$64,000 for the Valley One stormwater project, \$30,000 for a number of stormwater projects and \$30,000 for a number of other minor projects;
 - \$323,000 to undertake required rectification works on the Bennett and Memorial Oval electrical cabinets;
 - an increase of \$100,000 for the delivery of the Airport Hydrants Upgrade project, in line with the final tendered price;
 - an increase of \$90,000 for the delivery of the Jubilee Park Changeroom Upgrade project, in line with the final tendered price;
 - \$80,000 for required upgrades to the fire system at Jubilee Park in line with resolution C4416-2022;
 - \$30,000 for the fit-out of the foreshore café pod in line with resolution C4445-2022; offset by
 - a reduction in the budget for the delivery of Foreshore Master Plan outcomes of \$300,000, to recognise that the timing of funding contributions is currently unknown.
7. A decrease of \$390,000 in amounts received specifically for new and upgraded assets due to:
 - grant funding of \$429,000 retimed from 2021-22 in line with updated project timings, including \$263,000 for the Cuttlefish Coast Sanctuary Project, \$142,000 for the Childcare Centre Upgrade, and \$27,000 for the Valley One stormwater project; offset by
 - a reduction in grant funding for the Airport Taxiway and Runway Safety Upgrade of \$1.1 million, as this was recognised in 2021-22; and
 - removal of the \$300,000 budgeted for Foreshore Master Plan outcomes, to recognise that the timing of funding contributions is currently unknown.
8. It is expected additional borrowings of \$1.65 million will be required in 2022-23 to meet cash flow requirements, compared to previous projections. This is mainly a timing difference related to project outlays and receipt of income, with borrowing for 2021-22 coming in \$1.45 million lower than projected. Total borrowings at 30 June 2023 are projected to be \$25.2 million, \$200,000 higher than projected by the adopted budget.
9. Whyalla Airport
 - The operating deficit is expected to decrease by \$199,000 to \$596,000. The Operating Deficit Ratio is expected to improve by 6% from (125%) to (19%). The Net Financial Liabilities Ratio increases from 216% to 224%, due to small increase in projected borrowings.
 - The Airport's operating results in future years are negatively impacted by approximately \$50,000 per annum due to an increase in interest rates.
 - The change to the operating result of \$199,000 is due to:
 - decreased depreciation for the airport terminal of \$165,000 compared to earlier estimates, based on a detailed asset register;
 - a decrease in airport runway depreciation of \$85,000 for the current year based on the fact that the upgrade project won't be completed until halfway through the year; offset by
 - a decrease of \$50,000 in the expected grant for airport screening, bringing this in line with the direct cost of providing the service.

WHYALLA CITY COUNCIL
BUDGET REVIEW 2022-23 1st Quarter

UNIFORM PRESENTATION OF FINANCES	Note	Original Budget 2022-23 \$000	Approved Amendments 2022-23 \$000	Current Budget 2022-23 \$000	Proposed Amendments 2022-23 \$000	Projected Total 2022-23 \$000	Note	Estimated Budget* 2023-24 \$000	Estimated Budget* 2024-25 \$000	Estimated Budget* 2025-26 \$000
OPERATING ACTIVITIES										
Operating Revenues	3	36,474	-	36,474	26	36,500		38,998	40,667	42,313
less Operating Expenses	4	(38,417)	-	(38,417)	(315)	(38,732)		(41,706)	(42,666)	(44,124)
Operating Surplus/ (Deficit)		(1,943)	-	(1,943)	(289)	(2,232)		(2,708)	(1,999)	(1,811)
CAPITAL ACTIVITIES										
Net Outlays on Existing Assets										
Capital Expense on renewal and replacement of Existing	5	(5,574)	-	(5,574)	(1,557)	(7,131)		(6,095)	(4,514)	(5,144)
add back Depreciation, Amortisation and Impairment		8,132	-	8,132	(140)	7,992		8,455	8,709	8,953
add back Proceeds from Sale of Replaced Assets		178	-	178	39	217		201	161	78
Net Outlays on Existing Assets		2,736	-	2,736	(1,658)	1,078		2,561	4,356	3,887
Net Outlay on New and Upgraded Assets										
Capital Expenditure on New and Upgraded Assets	6	(10,140)	-	(10,140)	(1,438)	(11,578)		(3,285)	(2,355)	(2,428)
add back Amounts received specifically for New and Upg	7	4,823	-	4,823	(930)	3,893		1,107	207	206
Net Outlays on New and Upgraded Assets		(5,317)	-	(5,317)	(2,368)	(7,685)		(2,178)	(2,148)	(2,222)
Net Lending/ (Borrowing) for Financial Year		(4,524)	-	(4,524)	(4,315)	(8,839)		(2,325)	209	(146)
Financing transactions associated with the above net overall deficit, or applying the overall net funding surplus are as follows:										
New Borrowings		7,300	-	7,300	1,650	8,950		2,300	-	200
Repayment of Principal		-	-	-	-	-		-	(300)	(100)
(Increase)/Decrease in Cash and Investments		49	-	49	145	194		(50)	16	(29)
Net Balance Sheet funding (debtors & creditors etc)		(2,825)	-	(2,825)	2,520	(305)		75	75	75
Financing Transactions	8	4,524	-	4,524	4,315	8,839		2,325	(209)	146

WHYALLA CITY COUNCIL
BUDGET REVIEW 2022-23 1st Quarter

STATEMENT OF COMPREHENSIVE INCOME	Original Budget 2022-23 \$000	Approved Amendments 2022-23 \$000	Current Budget 2022-23 \$000	Proposed Amendments 2022-23 \$000	Projected Total 2022-23 \$000	Estimated Budget* 2023-24 \$000	Estimated Budget* 2024-25 \$000	Estimated Budget* 2025-26 \$000
INCOME								
Rates	23,696	-	23,696	-	23,696	25,562	26,717	27,874
Statutory Charges	409	-	409	-	409	434	447	460
User Charges	3,621	-	3,621	(34)	3,587	4,116	4,421	4,622
Grants, subsidies and contributions	7,708	-	7,708	60	7,768	7,766	7,913	8,139
Investment Income	12	-	12	-	12	12	12	12
Reimbursements	14	-	14	-	14	15	15	15
Other Income	1,014	-	1,014	-	1,014	1,093	1,142	1,191
TOTAL INCOME	36,474	-	36,474	26	36,500	38,998	40,667	42,313
EXPENSES								
Employee Costs	13,947	-	13,947	-	13,947	14,893	15,414	15,923
Materials, contracts & other expenses	15,934	-	15,934	455	16,389	17,278	17,422	18,076
Depreciation, amortisation & impairments	8,132	-	8,132	(140)	7,992	8,455	8,709	8,953
Finance Costs	404	-	404	-	404	1,080	1,121	1,172
TOTAL EXPENSES	38,417	-	38,417	315	38,732	41,706	42,666	44,124
OPERATING SURPLUS/(DEFICIT)	(1,943)	-	(1,943)	(289)	(2,232)	(2,708)	(1,999)	(1,811)
Amounts specifically for new or upgraded assets	4,823	-	4,823	(930)	3,893	1,107	207	206
Net gain (loss)	-	-	-	-	-	-	-	-
NET SURPLUS/(DEFICIT)	2,880	-	2,880	(1,219)	1,661	(1,601)	(1,792)	(1,605)
Other Comprehensive Income	13,676	-	13,676	-	13,676	16,263	11,270	10,874
TOTAL COMPREHENSIVE INCOME	16,556	-	16,556	(1,219)	15,337	14,662	9,478	9,269

WHYALLA CITY COUNCIL

BUDGET REVIEW 2022-23 1st Quarter

STATEMENT OF FINANCIAL POSITION	Original Budget 2022-23 \$000	Approved Amendments 2022-23 \$000	Current Budget 2022-23 \$000	Proposed Amendments 2022-23 \$000	Projected Total 2022-23 \$000	Estimated Budget* 2023-24 \$000	Estimated Budget* 2024-25 \$000	Estimated Budget* 2025-26 \$000
ASSETS								
Current Assets								
Cash & Cash Equivalents	301	-	301	(145)	156	206	190	219
Trade & Other Receivables	9,385	-	9,385	(2,820)	6,565	6,565	6,565	6,565
Inventories	2,861	-	2,861	-	2,861	2,861	2,861	2,861
TOTAL CURRENT ASSETS	12,547	-	12,547	(2,965)	9,582	9,632	9,616	9,645
Non-current Assets								
Infrastructure, Property, Plant & Equipment	329,557	-	329,557	3,096	332,653	349,640	358,909	368,324
Other Non-Current Assets	4,810	-	4,810	-	4,810	4,710	4,610	4,510
TOTAL NON-CURRENT ASSETS	334,367	-	334,367	3,096	337,463	354,350	363,519	372,834
Total Assets	346,914	-	346,914	131	347,045	363,982	373,135	382,479
LIABILITIES								
Current Liabilities								
Trade and Other Payables	3,731	-	3,731	(300)	3,431	3,431	3,431	3,431
Short Term Borrowings	100	-	100	-	100	300	100	100
Short Term Provisions	2,719	-	2,719	-	2,719	2,719	2,719	2,719
TOTAL CURRENT LIABILITIES	6,550	-	6,550	(300)	6,250	6,450	6,250	6,250
Non-Current Liabilities								
Long Term Borrowings	23,450	-	23,450	1,650	25,100	27,200	27,100	27,200
Long Term Provisions	1,049	-	1,049	-	1,049	1,024	999	974
TOTAL NON-CURRENT LIABILITIES	24,499	-	24,499	1,650	26,149	28,224	28,099	28,174
Total Liabilities	31,049	-	31,049	1,350	32,399	34,674	34,349	34,424
NET ASSETS	315,865	-	315,865	(1,219)	314,646	329,308	338,786	348,055
EQUITY								
Accumulated Surplus	50,924	-	50,924	(1,219)	49,705	48,104	46,312	44,707
Asset Revaluation Reserve	264,266	-	264,266	-	264,266	280,529	291,799	302,673
Reserves	675	-	675	-	675	675	675	675
TOTAL EQUITY	315,865	-	315,865	(1,219)	314,646	329,308	338,786	348,055

WHYALLA CITY COUNCIL
BUDGET REVIEW 2022-23 1st Quarter

STATEMENT OF CHANGES IN EQUITY	Original Budget 2022-23 \$000	Approved Amendments 2022-23 \$000	Current Budget 2022-23 \$000	Proposed Amendments 2022-23 \$000	Projected Total 2022-23 \$000	Estimated Budget* 2023-24 \$000	Estimated Budget* 2024-25 \$000	Estimated Budget* 2025-26 \$000
Accumulated Surplus								
Balance at Beginning of Period	48,044	-	48,044	-	48,044	49,705	48,104	46,312
Change in financial position resulting from operations	2,880	-	2,880	(1,219)	1,661	(1,601)	(1,792)	(1,605)
Transfers from Other Reserves	-	-	-	-	-	-	-	-
Transfers to Other Reserves	-	-	-	-	-	-	-	-
Balance at End of Period	50,924	-	50,924	(1,219)	49,705	48,104	46,312	44,707
Asset Revaluation Reserve								
Balance at Beginning of Period	250,590	-	250,590	-	250,590	264,266	280,529	291,799
Revaluation Increment	13,676	-	13,676	-	13,676	16,263	11,270	10,874
Balance at End of Period	264,266	-	264,266	-	264,266	280,529	291,799	302,673
Other Reserves								
Balance at Beginning of Period	675	-	675	-	675	675	675	675
Transfers to Accumulated Surplus	-	-	-	-	-	-	-	-
Transfers from Accumulated Surplus	-	-	-	-	-	-	-	-
Balance at End of Period	675	-	675	-	675	675	675	675
TOTAL EQUITY AT END OF REPORTING PERIOD	315,865	-	315,865	(1,219)	314,646	329,308	338,786	348,055

WHYALLA CITY COUNCIL

BUDGET REVIEW 2022-23 1st Quarter

STATEMENT OF CASH FLOWS	Original Budget 2022-23 \$000	Approved Amendments 2022-23 \$000	Current Budget 2022-23 \$000	Proposed Amendments 2022-23 \$000	Projected Total 2022-23 \$000	Estimated Budget* 2023-24 \$000	Estimated Budget* 2024-25 \$000	Estimated Budget* 2025-26 \$000
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts								
Operating Receipts	33,562	-	33,562	2,546	36,108	38,986	40,655	42,301
Investment Income	12	-	12	-	12	12	12	12
Payments								
Operating Payments	(29,806)	-	(29,806)	(455)	(30,261)	(32,096)	(32,761)	(33,924)
Finance Costs	(404)	-	(404)	-	(404)	(1,080)	(1,121)	(1,172)
Net Cash provided by (or used in) Operating Activities	3,364	-	3,364	2,091	5,455	5,822	6,785	7,217
CASH FLOWS FROM INVESTMENT ACTIVITIES								
Receipts								
Amounts specifically for new or upgraded assets	4,823	-	4,823	(930)	3,893	1,107	207	206
Sale of replaced assets	178	-	178	39	217	201	161	78
Payments								
Purchase of Renewal/Replacement Assets	(5,574)	-	(5,574)	(1,557)	(7,131)	(6,095)	(4,514)	(5,144)
Purchase of New/Expansion Assets	(10,140)	-	(10,140)	(1,438)	(11,578)	(3,285)	(2,355)	(2,428)
Net Cash provided by (or used in) Investing Activities	(10,713)	-	(10,713)	(3,886)	(14,599)	(8,072)	(6,501)	(7,288)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Proceeds from Borrowings - Council	7,300	-	7,300	1,650	8,950	2,300	-	200
Payments								
Repayment of Borrowings	-	-	-	-	-	-	(300)	(100)
Net Cash provided by (or used in) Financing Activities	7,300	-	7,300	1,650	8,950	2,300	(300)	100
Net Increase (Decrease) in Cash Held	(49)	-	(49)	(145)	(194)	50	(16)	29
Cash & cash equivalents at beginning of period	350	-	350	-	350	156	206	190
Cash & cash equivalents at end of period	301	-	301	(145)	156	206	190	219

ESTIMATED STATEMENT OF COMPREHENSIVE INCOME

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Actual	Estimate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)
INCOME												
Rates	22,386	23,696	25,562	26,717	27,874	29,026	30,197	31,418	32,691	34,016	35,396	36,833
Statutory Charges	422	409	434	447	460	473	486	499	512	525	538	551
User Charges	3,245	3,587	4,116	4,421	4,622	4,793	4,964	5,147	5,320	5,500	5,686	5,879
Grants, subsidies, contributions	9,010	7,768	7,766	7,913	8,139	8,275	8,408	8,544	8,682	8,823	8,966	9,112
Investment Income	12	12	12	12	12	12	12	12	12	12	12	12
Reimbursements	22	14	15	15	15	15	15	15	15	15	15	15
Other Income	1,390	1,014	1,093	1,142	1,191	1,240	1,290	1,342	1,396	1,452	1,510	1,570
TOTAL INCOME	36,487	36,500	38,998	40,667	42,313	43,834	45,372	46,977	48,628	50,343	52,123	53,972
EXPENSES												
Employee costs	12,393	13,947	14,893	15,414	15,923	16,369	16,812	17,282	17,766	18,264	18,775	19,301
Materials, contracts & other expenses	15,740	16,389	17,278	17,422	18,076	18,669	19,124	19,633	20,206	20,835	21,346	21,912
Depreciation	7,257	7,992	8,455	8,709	8,953	9,189	9,474	9,770	10,072	10,386	10,709	11,073
Finance Costs	205	404	1,080	1,121	1,172	1,240	1,410	1,590	1,785	1,983	2,100	2,236
TOTAL EXPENSES	35,595	38,732	41,706	42,666	44,124	45,467	46,820	48,275	49,829	51,468	52,930	54,522
OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	892	(2,232)	(2,708)	(1,999)	(1,811)	(1,633)	(1,448)	(1,298)	(1,201)	(1,125)	(807)	(550)
Net gain/(loss) on disposal or revaluations	(1,582)	0	0	0	0	0	0	0	0	0	0	0
Amounts specifically for new assets	5,198	3,893	1,107	207	206	206	206	206	206	206	206	206
Physical Resources Received Free of Charge	186	0	0	0	0	0	0	0	0	0	0	0
NET SURPLUS/(DEFICIT)	4,694	1,661	(1,601)	(1,792)	(1,605)	(1,427)	(1,242)	(1,092)	(995)	(919)	(601)	(344)
OTHER COMPREHENSIVE INCOME												
Changes in revaluation surplus - IPP&E	18,743	13,676	16,263	11,270	10,874	10,450	10,355	10,625	10,907	11,186	11,478	11,887
TOTAL COMPREHENSIVE INCOME	23,437	15,337	14,662	9,478	9,269	9,023	9,113	9,533	9,912	10,267	10,877	11,543
ADJUSTED OPERATING SUPPLUS/(DEFICIT) BEFORE CAPITAL AMOUNT:	(827)	(2,232)	(2,708)	(1,999)	(1,811)	(1,633)	(1,448)	(1,298)	(1,201)	(1,125)	(807)	(550)

ESTIMATED STATEMENT OF FINANCIAL POSITION

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Actual \$('000)	Estimate \$('000)	Year 1 \$('000)	Year 2 \$('000)	Year 3 \$('000)	Year 4 \$('000)	Year 5 \$('000)	Year 6 \$('000)	Year 7 \$('000)	Year 8 \$('000)	Year 9 \$('000)	Year 10 \$('000)
ASSETS												
Current Assets												
Cash & Equivalent Assets	350	156	206	190	219	225	217	246	288	267	239	166
Trade & Other Receivables	6,485	6,565	6,565	6,565	6,565	6,565	6,565	6,565	6,565	6,565	6,565	6,565
Inventories	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861
Total Current Assets	9,696	9,582	9,632	9,616	9,645	9,651	9,643	9,672	9,714	9,693	9,665	9,592
Non-Current Assets												
Infrastructure, Property, Plant & Equipment	308,477	332,653	349,640	358,909	368,324	377,916	387,912	398,091	409,136	419,899	434,079	446,770
Other Non-Current Assets	4,910	4,810	4,710	4,610	4,510	4,410	4,310	4,210	4,110	4,010	3,910	3,810
Total Non-Current Assets	313,387	337,463	354,350	363,519	372,834	382,326	392,222	402,301	413,246	423,909	437,989	450,580
TOTAL ASSETS	323,083	347,045	363,982	373,135	382,479	391,977	401,865	411,973	422,960	433,602	447,654	460,172
LIABILITIES												
Current Liabilities												
Trade & Other Payables	3,731	3,431	3,431	3,431	3,431	3,431	3,431	3,431	3,431	3,431	3,431	3,431
Borrowings	0	0	300	100	100	200	200	200	200	0	200	0
Provisions	2,719	2,719	2,719	2,719	2,719	2,719	2,719	2,719	2,719	2,719	2,719	2,719
Total Current Liabilities	6,450	6,150	6,450	6,250	6,250	6,350	6,350	6,350	6,350	6,150	6,350	6,150
Non-Current Liabilities												
Borrowings	16,250	25,200	27,200	27,100	27,200	27,600	28,400	29,000	30,100	30,700	33,700	34,900
Provisions	1,074	1,049	1,024	999	974	949	924	899	874	849	824	799
Total Non-Current Liabilities	17,324	26,249	28,224	28,099	28,174	28,549	29,324	29,899	30,974	31,549	34,524	35,699
TOTAL LIABILITIES	23,774	32,399	34,674	34,349	34,424	34,899	35,674	36,249	37,324	37,699	40,874	41,849
NET ASSETS	299,309	314,646	329,308	338,786	348,055	357,078	366,191	375,724	385,636	395,903	406,780	418,323
EQUITY												
Accumulated Surplus	48,044	49,705	48,104	46,312	44,707	43,280	42,038	40,946	39,951	39,032	38,431	38,087
Asset Revaluation Reserve	250,590	264,266	280,529	291,799	302,673	313,123	323,478	334,103	345,010	356,196	367,674	379,561
Other Reserves	675	675	675	675	675	675	675	675	675	675	675	675
TOTAL EQUITY	299,309	314,646	329,308	338,786	348,055	357,078	366,191	375,724	385,636	395,903	406,780	418,323

ESTIMATED STATEMENT OF CASH FLOWS

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Actual	Estimate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)
CASH FLOWS FROM OPERATING ACTIVITIES												
Receipts												
Operating Receipts	36,818	36,108	38,986	40,655	42,301	43,822	45,360	46,965	48,616	50,331	52,111	53,960
Investment Income	12	12	12	12	12	12	12	12	12	12	12	12
Payments												
Operating Payments	(33,641)	(30,261)	(32,096)	(32,761)	(33,924)	(34,963)	(35,861)	(36,840)	(37,897)	(39,024)	(40,046)	(41,138)
Finance Costs	(198)	(404)	(1,080)	(1,121)	(1,172)	(1,240)	(1,410)	(1,590)	(1,785)	(1,983)	(2,100)	(2,236)
Net Cash provided by (or used in) Operating Activities	2,991	5,455	5,822	6,785	7,217	7,631	8,101	8,547	8,946	9,336	9,977	10,598
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Amounts Specifically for New/Upgraded Assets	5,198	3,893	1,107	207	206	206	206	206	206	206	206	206
Sale of Renewed/Replaced Assets	192	217	201	161	78	211	270	178	403	202	182	178
Payments												
Expenditure on Renewal/Replacement of Assets	(5,898)	(7,131)	(6,095)	(4,514)	(5,144)	(6,046)	(6,817)	(6,864)	(7,899)	(7,376)	(10,725)	(9,107)
Expenditure on New/Upgraded Assets	(11,963)	(11,578)	(3,285)	(2,355)	(2,428)	(2,496)	(2,568)	(2,638)	(2,714)	(2,789)	(2,868)	(2,948)
Net Cash Provided by (or used in) Investing Activities	(12,471)	(14,599)	(8,072)	(6,501)	(7,288)	(8,125)	(8,909)	(9,118)	(10,004)	(9,757)	(13,205)	(11,671)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Proceeds from Borrowings	24,150	8,950	2,300	0	200	600	1,000	800	1,300	600	3,200	1,200
Payments												
Repayments of Borrowings	(14,900)	0	0	(300)	(100)	(100)	(200)	(200)	(200)	(200)	0	(200)
Net Cash provided by (or used in) Financing Activities	9,250	8,950	2,300	(300)	100	500	800	600	1,100	400	3,200	1,000
Net Increase/(Decrease) in cash held	(230)	(194)	50	(16)	29	6	(8)	29	42	(21)	(28)	(73)
Opening cash, cash equivalents or (bank overdraft)	580	350	156	206	190	219	225	217	246	288	267	239
Closing cash, cash equivalents or (bank overdraft)	350	156	206	190	219	225	217	246	288	267	239	166

ESTIMATED STATEMENT OF CHANGES IN EQUITY

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Actual	Estimate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)
ACCUMULATED SURPLUS												
Balance at end of previous reporting period	43,047	48,044	49,705	48,104	46,312	44,707	43,280	42,038	40,946	39,951	39,032	38,431
Net Result for Year	4,694	1,661	(1,601)	(1,792)	(1,605)	(1,427)	(1,242)	(1,092)	(995)	(919)	(601)	(344)
Transfers to Other Reserves	(255)	0	0	0	0	0	0	0	0	0	0	0
Transfers from Other Reserves	558	0	0	0	0	0	0	0	0	0	0	0
Balance at end of period	48,044	49,705	48,104	46,312	44,707	43,280	42,038	40,946	39,951	39,032	38,431	38,087
ASSET REVALUATION RESERVE												
Property Plant & Equipment	250,590	264,266	280,529	291,799	302,673	313,123	323,478	334,103	345,010	356,196	367,674	379,561
Balance at end of period	250,590	264,266	280,529	291,799	302,673	313,123	323,478	334,103	345,010	356,196	367,674	379,561
OTHER RESERVES												
Balance at end of previous reporting period	978	675	675	675	675	675	675	675	675	675	675	675
Transfers from Accumulated Surplus	255	0	0	0	0	0	0	0	0	0	0	0
Transfers to Accumulated Surplus	(558)	0	0	0	0	0	0	0	0	0	0	0
Balance at end of period	675	675	675	675	675	675	675	675	675	675	675	675
TOTAL EQUITY AT END OF REPORTING PERIOD	299,309	314,646	329,308	338,786	348,055	357,078	366,191	375,724	385,636	395,903	406,780	418,323

ESTIMATED SUMMARY STATEMENT INCLUDING FINANCING TRANSACTIONS

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Actual	Estimate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)
Operating Revenues	36,487	36,500	38,998	40,667	42,313	43,834	45,372	46,977	48,628	50,343	52,123	53,972
less: Operating Expenses	(35,595)	(38,732)	(41,706)	(42,666)	(44,124)	(45,467)	(46,820)	(48,275)	(49,829)	(51,468)	(52,930)	(54,522)
Operating Surplus/(Deficit) before Capital Amounts	892	(2,232)	(2,708)	(1,999)	(1,811)	(1,633)	(1,448)	(1,298)	(1,201)	(1,125)	(807)	(550)
Capital Expenditure on Renewal/Replacement	(5,898)	(7,131)	(6,095)	(4,514)	(5,144)	(6,046)	(6,817)	(6,864)	(7,899)	(7,376)	(10,725)	(9,107)
add back: Depreciation, Amortisation and Impairment	7,257	7,992	8,455	8,709	8,953	9,189	9,474	9,770	10,072	10,386	10,709	11,073
add back: Sale of Replaced Assets	192	217	201	161	78	211	270	178	403	202	182	178
Net Outlays on Existing Assets	1,551	1,078	2,561	4,356	3,887	3,354	2,927	3,084	2,576	3,212	166	2,144
Capital Expenditure on New and Upgraded Assets	(12,149)	(11,578)	(3,285)	(2,355)	(2,428)	(2,496)	(2,568)	(2,638)	(2,714)	(2,789)	(2,868)	(2,948)
add back: Amounts Specifically for New and Upgraded Assets	5,198	3,893	1,107	207	206	206	206	206	206	206	206	206
add back: Sale of Surplus Assets	0	0	0	0	0	0	0	0	0	0	0	0
Net Outlays on New and Upgraded Assets	(6,951)	(7,685)	(2,178)	(2,148)	(2,222)	(2,290)	(2,362)	(2,432)	(2,508)	(2,583)	(2,662)	(2,742)
Net Lending/(Borrowing) for Financial Year	(4,508)	(8,839)	(2,325)	209	(146)	(569)	(883)	(646)	(1,133)	(496)	(3,303)	(1,148)
New Borrowings	24,150	8,950	2,300	0	200	600	1,000	800	1,300	600	3,200	1,200
Repayment of Principal on Borrowings	(14,900)	0	0	(300)	(100)	(100)	(200)	(200)	(200)	(200)	0	(200)
(Increase)/Decrease in Cash and Cash Equivalents	230	194	(50)	16	(29)	(6)	8	(29)	(42)	21	28	73
Net Balance Sheet Funding	(4,972)	(305)	75	75	75	75	75	75	75	75	75	75
Financing Transactions	4,508	8,839	2,325	(209)	146	569	883	646	1,133	496	3,303	1,148
Adjusted Operating/(Deficit) Ratio	(2)%	(6)%	(7)%	(5)%	(4)%	(4)%	(3)%	(3)%	(2)%	(2)%	(2)%	(1)%
Net Financial Liabilities Ratio	46%	70%	72%	68%	65%	64%	64%	63%	63%	61%	65%	65%
Asset Renewal Funding Ratio	62%	166%	109%	102%	105%	111%	117%	102%	116%	96%	110%	100%

6.2 CORPORATE

6.2.5 Quarterly Report – Procurement

Audit Committee Meeting: 4 October 2022
Author's Title: Procurement Co-ordinator **File No.:** 0-159
Director: Corporate

Annexures – Nil

Officer Direct or Indirect Conflict of Interest:

*In accordance with Local Government Act 1999,
Section 120*

☐

Yes

☒

No

Status:

*Information classified confidential under
Section 90(2) of the Local Government Act*

☐

Yes

☒

No

Reason – not applicable

PURPOSE

The purpose of this report is to provide information regarding Council's procurement activities during the period 1 July to 16 September 2022.

SUMMARY

Clause 7 of the Procurement Policy requires quarterly reporting on procurement exemptions to the Audit Committee.

This report also provides a snapshot of the following procurements which have been undertaken by Council during the quarter:

- Tenders undertaken;
- use of local vs non-local goods, works and services; and
- comparison of purchase orders and local vs non-local spend to same quarter of the previous year

All figures included in this report are GST exclusive, in line with the budget.

RECOMMENDATION

The Audit Committee receive and note the Procurement Quarterly report.

6.2.5 Quarterly Report – Procurement Department

REPORT

BACKGROUND

In adopting better governance practices, this report is prepared to ensure Audit Committee and Elected Members are informed about procurement outcomes achieved by the Council.

In addition to this, Council's Procurement Policy requires the following to be reported quarterly to the Audit Committee and Council:

- Clause 7 requires exemptions from the policy to be appropriately approved and are to be recorded and reported to the Audit Committee quarterly.

DISCUSSION

1. TENDERS (greater than \$200,000):

The following tenders were undertaken or in progress for the period 1 July to 16 September 2022:

PROCUREMENT	TENDERS REQUESTED	TENDERS RECEIVED	STATUS
Jubilee Park Changerooms	LGA Procurement facilitated tender via Tenders SA website	2	Works in progress
Northern Coastline Amenities & Facilities	Via Tenders SA website	5	On hold – pending Native Title approval
Point Lowly Cottages - Upgrade	Via Tenders SA website	3	Currently in negotiations with preferred tenderer
Concrete Footpath Program (2022-2025)	Via Tenders SA website - open	3	Currently being evaluated
Trade In/Replacement of Road Sweeper	Via Tenders SA website - open	3	Currently being evaluated
Provision of Banking Services to Whyalla City Council	Via tenders SA website - select	N/A	Tenders close 23/9/2022
Road Resurfacing Program (2022-2025)	Via tenders SA website – open	N/A	Tenders close 28/10/2022
Linemarking of Resurfaced Roads & Linemarking Maintenance (2022-2025)	Via tenders SA website - open	N/A	Tenders close 21/10/2022

2. POLICY EXEMPTIONS:

From 1 July to 16 September the following 4 procurement exemptions were made:

PROJECT TITLE	VALUE (GST EX)	NATURE & REASON FOR EXEMPTION (Clause 7 of Procurement Policy)	HOW COUNCIL IS RECEIVING VALUE FOR MONEY FROM THIS PROCUREMENT
Design & Refurbishment of Pt Lowly Cottages	\$31,900	Provider assisted Council in Preliminary planning of redevelopment of Pt Lowly Cottages back in 2015. Council is now working on Northern Coastline (Cuttlefish Coast Sanctuary & Tourism) project and is able to progress project and would like a quote to undertake design development and full construction drawings and details as well as the tender specification package. There is not any requirement to consult with broader community you would only be required to liaise with Council's Project Management Team. We are on a tight turnaround and would like to have the tender completed and awarded by June 2022	Pricing provided is consistent with other projects being worked on at the moment
Old Dairy Clean Up – Tyre Removal & Recycling	\$30,000	Contractor is the only provider of this particular service that was willing to travel to Whyalla to collect the tyres with the purpose of Recycling them a priority for Council.	Clean up of the old Dairy Site is necessary as the site has a commercial lease for Solar Farm pending. The Solar Farm works are unable to commence with large amounts of various building materials and tyres currently located on the site. Council has an agreement with the Solar Farm owner to clear these stockpiles from site as soon as possible.
Asset Consulting & Conquest Online Hosting	\$65,720	3-way agreement between our asset register software provider and Firm with specialist knowledge of Conquest to continue providing ongoing services to Council. The agreement includes software services to run our asset register and consulting services that are specialised in nature with the direct experience required for using our software.	Priorities are set annually by the Asset Management Coordinator regarding consulting services and monthly reporting is provided and signed off by the Asset Management Coordinator. Proprietary software prices included in this offer were compared against last years' service offering as were the unit rates of the consulting services.
HMAS Whyalla Repair Works (Stage 4)	\$129,000	Multiple previous RFQ processes yielded single respondent only being contractor. Contractor is specialist in this field of works and has extensive experience with HMAS Whyalla. Engaging then will provide continuity of service and will allow Council to complete specialist remedial and protective works on HMAS Whyalla. Contractor will also include non-slip walkways to improve safety throughout exposed deck areas.	Extension to previous work to be carried out as per previously contracted rates. Negotiation of value add for works being carried out inclusive preventative maintenance works prior to application of protective coating system.

Note that only the Chief Executive Officer can authorise exemptions from undertaking procurement processes as specified in Council's Procurement Policy.

The following is a summary of Policy exemptions for the 2022/2023 year:

Exemptions by Department	Amount	Percentage
City Growth	0	0.00%
Corporate	0	0.00%
Infrastructure	4	100.00%
Executive	0	0.00%
Total	4	100.00%

Exemptions by Procurement Thresholds (\$)	Amount	Percentage
0 – 5,000	0	0.00%
5,001 – 30,000	0	0.00%
30,001 – 200,000	4	100.00%
200,001 +	0	0.00%
Total	4	100.00%

3. LOCAL PURCHASES:

As a contributor to Whyalla's economy, Council is committed to purchasing from local suppliers where possible, as well as ensuring value for money procurement outcomes.

Out of a total of 814 purchase orders raised for goods, works or services for the quarter

- 465 were local; and
- 349 were non-local

There was an overall spend of \$3,105,346 broken down as follows:

- Local spend \$4,704,201.12; and
- Non-local spend \$4,022,244.33

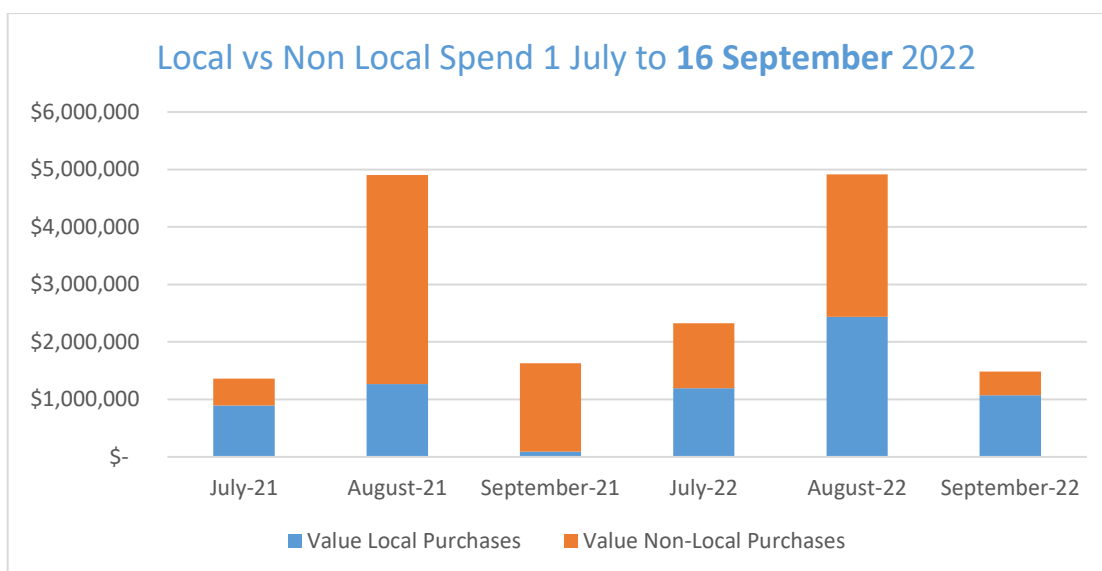
A total of 57% were local purchases and 43% were non-local purchases for goods, works or services. Non-local purchases for this period were reviewed and were for the following reasons:

- Specialised products or services
- Training/Conferences/Meetings/Accommodation
- Membership/Subscription/Contribution renewals
- Tendered works/services
- Advertising
- Tendered Contracts
- Software Maintenance
- PLAN SA online lodgement fees
- Employment screenings
- Vehicle Registration Searches

The following tables represent local vs non-local purchase order number and value comparison for 1 July to 16 September and includes a comparison with the previous year.

2022	July	August	September	Total
Local Purchases	213	160	92	465
Non-Local Purchases	137	137	75	349
Value Local Purchases	\$1,194,779	\$2,439,686	\$1,069,737	\$4,704,201
Value Non-Local Purchases	\$1,130,235	\$2,474,463	\$417,546	\$4,022,244

2021	July	August	September	Total
Local Purchases	137	147	59	343
Non-Local Purchases	111	114	35	260
Value Local Purchases	\$897,031	\$1,269,286	\$94,277	\$2,260,593
Value Non-Local Purchases	\$462,641	\$3,636,045	\$1,536,724	\$5,635,410



Non-local spend for the quarter included the following tendered works:

- Whyalla Airport – Continuation of Security Screening Services
- Continuation of Current Contracts
- Bennett/Memorial Oval Lighting - Variation re Removal of old boards & installation of Lighting Distribution Boards
- Continuation of Operation & Management of the Whyalla Health & Leisure Centre
- Variation to Apron & Taxiway Lighting
- Foreshore Pod Site Layout Changes

Procurement Review

Work on the current Procurement Review has continued, with many of the draft documents recently being provided to administration from Procurement Services SA. These documents are currently under review with the recommended changes to be presented to the Executive Committee over the coming months before being put into place. The changes will include a review of the Procurement Policy which will be presented to the newly elected Council. The suggested changes are in line with the information presented to the July Audit Committee Meeting.

Legislation

Local Government Act (SA) 1999

Officer Direct or Indirect Interest – Nil

Risk Assessment

Non-compliance with the Procurement Policy and Local Government Act (SA) 1999 may expose Council to reputation and financial risks.

Social Considerations – Nil

Community Engagement – Nil

Environmental Implications – Nil

Communication - Nil

Conclusion

57.13% of purchase orders raised during the period 1 July to 16 September 2022 were for goods and services from local suppliers.

6.2 CORPORATE

6.2.6 Audit Committee Annual Report to Council

Audit Committee 4 October 2022
Author's Title: Manager Governance **File No.:** 2-20
Directorate: Corporate Services

Annexures

- A Draft 2021/2022 Audit Committee Annual Report to Council
- B Current Audit Committee Terms of Reference
- C Draft New Audit Committee Terms of Reference

Officer Direct or Indirect Conflict of Interest:

In accordance with Local Government Act 1999, Section 120

☐

Yes

☒

No

Status:

Information classified confidential under Section 90(2) of the Local Government Act

☐

Yes

☒

No

Reason – Not applicable

PURPOSE

To provide a draft 'Audit Committee Annual Report to Council' for Committee Member's feedback prior to its presentation to Council at the 17 October 2022 Ordinary Council meeting.

SUMMARY

Clause 9.7 of the Committee's Terms of Reference provides that the Committee shall '*at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval*'.

After reviewing the Committee's operations during the 2021/2022 financial year, it is noted that the Committee's operations were in alignment with its Terms of Reference and the requirements of the Local Government Act 1999.

RECOMMENDATION

The Audit Committee:

1. Receive and note the "Audit Committee Annual Report to Council" report; and
2. Provides feedback on the outline and content to be included in the 2021/2022 Audit Committee Annual Report to Council provided at Appendix A to this report; and
3. Requests the Chair of the Audit Committee finalise the Annual Report on the Committee's behalf on the feedback received and when finalised refer the report '2021/2022 Audit Committee Annual Report' to Council at the 17 October 2022 Ordinary Council Meeting.

REPORT

BACKGROUND

This report provides an outline for the Audit Committee's annual report to Council detailing the Committee's activities for the last twelve months.

DISCUSSION

Presenting an annual report to Council from the Audit Committee outlining the Committee's activities during the previous year is an important communication tool with the Council in addition to the minutes received after each meeting.

Committee Activities

Provided at Annexure A is a draft outline of the Audit Committee Annual Report to the Whyalla City Council for 2021/2022 which has been populated with information relating to the key items considered by the Committee during the year.

Feedback will be sought from Committee Members during the meeting as to the content of the report following which it is recommended that the Committee's Chair be authorised to finalise the report on the Committee's behalf. The Report will then be submitted to Council for consideration at their 17 October 2022 meeting.

Review of Performance

For this year's review of the Audit Committee's performance, it is proposed that a brief workshop be held during the meeting to obtain Members' feedback for inclusion in the Annual Report to Council. A series of questions will be asked during the meeting to facilitate this process such as:

1. Does the Audit Committee have access to appropriate resources to ensure it functions effectively?
2. Does the Committee provide effective support to the Council in fulfilling its responsibility and adding value to the Council?
3. Do meetings allow Committee members to raise any issue they believe relevant?
4. Does the Audit Committee have effective mechanisms to understand and gain confidence over key systems of governance including financial management, internal controls, risk management and compliance?
5. The Committee's views on Council's long term financial sustainability and maturity in terms of risk management.

Terms of Reference

The Committee's current Terms of Reference are included at Annexure B for information purposes. Changes to section 126 of the *Local Government Act 1999* due to come into effect in November 2023 requires a complete re-write of this document to ensure compliance with the new provisions, including a change to Committee's the composition. An early draft of a new Terms of Reference compliant with the new provisions is provided at Annexure C for any feedback that the Committee might have.

Financial Implications - Nil

Strategic Plan

Objective 1.1 – Unearth community pride within the city

Strategy 1.1.1 – Regularly inform the community of Council activities, decisions and actions

Promote positive stories, positive image

Articulate the positive approach the city takes

Legislation – Local Government Act SA 1999, Section 126 specifies the functions of an Audit Committee.

Officer Direct or Indirect Interest – Nil

Risk Assessment – Not applicable

Social Considerations – Not applicable

Community Engagement – Not applicable

Environmental Implications – Not applicable

Communication – Not applicable

Conclusion

Presenting an annual report to Council from the Audit Committee outlining the Committee's activities during the previous year in an important communication tool with the Council in addition to the minutes received after each meeting.

2021/22 Audit Committee Annual Report to the Whyalla City Council

Introduction

Clause 9.7 of the Audit Committee Terms of Reference provides that the Committee shall report annually to the Council detailing a review of its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and to recommend changes it considers necessary to the Council for approval.

This report provides an overview of the Committee's operations in 2021/22 as well as a brief indicator of the Committee's focus for the next 12 months. It includes:

- a summary of the Committee's performance during the year through:
 - details of the Committee's activities, aligned to the Committee's Terms of Reference and work program;
 - details of meetings, including the number of meetings held during the period and the number of meetings attended by each member;
 - commentary on the Committee's reflection on its performance for the year ending 30 June 2022
- a brief indicator of the Committee's focus for 2022/23.

The report is intended to invite comment from the Council on all the above. In so doing, as provided for under the *Local Government Act 1999* and the Committee's Terms of Reference, a summary of the Committee's role is:

- review annual financial statements to ensure that they fairly present the state of affairs of Council;
- propose, and contribute relevant information to, a review of Council's Strategic Management Plan or Annual Business Plan;
- propose and review the exercise of powers in relation to "other investigations" as specified under Section 130A of the *Local Government Act 1999* (e.g. the conduct of efficiency and economy audits);
- oversee Council's relationship with the external auditor and liaise with Council's auditors as needed;
- review Council's arrangements for its employees to raise concerns in confidence about possible wrongdoing in financial reporting or other matters. These arrangements are under in accord with the *Public Interest Disclosure Act 2018*;
- monitor and review the effectiveness of Council's internal audit function in the context of Council's overall risk management systems; and
- reviewing the adequacy of Council's accounting, internal control, risk management systems, reporting and other financial management systems and practices on a regular basis.

Summary of the Committee’s Performance During the Year

Committee Activities

This section outlines significant items brought before the Committee for consideration during the year.

Risk Management

During the period, significant effort has been placed on relaunching Council’s approach to risk management with the review of Risk Appetite Statements and Council’s Risk Framework and Policy.

Financial Management and External Audit

The following is a summary of work progressed by the Committee during 2021/22 in the key focus area of financial management and external audit:

- 2020/21 end of year financial statements – the committee undertook a detailed review of the draft 2020/21 financial statements and questioned the auditor and staff on various items in the financial report. After receiving satisfactory responses, the Committee recommended to Council the adoption of the financial statements. After satisfying himself of the independence of the auditor the, Presiding Member of the Committee signed the certificate of auditor independence.
- 2022/23 Annual Business Plan and Budget – the Committee reviewed and recommended to Council the process and parameters to be used for the development of the draft 2022/23 Annual Business Plan and Budget.

The Committee reviewed the draft 2022/23 Annual Business Plan and Budget and recommended it to Council for public consultation. As part of this recommendation the Committee strongly recommended that Council undertake further work in developing plans to improve Council’s long term financial sustainability. This was part of the consultation undertaken with the community, with a discussion around maintaining current services while Council looks to secure external funding to be able to take advantage of the opportunities currently arising.

- Quarterly budget reviews – the Committee considered the impact of the three quarterly budget reviews for 2021/22 and recommended them to Council for adoption. In addition, the financial results for 2020/21 were considered along with the financial statements, outlining all material variations between the original adopted budget and the audited actuals.
- Internal Financial Controls – the committee reviewed the framework for undertaking internal financial control self-assessments.

The Committee reviewed the outcome of the first self-assessment process, noting the outcomes and the areas for improvement.

- Policy Reviews – the Committee reviewed a number of Finance policies and recommended them to Council for adoption, including the Asset Accounting Policy; Corporate Credit Card Policy; Entertainment and Hospitality Policy; Internal Financial

Control Policy; Treasury Management Policy and a number of policies related to being a water retailer.

- Interim External Audit – the Committee considered the first Management Report issued by Council’s external auditor Dean Newbery. This included a number of recommended improvements for Council, but no areas of concern that would lead to the issue of a qualified opinion. The Audit Committee is providing oversight in the implementation of these recommendations.

Other Items

A number of other activities were undertaken by the Committee, including:

- A review of the proposed changes to *Local Government Act 1999* to assist with providing feedback to the Office of Local Government.
- A review of the updated Corporate Reporting Framework, to improve the information being provided to Council for decision making.
- Reviewing performance against Council’s Procurement Policy on a quarterly basis.

Details of Meetings Held

During the 2021/22 financial year, a total of five (5) Audit Committee meetings were held on the following dates:

19 July 2021

27 September 2021

8 February 2022

4 April 2022

9 May 2022

Audit Committee attendance at meetings during the year was:

Member	Number of Meetings Eligible to Attend	Number of Meetings Attended
Mr Alan Rushbrook (Independent Member and Chair)	5	5
Mayor Clare McLaughlin (Council Member representative)	5	3
Cr Soto Stuppos (Council Member Representative)	5	5
Cr Irene Adair (Council Member Representative)	1	1
Cr Bill Simpson (Council Member Representative)	3	3

Mr Peter Klobucar (Independent Member)	5	5
--	---	---

Cr Adair resigned from the Audit Committee prior to the meeting held 27 September 2021. The audit committee had a vacant position for the meeting 27 September 2021.

Audit Committee Self-Assessment Outcomes

[insert self-assessment outcomes]

Review of the Committee’s Constitution and Terms of Reference

[insert review outcomes]

Future Work Program

Major items for the Committee to review and provide comment and feedback on during 2022/23 include:

- Discussing and advising on key governance practices and policies
- Discussing and advising on approaches to internal audit and the development of an internal audit plan aligned to Council’s risk profile
- Annual Business Plan and Budget
- Liaising with the Council’s external auditor on the end of year financial statements
- Review of the Audit Committee’s performance and operations
- Training and Development Framework

Alan Rushbrook
Chair
Whyalla City Council Audit Committee

Name of Committee	Terms of Reference	Membership	Review Date	Comments
Audit Committee	<p>The following comprise the Terms of Reference for Whyalla City Council's Audit Committee.</p> <p>Council to report the existence of Section 41 Committees on formation, and Committee to provide annual advice to Council of potential civil liability claims against the committee or its members.</p> <p>1. Members</p> <p>1.1 Members of the Committee shall be appointed by the Council. The Committee shall consist on two Independent Members and three Elected Members. Council may appoint a proxy in the event that an Elected Member cannot attend a meeting.</p> <p>1.2 Independent member(s) of the Committee shall have recent and relevant financial experience. The Presiding Member of the Council (shall) be a member of the Committee.</p> <p><i><u>Note:</u> That a person would not be considered independent if he or she was an employee or an existing or previous Elected Member of that Council. Subject to any codes of conduct adopted by Councils, this does not preclude an Elected Member or an employee of a Council from being a member of an Audit Committee of <u>another</u> Council.</i></p>	<p>Members</p> <p>1st Independent – Chair</p> <p>2nd Independent</p> <p>Mayor</p> <p>Councillor 1 Councillor 2 Councillor 3 – Proxy</p> <p>Staff Observers</p> <p>Chief Executive Officer</p> <p>Director Corporate</p> <p>Senior Finance Officer</p> <p>Corporate Strategy Business Partner</p>	First meeting – 6 May 2019	<p>The Committee is to meet <u>at least</u> three times per year.</p> <p>The Committee has power of recommendation only.</p> <p>Meetings to be held in the Council Chamber.</p> <p>Administrative support for Agenda, Minutes and correspondence to be provided by the Executive Assistant – Elected Body / Executive.</p>

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
	<p>1.3 Only members of the Committee are entitled to vote in Committee meetings, however, (other individuals such as the Chief Executive Officer, Finance Manager and if applicable the heads of risk, compliance and internal audit and representatives from the finance function) may attend any meetings as advisers or be responsible for preparing papers for the Committee. In accordance with the principles of open, transparent and informed decision-making, Committee meetings must be conducted in a place open to the public. The Agenda and Minutes of the Committee meetings, subject to any items that are discussed in confidence under the relevant legislative provisions, are also required to be made available to the public.</p> <p>1.4 Council's external auditors and internal auditors, may be invited to attend meetings of the Committee.</p> <p>1.5 Appointments of Elected Members to the Committee shall be for a period until the end of the term of the Council.</p> <p>1.6 Appointment of the Independent Member(s) shall be across 2 terms of Council but not exceed a period of 4 years without reappointment.</p> <p>1.7 The Council shall appoint the Independent Committee Chair for the term of their appointment not exceeding a period of 4 years.</p>			

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
	<p>2. Secretarial Resources</p> <p>2.1 The Chief Executive Officer shall provide sufficient secretarial resources to the Committee to adequately carry out its functions.</p> <p>3. Quorum</p> <p>3.1 The quorum necessary for the transaction of business shall be 50% of the number of members of the Committee plus one. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.</p> <p>4. Frequency of Meetings</p> <p>4.1 The Committee shall meet <u>at least</u> three times a year at appropriate times in the reporting and audit cycle.</p> <p>5. Notice of Meetings</p> <p>5.1 Ordinary meetings of the Committee will be held at times and places appointed by Council or, subject to a decision of Council, the Committee. A Special Meeting of the Committee shall be called by the Chief Executive Officer at the request of its Presiding Member or any two members of the Committee.</p>			

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
	<p>5.2 Unless otherwise agreed, Notice of each meeting confirming the venue, time and date, together with an Agenda of items to be discussed, shall be forwarded to each member of the Committee and observers, no later than three clear days before the date of the meeting. Supporting papers shall be sent to Committee Members and to other attendees as appropriate, at the same time.</p> <p>6. Minutes of Meetings</p> <p>6.1 The Chief Executive Officer shall ensure that the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance are minuted.</p> <p>6.2 The Chief Executive Officer shall include on the Agenda the declaration by any Committee member, the existence if any conflicts of interest and minute them accordingly.</p> <p>6.3 Minutes of a meeting of the Committee shall be presented to the next meeting of the Council.</p> <p>6.4 Minutes of Committee meetings shall be circulated within five days after a meeting to all members of the Committee and members of the Council.</p>			

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
	<p>7. Role of the Committee</p> <p>7.1 <u>Financial Reporting</u></p> <p>7.1.1 The Committee shall monitor the integrity of the financial statements of the Council, including its annual report, reviewing significant financial reporting issues and judgments which they contain.</p> <p>7.1.2 The Committee shall review and consider where necessary:</p> <p>7.1.2.1 the consistency of improvement to and /or any changes to, accounting policies;</p> <p>7.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;</p> <p>7.1.2.3 whether the Council has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;</p> <p>7.1.2.4 the clarity of disclosure in the Council's financial reports and the context in which statements are made; and</p> <p>7.1.2.5 all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement insofar as it relates to the audit and risk management.</p>			

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
	<p>7.2 <u>Internal Controls and Risk Management Systems</u></p> <p>The Committee shall:</p> <p>7.2.1 Consider and make recommendations on the program of the internal controls and audit including the adequacy of resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.</p> <p>7.2.2 Ensure that appropriate policies, practices and procedures of internal control (and other financial and risk management systems) are implemented, reviewed and maintained in order to assist the Council to carry out its activities in an efficient and orderly manner to achieve its objectives.</p> <p>7.2.3 Review Council's risk management framework and monitor the performance of Council's risk management program.</p> <p><i><u>Note:</u> That it is important that the Audit Committee understand the business of the Council to appreciate the risks it manages on a daily basis, and to ensure that there are appropriate management plans to manage and mitigate this business risk. This will include insurance matters, financial reporting, legal and regulatory compliance, business continuity, and statutory compliance. This can be facilitated by discussions with the internal and external auditors and by presentations by management on how business risks are managed.</i></p>			

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
	<p>7.3 <u>Whistleblowing</u></p> <p>The Committee shall review the Council's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure these arrangements allow independent investigation of such matters and appropriate follow-up actions and are referred to Whyalla City Council's Whistleblowers Protection Policy.</p> <p>7.4 <u>Internal Audit</u></p> <p>The Committee shall:</p> <p>7.4.1 Monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management systems;</p> <p>7.4.2 Consider and make recommendation on the programme of the internal audit function and the adequacy of its resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.</p> <p><i><u>Note:</u> That this may include the review of the areas that have been identified for review and the frequency of review. The Committee should also monitor whether the function of internal audit has adequate standing and is free from management or other restrictions. Whilst internal audit focuses on a Council's systems and procedures, it is important that internal audit retains its independence and is not subject to any influence from management or Council that impedes its ability to report objectively.</i></p>			

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
	<p>7.4.3 Review all reports on the Council's operations from the internal auditors;</p> <p><i>Note: That the reports to the Audit Committee need not be the detailed reports that are presented to management for their review. Ordinarily a high level review report is all that is required detailing the work undertaken, the findings and management response.</i></p> <p>7.4.4 Review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and</p> <p>7.4.5 Where appropriate, meet the officer who undertakes the internal audit (internal or outsourced) at least once a year, without management being present to discuss any issues arising from the internal audits carried out. In addition, the officer / agent undertakes the internal audit shall be given the right of direct access to the Presiding Officer of the Council and to the Chairperson of the Committee.</p> <p>7.5. <u>External Audit</u></p> <p>The Committee shall:</p> <p>7.5.1 Develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter;</p>			

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
	<p>7.5.2 Consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;</p> <p>7.5.3 Oversee Council's relationship with the external auditor including, but not limited to:</p> <p>7.5.3.1 recommending the approval of the external auditor's remuneration, whether fees for audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted;</p> <p>7.5.3.2 recommending the approval of the external auditor's terms of engagement, including any engagement letter issued at the commencement.</p> <p>7.5.3.3 assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the auditor, including the provision of any non-audit services.</p>			

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
	<p>7.5.3.4 satisfying itself that there are no relationships such as family, employment, investment, financial or business between the external auditor and the Council other than in the ordinary course of business;</p> <p>7.5.3.5 monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and</p> <p>7.5.3.6 assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on the Audit Committee's own internal quality procedures;</p> <p>7.5.4 Meet as needed with the external auditor. The Committee shall meet the external auditor at least once a year, without management being present; to discuss the external auditor's report and any issues arising from the audit;</p> <p>7.5.5 Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement;</p>			

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
	<p>7.5.6 Review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:</p> <p>7.5.6.1 a discussion of any major issues which arose during the external audit;</p> <p>7.5.6.2 any accounting and audit judgments; and</p> <p>7.5.6.3 levels of errors identified during the external audit.</p> <p>7.5.7 The Committee shall review the effectiveness of the external audit.</p> <p>7.5.8 Review any representation letter(s) requested by the external auditor before they are signed by management;</p> <p><i>Note: That these representation letters are a standard practice of any audit and provide the auditor confirmation from management, (in particular the Senior Financial Officer) that, amongst other matters, accounting standards have been consistently applied, that all matters that need to be disclosed have been so disclosed and that the valuation of assets has been consistently applied.</i></p> <p>7.5.9 Review the management letter and management's response to the external auditor's findings and recommendations.</p>			

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
	<p>7.6 <u>Economy and Efficiency Audits</u></p> <p>7.6.1 To monitor and review any report resulting from the exercise of powers under Section 130A of the Local Government Act. To examine any matter relating to financial management, or the efficiency and economy with which the Council manages or uses its resources to achieve its objectives and make recommendations to Council regarding outcomes and proposed actions.</p> <p>8. <u>Reporting Responsibilities</u></p> <p>8.1 The minutes of the proceedings of the Audit Committee will be circulated to all Council members. If requested by Council, the Committee Chair shall report to the Council, either in writing as a Presiding Member's report or verbal.</p> <p>8.2 The minutes will also, after confirmation, be made available to the public:</p> <p>8.3 The Presiding Member may attend a Council meeting at any time that the Presiding Member sees fit to discuss any issue or concern relating to the Audit Committee's responsibilities. Depending on the nature of the matter, this may be held in confidence in accordance with Section 90 of the Local Government Act 1999 and staff may be requested to withdraw from the meeting.</p>			

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
	<p>The Committee shall:</p> <p>9.1 Have access to reasonable resources in order to carry out its duties;</p> <p><i><u>Note:</u> That this is subject to any budget allocation being approved by Council.</i></p> <p>9.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;</p> <p>9.3 Give due consideration to laws and regulations of the Local Government Act, 1999;</p> <p>9.4 Make recommendations on co-ordination of the internal and external auditors;</p> <p>9.5 Oversee any investigation of activities which are within its terms of reference; and</p> <p>9.6 Oversee action to follow up on matters raised by the external auditors;</p> <p>9.7 At least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.</p>			

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
	<p>9.8 Independent members of the committee are entitled to a sitting fee, as set by Council, where the presiding member is an independent member, a higher sitting fee, as set by Council, will apply.</p> <p>10. Authority</p> <p>10.1 To seek any information it requires from any employee of the Council (after advising the CEO) in order to perform its duties;</p> <p>10.2 To obtain, at the Council's expense, (after consultation with the CEO) outside legal or other professional advice on any matter within its terms of reference.</p>			

DRAFT AUDIT AND RISK COMMITTEE TERMS OF REFERENCE



1. ESTABLISHMENT

- 1.1** The Audit and Risk Committee (the Committee) is a formally constituted Committee of Council pursuant to [sections 41](#) and [126](#) of the *Local Government Act 1999* and operates as an independent and objective advisory Committee to Council.

2. OBJECTIVES

- 2.1** The primary objective of the Committee is to add value through the provision of independent advice and assurance to Council on accounting, financial management, internal controls, risk management and governance matters.
- 2.2** It will ensure that the resources of the City of Whyalla are being used efficiently and effectively, and will assist Council accomplish its objectives by contributing to a systematic and disciplined approach to evaluating and improving the effectiveness of financial and risk management, control, and governance processes.
- 2.3** As part of Council's governance obligations to the community, Council has constituted the Committee to facilitate:
- 2.3.1** Oversight of relevant activities to facilitate achieving City of Whyalla's objectives in an efficient and orderly manner.
 - 2.3.2** Enhancing the credibility and objectivity of internal and external financial reporting.
 - 2.3.3** Effective management of risk and the protection of Council assets.
 - 2.3.4** Compliance with laws and regulations as well as use of best practice guidelines.
 - 2.3.5** The effectiveness of internal audit and maintaining a reliable system of internal control.
 - 2.3.6** The provision of an effective means of communication between the external auditor, any internal audit function, management/administration, and Council.
 - 2.3.7** The continuous development and review of Council's ethical practices.

3. MEMBERSHIP

- 3.1** The Committee will comprise:

- 3.1.1** Two independent persons who are not members of any council
- 3.1.2** 1 Council Member (who is not the Mayor)

- 3.2** Members of the Committee (when considered as a whole) will have skills, knowledge and experience in financial management, risk management and governance.

- 3.3** The Chair of the Committee will be appointed by Council from one of the two independent members.

- 3.4** In the absence of the Chair, the second independent member will act as Chair.

DRAFT AUDIT AND RISK COMMITTEE TERMS OF REFERENCE



4. INDEPENDENT MEMBERS:

- 4.1 The term of an independent member will be xx years or as otherwise determined by Council to facilitate appointments being made on a rotational basis, which in turn will ensure succession planning and continuity of membership despite changes to Council's elected representative.
- 4.2 Council may resolve to re-appoint an independent member.
- 4.3 If Council proposes to remove an independent member from the Committee, it must give written notice to the independent member of its intention to do so and provide that independent member with the opportunity to be heard at a Council meeting which is open to the public if that independent member so requests.
- 4.4 Remuneration will be paid to each independent member of the Committee to be set by Council from time to time.
- 4.5 At a minimum, the remuneration paid to the independent member will be reviewed within 12 months from the date of a Council (periodic) election.

5. COUNCIL MEMBER REPRESENTATIVE

- 5.1 The term of the Council Member representative will be xx years.
- 5.2 Council may appoint a proxy for the Council Member representative to attend meetings in the event the Council Member representative is unavailable.
- 5.3 No additional allowance will be paid to the Council Member representative (or proxy) over and above the allowance already received by the Council Member.
- 5.4 The Council Member representative will raise matters (within the scope of the Committee's Terms of Reference) with the Committee, on behalf of Council and act as a conduit of information between Council and the Committee, and the Committee and Council.
- 5.5 The Council Member representative will provide a verbal report to Council on the key matters and recommendations from the Committee meeting when the minutes and / or Committee recommendation reports are presented to Council for adoption.
- 5.6 The Council Member representative will provide a report to the Committee on any Council decisions or discussions that are relevant to the Committee's Terms of Reference

6. BASIS FOR OPERATION

- 6.1 The Committee's role is to report to Council and provide appropriate advice and recommendations on matters relevant to the Committee's Terms of Reference.
- 6.2 The City of Whyalla considers that the ability of the Committee to operate in a manner that adds value and also maintain independent judgement is vital.
- 6.3 Council or the Chief Executive may refer any matter to the Committee within its Terms of Reference.
- 6.4 A quorum for a meeting of the Committee shall be two, being at least one independent member and the Council Member representative or their proxy.
- 6.5 The Chief Executive Officer will be in attendance at all meetings except when the Committee is meeting on a confidential basis with Council's auditor.
- 6.6 The Committee will review its performance on a bi-annual basis to ensure the continual improvement to its performance.
- 6.7 Representatives of Council's auditor will be invited to attend meetings at the discretion of the Committee but must attend meetings at which there will be consideration of the annual financial report and results of the external audit.

DRAFT AUDIT AND RISK COMMITTEE TERMS OF REFERENCE



- 6.8 The Committee will meet with both the external auditor and internal auditor (if appointed) without management present at least once per year.
- 6.9 The Chief Executive Officer will ensure appropriate support is provided to Committee Meetings
- 6.10 The Committee shall hold at least one meeting in each quarter.
- 6.11 The time and place for the conduct of meetings will be determined by the Committee provided that all meetings will be held in a public environment within a City of Whyalla building.
- 6.12 The Committee will consider and determine its own meeting practice, processes and procedures within the parameters of the Local Government Act 1999 and the [Local Government \(Procedures at Meetings\) Regulations 2000](#).
- 6.13 An annual schedule of meetings will be developed and agreed to by the Committee members. This schedule of meetings may include at least one joint workshop with the Council and the Committee
- 6.14 Additional meetings shall be convened at the discretion of the Chair, or at the written request of Council or any member of the Committee, or external or internal auditor.

7. REPORTING

- 7.1 A copy of all agenda and reports forwarded to the Committee will also be forwarded to all Council Members for information prior to the conduct of the Committee meeting.
- 7.2 The Committee will provide a report to the Council after each meeting summarising the work of the Committee during the period preceding the meeting and the outcomes of the meeting. This report may be in the form of the minutes of the meeting, and will be forwarded to the next General Council meeting that is not being held on the same day as the Audit Committee meeting.
- 7.3 Where the Committee makes a recommendation to Council on a matter within the scope of its Terms of Reference, the matter will be listed as a separate agenda item for consideration by Council at the next General Council meeting that is not being held on the same day as the Audit Committee meeting.
- 7.4 The Committee shall report annually to the Council, summarising the activities of the Committee during the previous year.
- 7.5 The Committee's annual report will be included in the Council's annual report for the period to which it relates.

8. AUTHORITY

- 8.1 The Committee through the Chief Executive Officer is authorised to seek any information or obtain expert (including legal) advice on matters of concern with the scope of its responsibilities and in order to perform its duties.

DRAFT AUDIT AND RISK COMMITTEE TERMS OF REFERENCE



9. FUNCTIONS

- 9.1** The Committee will meet its objectives and discharge its duties through the following activities:
- 9.2** Reviewing annual financial statements to ensure that they present fairly the state of affairs of the council and
- 9.3** proposing, and providing information relevant to a review of the council's strategic management plans or annual business plan; and
- (c) monitoring the responsiveness of the council to recommendations for improvement based on previous audits and risk assessments, including those raised by a council's auditor; and
 - (d) proposing, and reviewing, the exercise of powers under section 130A; and
 - (e) liaising with the council's auditor in accordance with any requirements prescribed by the regulations; and
 - (f) reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis; and
 - (g) —
 - (i) if the council has an internal audit function—
 - (A) providing oversight of planning and scoping of the internal audit work plan; and
 - (B) reviewing and commenting on reports provided by the person primarily responsible for the internal audit function at least on a quarterly basis; or
 - (ii) if the council does not have an internal audit function, reviewing and commenting on an annual report provided by the chief executive officer in relation to the policies and processes adopted by the council to evaluate and improve the effectiveness of its internal control practices and procedures; and
 - (h) reviewing and evaluating the effectiveness of policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks on a regular basis; and
 - (i) reviewing any report obtained by the council under section 48(1); and
 - (j) performing any other function determined by the council or prescribed by the regulations.